FINANCIAL STATEMENTS

THE MOST PROGRESSIVE

As we reflect on a year of strong performance, we highlight those considerate and disciplined decisions that enabled us to deliver the most progressive financial outcomes. Our focus has always been on driving sustainable growth not only for the organisation and its shareholders, but for every customer who entrusts us with securing their future and supporting their progress.

FINANCIAL CALENDAR

	2025	2026
39th Annual General Meeting to be held on	N/A	Mar 31,2026
38th Annual General Meeting held on	Mar 28,2025	N/A
The first and final dividends for the year 2024/2025 paid / payable on	Apr 1,2025	Mar 30,2026
Audited financial statements of preceeding year authorized on	Feb 28,2025	Feb 27,2026
Interim financial statements published / will be published as per rule 7.4 of the Colombo Stock Exchange		
Interim results for the three months ended 31 March (Unaudited)	May 9,2025	May 15,2026
Interim results for the three months ended 30 June (Unaudited)	Jul 25,2025	Aug 14,2026
Interim results for the three months ended 30 September (Unaudited)	Nov 3,2025	Nov 13,2026
Interim results for the three months ended 31 December (Unaudited)	Feb 27,2026	Feb 26,2027

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Overview

The Directors have pleasure in presenting the Annual Report of your Company together with the audited financial statements for the year ended 31 December 2025.

Principal Activities

The principal activity of the Company, which is 'Life Insurance', remained unchanged during the financial year. The Company has not engaged in any activities which contravene laws and relevant regulations.

Vision, Mission and Corporate Conduct

The corporate vision and mission are provided on page 13 of this report. In achieving its vision and mission, the Company has ensured that all Directors and employees conduct their activities in compliance with the highest level of ethical standards and integrity as set out in the Code of Conduct.

Review of Business and Future Developments

A review of the financial and operational performance and future business developments of the Company is contained in the Chairperson's review, Chief Executive Officer's review and the Management Discussion and Analysis section of the Annual Report, as required under Section 168 (1) (a) of the Companies Act No 07 of 2007 ('Companies Act'). These reports form an integral part of the report of the Directors and together with the audited financial statements reflect the state of affairs of the Company.

Financial Statements and Auditors' Report

The financial statements for the year ended 31 December 2025 have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements duly signed by the Directors are provided on pages 253 to 350 and the Auditors' Report on the financial statements is provided on pages 248 to 251 of this Annual Report.

Financial Results and Appropriations

A synopsis of the performance is presented below;

For the year ended 31 December Union Assurance PLC	2025 Rs. '000	2024 Rs. '000
Profit after tax	**3,369,914**	3,741,218
Balance brought forward from the previous year	**12,398,147**	13,805,444
Profit available for appropriations	**15,768,061**	17,546,662
Appropriations		
Dividend paid for previous year	**(2,946,428)**	(5,156,250)
Transfer from revaluation reserve	**7,735**	7,735
Transfer of defined benefit plans of equity accounted investee from other capital reserve	**(6,086)**	-
Un–appropriated profit carried forward	**12,823,282**	12,398,147

Accounting policies

Details of accounting policies are presented on Pages 260 to 350 to the financial statements and comply with Section 168 (1) (d) of the Companies Act. There have been no changes in the accounting policies adopted by the Company during the year under review. For all periods up to and including the year ended 31 December 2025, the Company prepared its financial statements in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) which have materially converged with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Revenue

The total gross written premium generated by the Company for the year 2025 was Rs. 25,750 million (2024 – Rs. 21,647 million).

Provision for Taxation

The Company is liable to income tax at 30% in 2025 (2024 – 30%) in terms of the Inland Revenue Act, No. 24 of 2017 and amendments thereto. The tax position of the Company is disclosed in Note 22 to the financial statements on page 301.

Profit and Appropriations

The net profit after tax of the Company was Rs. 3,370 million for the year (2024 - Rs. 3,741 million).

The total comprehensive income net of tax of the Company was Rs.2,629 Mn (2024 - Rs. 4,647 Mn).

Dividends and Reserves

The Board of Directors has declared a first and final dividend of Rs. 5.00 per share on the 27 February 2026 for the year ended 31 December 2025, (2024 – 2,946 Mn). The dividend will be paid in March 2026 to those shareholders on the register as of 11 March 2026. The Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 56 of the Companies Act and has obtained a certificate from the auditors prior to declaring the dividend. The dividend is paid out of retained earnings of the Company.

Capital Expenditure

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 339 million. The carrying value of property, plant and equipment as at 31 December 2025 was Rs. 3,384 million (2024 - Rs. 3,020 million). The details of property, plant and equipment are shown in Note 27 to the financial statements on page 310.

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 6,932 million. The carrying value of intangible assets was Rs. 7,275 million as at the reporting date (2024 - Rs. 785 million). The details of intangible assets are shown in Note 26 to the financial statements on page 308.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Valuation of Land and Buildings

The land and building owned by the Company at No. 6, Rajapihilla Road, Kurunegala and at No. 20, St. Michael's Road Colombo 03 were revalued as at 31 December 2025 to reflect its market value as per Company policy.

The revaluation was performed by Mr. P B Kalugalagedera, Independent Chartered Valuation Surveyor. The details of the revaluation and relevant accounting policies are provided in Note 27 to the financial statements on page 310.

Investments

Details of investments held by the Company are disclosed in Note 30 to the financial statements on page 318.

Stated Capital and Reserves

In compliance with the Companies Act, the financial statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital. The stated capital of the Company as at 31 December 2025 was Rs. 1,000 million (2024 - Rs. 1,000 million) and the total capital and reserves was Rs. 23,373 million (2024 - Rs. 23,668 million).

As explained in Note 37 on page 330, based on the directions issued by IRCSL dated 20 March 2018 and subsequent approval, the Company has transferred the one – off surplus of Rs. 3,382 million attributable to non-participating fund and non-unit fund of unit linked business from life policyholder fund to life shareholder fund (SHF) through Income Statement as at 31 December 2017. The distribution of this one – off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one - off surplus in the SHF is invested in government debt securities as per the directions of the IRCSL.

Share Information

Information relating to earnings, dividends, net assets and market value per share is given in the UA share performance on pages 91 to 95 of this report.

Share Holding

There were 2,958 registered shareholders, holding ordinary voting shares as at 31 December 2025 (2024 – 2,391). The distribution of shareholding including the percentage held by the public is given on page 94 of this report.

Substantial Shareholdings

The list of top twenty shareholders of the company and the percentages held by each of them as at 31 December 2025 is given on page 95 of this report, together with comparative shareholding as at 31 December 2024.

Equitable Treatment to All Shareholders

The Company has made every endeavor to ensure the equitable treatment of all shareholders and adopted adequate measures to prevent information asymmetry.

Information to Shareholders

The Board strives to be transparent and provide accurate information to shareholders in all published material. The quarterly financial information during the year has been sent to the Colombo Stock Exchange in a timely manner.

The Board of Directors

As at 31 December 2025 the Board of Directors of Union Assurance PLC consisted of following Directors, with diverse knowledge and experience. Brief profiles of the Directors are given in the Corporate Governance section on page 154 to 156.

Mr K N J Balendra - Chairperson /Non-Independent Non-Executive Director

Mr. S Rajendra – Non-Independent Non-Executive Director
(resigned w.e.f. 31 December 2025)

Mr. D P Gamlath – Non-Independent Non-Executive Director

Mr. D H Fernando - Independent Non-Executive Director

Mr. S A Appleyard - Independent Non-Executive Director

Mr. P T Wanigasekara - Independent Non-Executive Director

Ms. C M L D Bandaranaike – Independent Non-Executive Director

Mr. S A J S W Jayatilake - Non-Independent Executive Director

Appointment and Resignation of Directors

Ms. C. M. L. D. Bandaranaike was appointed to the Board as an Independent Non-Executive Director with effect from 28 April 2025.

Mr. S. A. J. S. W. Jayatilake has been appointed to the Board of Directors of the Company as an Executive Director of the Company with effect from 23 February 2026.

Mr. S Rajendra, Non Independent Non-Executive Director stepped down from the Board of Directors of the Company, consequent to his retirement from the John Keells Group on 31 December 2025.

Retirement and Re-Election / Re-Appointment of Directors

Retirement and Re-Election of Directors of the Company are given in the Proxy Form.

Responsibility of The Board

Details of responsibilities of the Board and the manner in which those responsibilities were discharged during the year are disclosed in the Corporate Governance section on page 172.

Review of Performance of The Board

The performance of the Board has been appraised through a formalized process in line with the processes and under the oversight of the Nominations and Governance Committee, where effectiveness of the Board, performance of the Chairperson, individual Directors, functioning of the Board Committees are assessed to ensure that the Board is operating efficiently and that it continues to meet the evolving needs of the Company.

Board Committees

The Board while retaining the overall responsibility and accountability for the management of the Company, has established Board committees to ensure enhanced oversight and effective governance over specific areas of the Company's operations. In compliance with the Corporate Governance requirements set out in the Listing Rules of the Colombo Stock Exchange (CSE), the Company has constituted Nominations and Governance Committee, Human Resources and Compensation Committee, and Related Party Transactions Review Committee with effect from 1 October 2024. The Board Audit and Compliance Committee of the Company was re constituted with effect from 1 October 2024. Further, the Chairpersons of these Committees are Independent Directors, and the Chairperson of the Board does not chair such Committees. Details of the committees, their mandates and composition are provided in the Corporate Governance section on pages 183 to 193.

Directors' Interests Register

The Company, in compliance with the requirements of the Companies Act, maintains an Interests Register.

The particulars of the Company's interest register are given below.

a) Directors' Interests in Transactions

The Directors of the Company have made general disclosures as provided for in Section 192 (2) of the Companies Act.

Arising from this, details of contracts in which they have an interest are provided in Note 48 on page 343 to the financial statements, under related party transactions.

b) Directors' Interests in Shares

The Directors' individual shareholdings in the Company are provided on page 94 of the Annual Report.

c) Share Dealings

There have been no share dealings by the Directors during the year.

d) Indemnities and Remuneration to Directors

Ms. C M L D Bandaranayake was appointed as an Independent Non-Executive Director to the Board with effect from 28 April 2025 at the standard Non-Executive Director fees approved by the Board for Non-Executive Directors, which fees are commensurate with the market complexities of the Company.

Directors' remuneration is established within a framework approved by the Human Resources and Compensation Committee of the company.

The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The remuneration of the Non – Executive Directors is determined according to scales of payment decided upon by the Board. Details of Directors' fees and emoluments paid during the year along with the corresponding amounts for the previous year are set out in Note 21 of the financial statements.

Directors' Declaration

The Directors declare that;

a) The Company has not engaged in any activity, which contravenes laws and regulations
b) The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested
c) The Company has made all endeavors to ensure the equitable treatment of shareholders
d) The business is a going concern
e) A review of the internal controls covering, financial, operational and compliance controls and risk management have been conducted, and the Directors have obtained reasonable assurance of their effectiveness and successful adherence therewith
f) The Company, being listed on the Colombo Stock Exchange (CSE), is fully compliant with the rules on corporate governance under the listing rules of the CSE
g) The Company is in compliance with the Code of Best Practice on Corporate Governance (2023) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) to the extent of business exigency and as required by the John Keells Group
h) Directors made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes, particularly to Listing Rules and applicable capital market provisions
i) The company has implemented a formal policy governing matters relating to the Board of Directors as required by the listing rules of the CSE and confirms compliance with such policy
j) The Directors and CEO of the Company satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange
k) The Independent Directors meet the independent criteria set out in the Listing Rules consequent to the annual determination
l) There are no waivers from compliance with the Policy on Internal Code of Business Conduct and Ethics
m) In compliance with the formal policy governing matters relating to the Board of Directors, Directors of the Company do not hold more than fifteen (15) directorships in listed companies.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Directors' Meetings

Details of Board meetings and Board subcommittee meetings are presented on page 178 of the Annual Report.

Directors' Responsibility For Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by Institute of Chartered Accountants of Sri Lanka (ICASL), Companies Act No 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Regulation of Insurance Industry Act No. 43 of 2000, Statement of Recommended Practice (SORP) issued by the ICASL and the Listing Rules of the CSE.

Related Party Transactions

There are no non-recurrent related party transactions which exceed the lower of 10% of equity or 5% of the total assets or recurrent related party transactions which exceed the lower of 10% of gross revenue of the Company.

Directors have disclosed the transactions with related parties in terms of Sri Lanka Accounting Standard LKAS 24 – Related Party Disclosures, in Note 48 to the financial statements and have complied with CSE Listing Rule 9.14. and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (C) of the Securities and Exchange Commission (SEC) Act.

Compliance with the Transfer Pricing Regulations

All transactions entered into with associated persons during the period are on an arm's length basis and are comparable with transactions carried out with non - associated persons.

Employment

The Company continued to implement appropriate human resource management policies to develop employees and optimize their contribution towards the achievement of corporate objectives. These policies and procedures ensure the equitable treatment of all employees. The Company also adopts equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical ability/ disability. Some of the processes and procedures adopted in this regard are mentioned in the Human Capital Report on pages 102 to 117. The number of persons employed by the Company as at 31 December 2025 was 821 (2024 - 737).

There were no material issues pertaining to employees and industrial relations of the Company during the year under review.

Code of Conduct

The Company demands impeccable standards of conduct from its Directors and employees in the performance of their official duties and in situations that could affect the Company's image. The Company has also implemented a code of conduct for field staff covering their responsibility, commitment and level of service to the client. During the year no material violations of the code was noted.

Equity and Inclusion Policy

The Company recognises the importance of diversity, equity and inclusion and the role it plays in ensuring workplace respect, organisational success and sustainability for all stakeholders. In this regard, it is committed to providing a working environment where all employees are included, their diversity is embraced and where their contributions are valued. The Company believes that its workforce should reflect the diversity of the communities in which its businesses operate and the diverse set of stakeholders it creates value for, within the organisation and with its partners and vendors, and that positive relationships with stakeholder groups, which are also diverse and inclusive, will enable businesses to further augment its diversity and growth journey.

Donations

There were no donations made during the year (2024 – Nil). These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

Corporate Social Responsibility

The Company manages a range of programmes towards its stakeholders in order to bring about sustainable development in all areas of business. The CSR initiatives are detailed in the Social and Relationship Capital section on pages 126 to 141.

Compliance with Laws and Regulations

The Company has complied with all applicable laws and regulations. A compliance checklist is signed off on a quarterly basis by responsible officers and any violations are reported to the Board Audit and Compliance Committee. Refer pages 209 to 223 for the statement of compliances.

Risk Based Capital (RBC) Requirement

With effect from 1 January 2016, all insurance companies were required to maintain a capital amount as computed under the risk based capital framework introduced by the IRCSL or Rs. 500 million whichever is higher. From the first quarter of 2016 onwards, the Company reported RBC requirements on a quarterly and annual basis within the reporting timelines. Refer pages 227 to 228 for details on the RBC of the Company.

Enterprise Risk Management

The Board and the executive management of the Company have put in place a comprehensive risk identification, measurement and mitigation process.

The risk management process is an integral part of the annual strategic planning cycle.

The Board is satisfied that the process is sufficiently robust to identify and manage risks which have an impact on the Company's performance.

A detailed overview of the process is outlined in the Enterprise Risk Management report in the Corporate Governance section on page 230.

System of Internal Controls

The Board of Directors has put in place an effective and comprehensive system of internal controls covering financial, operational and compliance controls and has obtained reasonable assurance of their effectiveness.

SLFRS 17 Implementation

A Board subcommittee, 'SLFRS 17 steering committee' ensures the institutional strategic readiness in implementation of SLFRS 17. This committee advises the Board on institutional readiness, covering both tactical and strategic considerations.

In parallel, a robust project management team, comprising members from finance, actuarial, IT, and technical departments, demonstrates the company's commitment to SLFRS 17 success. This team adheres to the implementation project plan, conducting regular meetings to discuss advancements, assess risks, and address resource requirements.

Details of the committee are outlined in the Corporate Governance section on pages 192 to 193.

Integrated Corporate Reporting

The integrated annual report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The Board Audit and Compliance Committee has reviewed the framework presented in this Annual Report and based on their recommendation, the Board has adopted the framework as a transparent basis to report the Company's activities and results to all stakeholder groups. The Company obtained external assurance from its auditors on integrated and non-financial reporting during the year.

Corporate Governance

The Board of Directors is committed to maintaining an effective corporate governance structure and process. A more comprehensive report on corporate governance is found on pages 154 to 225.

Sustainability

The Company is aware of the need to pursue its business goals from a stakeholder perspective of business governance. Hence, through the structured stakeholder engagement process, the Company has identified material issues in relation to each stakeholder group and endeavours to achieve its business goals with due respect to all stakeholder needs. This integrated Annual Report, combining financial information with sustainability information aims to provide its stakeholders a more holistic set of information.

Messrs. KPMG has issued an assurance of the financial performance data disclosed and the content of the report which represents the Company's sustainability policies, objectives, management approach and performance, and as prepared under the requirements of the GRI Standard.

The Company has complied with SLFRS S1 and S2 disclosure requirements for the first reporting period (1 January 2025 to 31 December 2025), applying all the permitted transition reliefs. A Climate-First Reporting approach was adopted, with disclosures limited to climate-related risks and opportunities and no comparative information presented in the first reporting year. The company will fully report Scope 1 and Scope 2 GHG emissions and partially disclose Scope 3 emissions under the transition provisions. A more comprehensive report on sustainability is found on pages 27 to 42.

Environment Protection

Initiatives taken by the Company to preserve the environment are presented in the Natural Capital Report on pages 118 to 125. The Company has not engaged in any activity that is harmful to the environment.

Supplier Policy

The Company applies an overall policy of agreeing and clearly communicating terms of payments as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items properly charged in accordance with those agreed terms. As at 31 December 2025, the payments of the Company amounted to Rs. 5,850 million (2024 - Rs. 5,627 million).

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the government, other regulatory institutions and in relation to employees as at the reporting date have been paid or, where relevant provided for, except as detailed in Note 51 to the financial statements, relating to contingent liabilities.

Capital Commitments

There are no capital commitments other than disclosed in Note 49 to the financial statements.

Contingencies and Outstanding Litigation

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

Events After the Reporting Date

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than those disclosed in Note 50 to the financial statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Going Concern

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued jointly by the CA Sri Lanka and the SEC of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis is adopted in preparing the financial statements.

Auditors

The Company's external auditors during the period under review were Messrs. KPMG, Chartered Accountants. The fees paid or payable in respect of the services provided to the Company during the year 2025 and 2024 are presented below.

As at 31 December	2025 Rs. '000	2024 Rs. '000
Audit and audit related fees	7,535	6,301
Non audit fees	27,172	9,133

Independence of Auditors

Based on the declaration from Messrs. KPMG, Chartered Accountants and as far as the Directors are aware, the Auditors do not have any relationship or interest other than that of an Auditor of the Company.

Re-Appointment of Auditors

The retiring auditor Messrs. KPMG, Chartered Accountants have intimated their willingness to continue in office and a resolution to re - appoint them as Auditors and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Auditors' Report

Auditors' Report on the financial statements is given on page 248 to 251 of this annual report.

Approval of Financial Statements

The audited financial statements were approved by the Board of Directors on 27 February 2026. The appropriate number of copies of this report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

Annual General Meeting

The Annual General Meeting of the Company will be held as a virtual meeting, on 31 March 2026 at 2.00 p.m. The notice of the meeting relating to the 39th Annual General Meeting is given on page 394.

This Annual Report is signed for and on behalf of the Board of Directors by:

Krishan Balendra

K.N.J Balendra
Chairperson

D.P Gamlath
Director

Keells Consultants (Private) Limited
Secretaries

27 February 2026

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The financial statements of Union Assurance PLC as at 31 December 2025 are prepared and presented in compliance with the following;

- Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)
- Requirements of the Companies Act No. 7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995
- Statement of Recommended Practice (SORP) issued by the ICASL
- Listing rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date
- The Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto
- Code of Best Practice of Corporate Governance 2017 issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange commission of Sri Lanka
- Inland Revenue Act No.24 of 2017 and subsequent amendments thereto

Accordingly, the Company has prepared the financial statements which comply with SLFRSs / LKASs and related interpretations applicable for the year ended 31 December 2025, together with the comparative data as at and for the year ended 31 December 2024, where required, as described in the accounting policies.

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, unless otherwise stated in the notes accompanying the financial statements. There have been no changes in the accounting policies adopted by the Company during the year under review.

Significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our external auditors and the Board Audit and Compliance Committee (BACC).

We confirm that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report. We are responsible for establishing and maintaining internal controls and procedures to be designed under our supervision. We have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us and for safeguarding the Company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the Company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report and on an ongoing basis.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any significant fraud that involves management or other employees.

Whilst the Internal audit function of the Company continuously conducts internal audit checks, our external Internal Auditors (Deloitte) conduct periodic reviews to ensure that the internal controls and procedures are consistently followed. The financial statements were audited by Messrs. KPMG, Chartered Accountants, Independent Auditors.

The BACC pre - approves the audit and non - audit services provided by Messrs. KPMG, in order to ensure that the provision of such services does not impair KPMG's independence. The BACC also reviews the external audit plan, the internal audit plan, all internal audit reviews and management letters and follows up on any issues raised during the statutory audit as well as the internal audits. The BACC also meets with the external and internal auditors at a closed-door meeting without the presence of the management to review the effectiveness of the audits.

We confirm that the company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those arising in the normal course of conducting insurance business. We also confirm that the Company has complied with the following Insurance Regulatory Commission of Sri Lanka (IRCSL) requirements;

- All provisions in the RII Act No. 43 of 2000, and subsequent amendments there to, and all rules, regulations, determinations, directions issued by IRCSL; complied with all orders made by the Ministry of Finance and Planning under the RII Act, No. 43 of 2000
- Terms and conditions pertaining to reinsurance placements issued by IRCSL in terms of section 31(1) of the RII Act, No. 43 of 2000.
- All applicable circulars issued by IRCSL
- All provisions in the Financial Transactions Reporting Act, No. 06 of 2006
- Rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act, No. 06 of 2006
- Guidelines on Anti Money Laundering Programme for Insurers issued by IRCSL

Senath Jayatilake
Chief Executive Officer

Himani Weerasekera
Chief Financial Officer

27 February 2026

ACTUARY'S REPORT

27 February 2026

The Board of Directors
Union Assurance PLC
No 20, St. Michael's Road,
Colombo 03,
Sri Lanka

Actuarial Valuation of the Long-Term Insurance Business as at 31 December 2025

In accordance with the engagement letter dated 12 August 2025, Willis Towers Watson India Private Limited ("WTW", "we", "our" or "us"), has carried out an actuarial review of the valuation of long-term insurance liabilities of Union Assurance PLC's Long-Term Insurance Business as at 31 December 2025.

We hereby certify that:

1. Reasonable steps have been taken by the Company to ensure that data used for the actuarial valuation of the liabilities of the Long-Term Insurance Fund is complete and accurate.

2. Adequate and proper reserves have been provided as at 31 December 2025, for all liabilities in respect of the Long-Term Insurance Fund, taking into account all current and contingent liabilities as at that date.

3. The total long-term insurance provisions maintained within the life fund for conventional business is LKR84,566 million. The value of assets held in respect of conventional life business is LKR92,833 million. The surplus in respect of the conventional life business after making an allowance for a shareholder transfer of LKR3,345 million is LKR8,267 million. The cost of bonus for the participating business as at 31 December 2025 is LKR75 million and the shareholder transfer has been calculated as one-ninth of the cost of bonus. The remainder of the shareholder transfer for the conventional business has been made from the non-participating and universal life funds. The surplus in respect of the conventional business before shareholder transfer is LKR11,611 million.

4. The total long-term insurance provisions within the life fund for the non-unit liabilities in respect of unit-linked business is LKR30 million. The value of assets (other than assets backing unit-linked liabilities) held in respect of this business is LKR308 million. The surplus in respect of the unit-linked business after shareholder transfer is LKR278 million. Shareholder transfer in respect of Unit Linked business is LKR55 million as at 31 December 2025. The surplus in respect of the unit-linked business before shareholder transfer is LKR333 million.

5. The risk-based capital required under the Regulation of Insurance Industry Act No. 43 of 2000 is LKR16,599 million, and the Company's CAR (after allowing for the LKR3,400 million shareholder transfer) is 215%, compared to the regulatory minimum requirement of 120%.

6. We have undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of Union Assurance PLC as contemplated by SLFRS 4. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is determined following the principles laid out within the risk-based capital framework as prescribed by the IRCSL [the Solvency Margin (Risk Based Capital) Rules 2015]. Based on this test, we conclude that the long-term insurance provisions maintained within the life fund of Union Assurance PLC as per the audited accounts of the Company for the year ended 31 December 2025 are in excess of the liabilities computed in the above-mentioned manner.

Vivek Jalan

Vivek Jalan FIA
Managing Director
Head of Insurance Consulting & Technology, Indian Subcontinent

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CIN: U67190HR1996PTC051336

THE STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the Auditors in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007 is set out in the Report of the Auditors on pages 248 to 251. As per the provisions of the Companies Act No. 7 of 2007, the Directors are required to prepare, for each financial year and place before a general meeting, financial statements which comprise of;

- income statement and statement of profit or loss and other comprehensive income of the Company which present a true and fair view of the profit or loss of the Company for the financial year; and
- a statement of financial position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year; and
- a statement of changes in equity; and
- a statement of cash flows for the year ended and notes to the financial statements.

The Directors have ensured that, in preparing these financial statements;

- the appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained; and
- all applicable accounting standards in accordance with the Sri Lanka Accounting Standards (SLFRSs /LKASs) as relevant have been applied; and
- reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and
- it provides the information required by and otherwise complies with the Companies Act No. 7 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto and the Listing Rules of the Colombo Stock Exchange and requirements of any other regulatory authority as applicable to the Company.

The Directors have also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues, as were due and payable by the Company, as at the reporting date have been paid or, where relevant provided for, except as detailed in Note 51 to the financial statements, relating to contingent liabilities.

By Order of the Board

Keells Consultants (Private) Limited
Secretaries

27 February 2026

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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To the Shareholders of Union Assurance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Union Assurance PLC ("the Company"), which comprise the statement of financial position as at 31 December 2025, and the income statement, statement of profit or loss and other 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 policies and other explanatory information as set out on pages 253 to 350.

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 CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities

Refer to Note 42 (page 334) and Note 43 (page 340) to these financial statements.

Risk Description	Our Response
The Company has recognised insurance contract liabilities and insurance contract liabilities - unit linked amounting to Rs. 93,759 Mn and Rs. 808 Mn respectively as at 31 December 2025. The Company's insurance contract liabilities in total including unit-linked fund represent 91 percent of the Company's total liabilities. This is an area that involves significant management judgement and requires a number of key assumptions to be made over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. Economic assumptions, including risk-free rate, inflation, fund yield, and operating assumptions including mortality, morbidity, expense rate and expense inflation, lapse rates, paid-up rates and surrender rates are the key inputs used to estimate these long-term liabilities.	Our audit procedures among others included; • Assessing the competence, capabilities and objectivity of the Appointed Actuary and the Company's staff involved in the policyholders' liability valuation process. • Assessing the controls adopted by the Company to ensure that the data used for the valuation of the life fund is accurate and complete. • Assessing the Company's methodology for calculating the policyholder liabilities to be in line with the guidelines of the Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015). • Reconciling the movements in policyholder liabilities during the year with the movements in the financial results reported in separate funds. • Assessing the accuracy and completeness of the data used in the valuation of life fund by agreeing the relevant data elements to the original policy documents.

KPMG

Risk Description	Our Response

These liabilities are measured on a market- consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01 January 2016, issued under Sections 105 and 26 (I) of the Regulation of Insurance Industry Act, No. 43 of 2000.
 	
Accordingly, due to the value of the liability balance relative to total liabilities, subjectivity of the significant judgments involved and estimation uncertainty associated with the valuation, we considered insurance contract liabilities as a Key Audit Matter.
	• Involving our actuarial specialist to assist us in assessing the key assumptions, including those for morbidity, persistency, expense, fund yield and bonus rate, dividend rates, and lapse ratio (including consideration of policyholder behavior) by performing the following audit procedures;
	  ◦ checking the management basis and approach for developing the assumptions.
	  ◦ assessing whether the relevant assumptions are consistent with relevant industry, regulatory and other external factors including current economic conditions.
	  ◦ testing the assumptions used in the valuation.
	• Verifying the existence, market valuation of the financial investments and the related investment income in relation to the financial instruments attributed to the Unit- Linked Fund.
	• Assessing the adequacy of the disclosures in the financial statements.

IT System and Controls

Risk Description	Our Response
The financial reporting of the Company depends on the correct functioning of operational and financial IT systems. For example, interfaces between policy administration and financial reporting systems, automated controls that prevent or detect inaccurate or incomplete transfers of financial information, etc. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems and/or inappropriate changes being made to financial data or systems. This is an area of significant risk in our audit due to the dependency and complexity of the IT infrastructure and accordingly identified as a Key Audit Matter.	Our audit procedures among others included; • Assessing the governance and higher- level controls in place across the IT Environment, including the approach to policy design, review and awareness, and IT Risk Management practices. • Testing general IT controls involving restrictions on system access, permissions, and responsibilities of authorised users, the process for approving changes to the systems. • Obtaining an understanding and testing controls over specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements. • Testing manual compensating controls, such as reconciliations between systems and other information sources.

INDEPENDENT AUDITOR'S REPORT

KPMG

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.

Our opinion on the financial statements does not cover the other information and we will 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 judgment and maintain professional skepticism 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Act No 43 of 2000 and amendments thereof as far as appear from our examination, the accounting records of the company have been maintained in the manner required by the rule issued by the Insurance Regulatory Commission of Sri Lanka. So as to clearly indicate the true and fair view of the financial position of the company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 3272.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

27 February 2026

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INCOME STATEMENT

For the year ended 31 December	Note	Page	2025 Rs. '000	2024 Rs. '000	Change %
Gross written premium	9	294	**25,749,667**	21,646,969	19
Premium ceded to reinsurers	10	295	**(1,697,889)**	(1,491,725)	14
Net written premium			**24,051,778**	20,155,244	19
Other revenue					
Net investment income	11	295	**12,350,908**	11,756,691	5
Net realised gains	12	296	**1,307,593**	862,097	52
Net fair value gains	13	297	**1,998,775**	1,999,211	(0)
Other income	14	297	**52,635**	45,220	16
Gain from sale of equity accounted investee	29	317	**43,919**	-	100
Total other revenue			**15,753,830**	14,663,219	7
Total net revenue			**39,805,608**	34,818,463	14
Benefits, claims and expenses					
Net insurance benefits and claims paid	15	298	**(7,848,300)**	(6,692,988)	17
Net change in insurance claims outstanding	16	298	**18,653**	(24,942)	(175)
Change in insurance contract liabilities	17	299	**(15,483,115)**	(13,637,246)	14
Underwriting and net acquisition costs (net of reinsurance)	18	300	**(4,906,249)**	(4,000,274)	23
Other operating, administrative and selling expenses	19	300	**(5,837,709)**	(4,910,477)	19
Depreciation and amortisation	26/27/28	308/310/315	**(783,410)**	(661,573)	18
Total benefits, claims and expenses			**(34,840,130)**	(29,927,500)	16
Profit from operations			**4,965,478**	4,890,963	2
Share of results of equity accounted investee, net of tax	29	317	**203,792**	337,223	(40)
Profit before tax	21	301	**5,169,270**	5,228,186	(1)
Income tax expenses	22	301	**(1,799,356)**	(1,486,968)	21
Profit for the year			**3,369,914**	3,741,218	(10)
Earnings per share					
Basic (Rs.)	23	303	**5.72**	6.35	(10)
Diluted (Rs.)	23	303	**5.72**	6.35	(10)

The notes to the financial statements as set out on pages 260 to 350 form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	Page	2025 Rs. '000	2024 Rs. '000	Change %
Profit for the year			**3,369,914**	3,741,218	(10)
Other comprehensive income					
Items that will never be reclassified to income statement					
Gains on revaluation of land and buildings	27.1	312	**175,276**	-	
Share of net change in remeasurement loss on defined benefit plan of equity accounted investee, net of tax	29.1(a)	318	-	(2,565)	
Remeasurement loss on defined benefit plans	40.2	331	**(17,950)**	(13,631)	
			157,326	(16,196)	1,071
Items that are or may be reclassified subsequently to income statement					
Fair value reserve (available for sale financial assets)					
Net change in fair value of available for sale financial assets	39	331	**(121,489)**	339,110	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	29.1(a)	318	**15,112**	38,517	
Reclassification of company's share of accumulated other comprehensive income of equity accounted investee to the income statement			**(43,919)**	-	
Net change in fair value of available for sale financial assets transferred to the income statement	39.1	331	**(248,261)**	(45,813)	
			(398,557)	331,814	(220)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	39	331	**(460,335)**	698,251	
Net change in fair value of available for sale financial assets of insurance contract liabilities transferred to the income statement	39.1	331	**(39,293)**	(108,143)	
			(499,628)	590,108	(185)
			(898,185)	921,922	(197)
Other comprehensive income, net of tax			**(740,859)**	905,726	(182)
Total comprehensive income for the year, net of tax			**2,629,055**	4,646,944	(43)

The notes to the financial statements as set out on pages 260 to 350 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2025 Rs. '000	2024 Rs. '000
Assets				
Intangible assets	26	308	**7,274,896**	784,599
Property, plant and equipment	27	310	**3,383,567**	3,020,336
Right of use assets	28	315	**508,588**	590,235
Investment in equity accounted investee	29	317	**-**	2,419,176
Financial investments	30	318	**108,252,636**	95,567,444
Loans to life policyholders	31	326	**2,858,074**	2,651,478
Reinsurance receivable	32	327	**526,145**	418,852
Premiums receivable	33	328	**1,032,595**	1,066,641
Receivables and other assets	34	328	**1,714,282**	1,326,177
Cash in hand and at bank	35	329	**1,698,143**	1,614,403
Total assets			**127,248,926**	109,459,341
Equity and liabilities				
Equity				
Stated capital	36	330	**1,000,000**	1,000,000
Restricted regulatory reserve	37	330	**3,381,934**	3,381,934
Revaluation reserve	38	330	**2,722,901**	2,555,360
Available for sale reserve	39	331	**3,357,792**	4,255,977
Other reserves	40	331	**86,684**	76,573
Retained earnings	41	334	**12,823,282**	12,398,147
Total equity			**23,372,593**	23,667,991
Liabilities				
Insurance contract liabilities	42	334	**93,758,787**	78,399,507
Insurance contract liabilities - Unit Linked	43	340	**807,777**	792,176
Lease liabilities	44	340	**510,588**	606,916
Employee benefit liabilities	45	340	**284,384**	229,709
Reinsurance payables	46	343	**603,586**	587,668
Other liabilities	47	343	**7,712,135**	5,040,845
Bank overdraft	35	329	**199,076**	134,529
Total liabilities			**103,876,333**	85,791,350
Total equity and liabilities			**127,248,926**	109,459,341
Net Assets Per Share			**39.66**	40.16

The notes to the financial statements as set out on pages 260 to 350 form an integral part of these financial statements
I certify that the above financial statements comply with the requirements of the Companies Act No. 07 of 2007.

Himani Weerasekera
Chief Financial Officer

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

K N J Balendra
Chairperson

D P Gamlath
Director

Colombo
27 February 2026

STATEMENT OF CHANGES IN EQUITY

Rs. '000	Note	Stated capital	Reserves			Other reserves		Retained earnings	Total
			Restricted regulatory reserve	Revaluation reserve	Reserve on merger	Available for sale reserve	Other capital reserves		
Balance as at 1 January 2024		1,000,000	3,381,934	2,563,095	16,752	3,334,055	59,791	13,805,444	24,161,071
Profit for the year		-	-	-	-	-	-	3,741,218	3,741,218
Other comprehensive income for the year									
Net change in fair value of available for sale financial assets	39	-	-	-	-	293,297	-	-	293,297
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	39	-	-	-	-	590,108	-	-	590,108
Remeasurement loss on defined benefit plans	40.2	-	-	-	-	-	(13,631)	-	(13,631)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	39	-	-	-	-	38,517	-	-	38,517
Share of net change in remeasurement loss on defined benefit plan of equity accounted investee, net of tax	40.2	-	-	-	-	-	(2,565)	-	(2,565)
Total other comprehensive income, net of tax		-	-	-	-	921,922	(16,196)	-	905,726
Total comprehensive income for the year		-	-	-	-	921,922	(16,196)	3,741,218	4,646,944
Transactions with owners, transfers, recorded directly in equity									
Contributions and distributions									
First and final dividend 2023	24.2	-	-	-	-	-	-	(5,156,250)	(5,156,250)
Share based payments	40.3 (a)	-	-	-	-	-	16,226	-	16,226
Transfer from revaluation reserve to retained earnings	27.10	-	-	(7,735)	-	-	-	7,735	-
Total contributions and distributions		-	-	(7,735)	-	-	16,226	(5,148,515)	(5,140,024)
Balance as at 31 December 2024		1,000,000	3,381,934	2,555,360	16,752	4,255,977	59,821	12,398,147	23,667,991

The notes to the financial statements as set out on pages 260 to 350 form an integral part of these financial statements

Rs. '000	Note	Stated capital	Reserves					Retained earnings	Total
			Restricted regulatory reserve	Revaluation reserve	Reserve on merger	Other reserves			
						Available for sale reserve	Other capital reserves		
Balance as at 1 January 2025		1,000,000	3,381,934	2,555,360	16,752	4,255,977	59,821	12,398,147	23,667,991
Profit for the year		-	-	-	-	-	-	3,369,914	3,369,914
Other comprehensive income for the year, net of tax									
Net change in fair value of available for sale financial assets	39	-	-	-	-	(369,750)	-	-	(369,750)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	39	-	-	-	-	(499,628)	-	-	(499,628)
Gain on revaluation of land and buildings	27.1	-	-	175,276	-	-	-	-	175,276
Remeasurement loss on defined benefit plans	40.2	-	-	-	-	-	(17,950)	-	(17,950)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	39	-	-	-	-	15,112	-	-	15,112
Reclassification of company's share of accumulated other comprehensive income of equity accounted investee to the income statement	29	-	-	-	-	(43,919)	-	-	(43,919)
Total other comprehensive income, net of tax		-	-	175,276	-	(898,185)	(17,950)	-	(740,859)
Total comprehensive income for the year		-	-	175,276	-	(898,185)	(17,950)	3,369,914	2,629,055
Transactions with owners, transfers, recorded directly in equity									
Contributions and distributions									
First and final dividend 2024	24.2	-	-	-	-	-	-	(2,946,428)	(2,946,428)
Share based payments	40.3 (a)	-	-	-	-	-	21,975	-	21,975
Transfer of share of defined benefit plans of equity accounted investee from other capital reserve to retained earnings		-	-	-	-	-	6,086	(6,086)	-
Transfer from revaluation reserve to retained earnings	27.10	-	-	(7,735)	-	-	-	7,735	-
Total contributions and distributions		-	-	(7,735)	-	-	28,061	(2,944,779)	(2,924,453)
Balance as at 31 December 2025		1,000,000	3,381,934	2,722,901	16,752	3,357,792	69,932	12,823,282	23,372,593

The notes to the financial statements as set out on pages 260 to 350 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2025 Rs. '000	2024 Rs. '000
Cash flows from operations				
Insurance premiums received			**25,783,713**	21,631,772
Reinsurance premiums paid			**(556,625)**	(131,754)
Insurance benefits and claims paid	15	298	**(8,837,496)**	(7,696,259)
Reinsurance claims received	15	298	**989,196**	1,003,271
Payments to intermediaries to acquire insurance contracts			**(4,711,398)**	(3,981,172)
Cash paid to and on behalf of employees			**(2,539,133)**	(2,236,307)
Interest received			**10,862,602**	10,486,711
Dividends received			**245,122**	183,551
Other operating cash flows			**(4,346,105)**	(3,994,490)
Cash generated from operating activities	Note A	259	**16,889,876**	15,265,323
Interest paid			**(58,256)**	(53,838)
Income tax paid			**(1,706,740)**	(1,524,456)
Employee benefits paid	45.3.(a)	341	**(16,641)**	(25,437)
Net cash flow from operating activities			**15,108,239**	13,661,592
Cash flows used in investing activities				
Purchase of investments	30.7	326	**(54,987,269)**	(56,247,530)
Maturity proceeds of investments	30.7	326	**15,515,301**	13,414,782
Proceeds from sale of investments			**30,385,133**	35,424,368
Purchase of property, plant and equipment	27.1	312	**(338,546)**	(131,804)
Purchase of intangible assets			**(5,141,136)**	(54,560)
Proceeds from sale of Investment in equity accounted investee			**2,638,080**	-
Proceeds from sale of property, plant and equipment			**3,772**	3,050
Net cash used in investing activities			**(11,924,665)**	(7,591,694)
Net cash inflow before financing activities			**3,183,574**	6,069,898
Cash flows used in financing activities				
Dividends paid to equity holders of the Company			**(2,946,125)**	(5,156,250)
Settlement of lease liabilities			**(218,256)**	(150,689)
Net cash used in financing activities			**(3,164,381)**	(5,306,939)
Net increase in cash and cash equivalents			**19,193**	762,959
Cash and cash equivalents at the beginning of the year			**1,479,874**	716,915
Cash and cash equivalents at the end of the year	Note B	259	**1,499,067**	1,479,874

The notes to the financial statements as set out on pages 260 to 350 form an integral part of these financial statements

For the year ended 31 December	Note	Page	2025 Rs. '000	2024 Rs. '000
NOTE A.				
Reconciliation of profit before taxation with cash from operating activities				
Profit before tax			**5,169,270**	5,228,186
Non - cash items included in profit before tax				
Depreciation and amortisation	26.1/27.1/28.1	310/312/316	**783,410**	661,573
Provision for employee benefits	19.1	300	**53,366**	50,937
Provision for doubtful debtors	34.1(a)	329	**1,774**	2,717
Net realised gains	12	296	**(1,307,593)**	(862,097)
Net fair value gains	13	297	**(1,998,775)**	(1,999,211)
Gain on sale of property, plant and equipment	14	297	**(635)**	(1,755)
Amortisation of financial investments			**(765,403)**	(874,220)
Amortisation of lease liabilities	44	340	**58,132**	53,658
Scrip dividend income	30.7	326	**(18,845)**	(25,944)
Share of results of equity accounted investee	29.1	317	**(203,792)**	(337,223)
Reclassification of company's share of accumulated other comprehensive income of equity accounted investee to the income statement			**(43,919)**	-
Interest expense on obligation to repurchase securities			**124**	180
Share based payment expenses	40.3 (a)	334	**21,975**	16,226
Profit before working capital changes			**1,749,089**	1,913,027
Net change in operational assets				
Net change in reinsurance assets			**(107,293)**	28,706
Net change in premiums receivable			**34,046**	(15,197)
Net change in receivables and other assets			**(974,281)**	(767,119)
Net change in operational liabilities				
Net change in life insurance contract liabilities			**15,374,881**	13,429,607
Net change in reinsurance liabilities			**15,918**	222,641
Net change in other liabilities			**797,516**	453,658
Cash generated from operating activities			**16,889,876**	15,265,323
NOTE B.				
Cash and cash equivalents at the end of the year				
Cash in hand and at bank	35.2	329	**1,698,143**	1,614,403
Bank overdraft	35.2	329	**(199,076)**	(134,529)
Cash and cash equivalents			**1,499,067**	1,479,874

For the purpose of the cash flow statement, cash and cash equivalent consist of cash in hand and at bank, net of outstanding bank overdraft.

The notes to the financial statements as set out on pages 260 to 350 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate Information

1.1 Reporting Entity

Union Assurance PLC (the 'Company') is a public limited liability Company incorporated and domiciled in Sri Lanka and the ordinary shares of the Company are listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at No. 20, St. Michael's Road, Colombo 03.

1.2 Parent Entity and Ultimate Parent Entity

The Company's controlling entity and ultimate parent undertaking is John Keells Holdings PLC which is incorporated in Sri Lanka.

1.3 Principal Activities and Nature of Operations

The Company

Union Assurance PLC is in the Life insurance business providing Life insurance solutions for both individual and corporate customers. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

Associate Company

Fairfirst Insurance Limited is in the Non - Life insurance business and there were no significant changes in the nature of the principal activity of the Associate Company during the year.

The registered office and principal place of business of the Company is located at Access Towers II (14th floor), 278/4, Union Place Colombo 02, Sri Lanka.

On 18 September 2025, Union Assurance PLC divested its 22% stake in Fairfirst Insurance Limited. Details are given in Note 29

1.4 Number of Employees

The staff strength of the Company as at 31 December 2025 is 821 (2024 – 737).

1.5 Financial Statements

The financial statements for the year ended 31 December 2025, comprise of the Company and the results of the equity accounted investee. The results of equity accounted investee of the Company, Fairfirst Insurance Limited have been presented in the financial statements upto the date of its divestment in accordance with Sri Lanka Accounting Standard LKAS 28 - Investments in Associates and Joint Ventures.

No adjustment have been made for inflationary factors in these financial statements.

1.6 Approval of Financial Statements

The financial statements for the year ended 31 December 2025 were authorised for issue by the Directors on 27 February 2026.

1.7 Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility in the annual report (refer page 247).

2 Basis of Accounting

2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards, as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Accounting Standards comprise:

- Sri Lanka Financial Reporting Standards (SLFRS);
- Sri Lanka Accounting Standards (LKAS);
- Statements of Recommended Practices (SoRPs);
- Statement of Alternate Treatment (SoATs) and
- Financial Reporting Guidelines issued by the CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka www.casrilanka.com

2.1.1 Presentation of financial statements

These financial statements have been presented in compliance with the requirements of the companies Act No. 07 of 2007 and amendments thereto and Regulation of Insurance Industry (RII) Act No. 43 of 2000, Statement of Recommended Practice (SORP) issued by ICASL and the listing rules of the Colombo Stock Exchange.

These financial statements include the following components:

- an Income Statement and Statement of Profit or Loss and Other Comprehensive Income providing information on the financial performance of the Company for the year under review (refer pages 253 to 254);
- a Statement of Financial Position providing information on the financial position of the Company as at the year end (refer page 255);
- a Statement of Changes in Equity depicting all changes in shareholders' funds of the company during the year under review (refer pages 256 to 257);
- a Statement of Cash Flows providing information to the users, on the ability of the Company to generate cash and cash equivalents and utilisation of those cash flows in the business (refer pages 258 to 259);
- Notes to the financial statements comprising accounting policies and other explanatory information (refer pages 260 to 350).

The Company has opted to defer full application of SLFRS 9 - Financial Instruments, until the adoption of SLFRS 17 - Insurance Contracts, exercising the temporary exemption provided to an insurance company (refer note 4.1).

2.2 Basis of Measurement

These financial statements have been prepared on an accruals basis and under the historical cost convention except for the following material items, which are measured on an alternative basis at each reporting date:

Items	Measurement basis	Note	Page
Financial assets			
Non - derivative financial assets at fair value through profit or loss	Fair value	8	290
Available for sale financial assets	Fair value	8	290
Financial assets - Unit linked	Fair value	8	290
Non-Financial assets / liabilities			
Freehold land and buildings	Fair value	27.7	313
Insurance contract liabilities	Actuarially valued in line with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)	42	334
Employee Benefit Liabilites	Actuarially valued and recognised at present value	45	340
Employee share based option	Fair value	40.3	332

2.3 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the Company operates and is also the functional currency.

There was no change in the Company's Presentation and Functional Currency during the year under review.

2.4 Rounding

The amounts in the Financial Statements have been rounded to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 - Presentation of Financial Statements.

2.5 Materiality and Aggregation

Each item which is similar in nature is presented together if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 - Presentation of Financial Statements.

2.6 Going Concern

The Company has prepared the financial statements for the year ended 31 December 2025 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 December 2025 based on available information, the Management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis.

The Management has formed judgement that the Company has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans along with the financial strength of the Company.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic conditions as described in note 3, have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

2.7 Supplementary Statements - Statement of Financial Position of the Life Insurance Fund

Supplementary Statement of Financial Position of the Life insurance fund together with the notes are disclosed in pages 382 to 389, continuing the past practice which is a requirement of the Statement of Recommended Practice (SORP) for insurance contracts, adopted by the ICASL.

2.8 Comparative Information

The presentation and classification of assets and liabilities in the financial statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of the current year.

NOTES TO THE FINANCIAL STATEMENTS

3 Material Accounting Judgements, Estimates and Assumptions

In preparing these financial statements, the Management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Current Economic Condition of the country and estimation uncertainty

During 2025, Sri Lanka's economy exhibited clear signs of stabilization, supported by a strong rebound in GDP, moderated inflation levels, and improved foreign currency inflows from exports, tourism, and record high worker remittances. These positive developments reflect the effectiveness of ongoing fiscal and structural reforms aimed at strengthening macroeconomic stability.

Impact of Cyclone Ditwah

Towards the end of November 2025, Cyclone Ditwah caused significant damage to property and loss of life, with estimated economic losses of approximately USD 4.1 billion. The Government has initiated comprehensive recovery measures to restore the country to its pre-cyclone status, leveraging financial assistance and loans from both domestic and international sources.

Effect on Life Insurance Industry

The impact of Cyclone Ditwah on the life insurance industry was immaterial. Consequently, there were no significant uncertainties affecting key accounting judgments, estimates, or assumptions applied in the preparation of the financial statements for the year ended 31 December 2025.

3.1 Information about judgements made in applying accounting policies that have the most material effects on the amounts recognised in the financial statements is included in the following notes:

Critical Judgements	Note	Page
Classification of financial assets	25	304
Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	42	334
Measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the quantity of benefits provided under a contract	42	334

3.2 Information about assumptions and estimation uncertainties that have a material risk of resulting in material adjustments to the carrying amounts of assets and liabilities is included in the following notes:

Critical Accounting Estimates	Note	Page
Impairment of non financial assets: key assumptions underlying recoverable amounts	5.1	269
Determination of the fair value of financial instruments and investments and owner occupied properties with significant unobservable inputs	8	290
Impairment of financial assets	25	304
Impairment of intangible assets	26	308
Measuring of fair value for equity settled share based payment	40.3	332
Measuring insurance and reinsurance contracts: key assumptions	42	334
Liability Adequacy Test	42	334
Measurement of defined benefit obligations: key actuarial assumptions	45	340
Recognition and measurement of provisions and contingencies: key assumptions on the likelihood and magnitude of an outflow of resources	51	349

4 New Standards and Amendments

4.1 Standards issued but not yet effective

The following standards have been issued and are effective for annual periods beginning after 1 January 2026, early application was permitted with transitional rules.

These standards have not been applied to these financial statements as explained below.

The Company will apply SLFRS 17 and SLFRS 9 for the first time on 1 January 2026. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company's financial statements in the period of initial application.

4.1.1 SLFRS 9 - Financial Instruments

The standard became mandatorily effective for the annual periods beginning on or after 1 January 2018.

The Company met the eligibility criteria for the temporary exemption under the Amendments to SLFRS 4 from applying SLFRS 9 in 2018 and has accordingly deferred the adoption of SLFRS 9 until SLFRS 17 - Insurance Contracts is adopted upon its mandatory effective date.

The Company is eligible as its activities are predominantly to issue insurance contracts based on the criteria as set out in the amendments to SLFRS 4.

Disclosures on Qualifying for the Temporary Exemptions

Based on the proposed SLFRS 17 - Insurance Contracts, the Company is permitted to apply the temporary exemption as the Company meets the following eligibility criteria:

1 The Company has not applied SLFRS 9 before; and

2 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 which is greater than 90%. Accordingly, the Company qualifies as a pure insurance company.

As at 31 December	2025 Rs. '000	2024 Rs. '000
Insurance contract liabilities	**93,758,787**	78,399,507
Insurance contract liabilities - Unit Link	**807,777**	792,176
Reinsurance payables	**603,586**	587,668
Liabilities connected with insurance	**95,170,150**	79,779,351
Total liabilities	**103,876,333**	85,791,350
Predominance ratio	**92%**	93%

Disclosures to Provide Comparability

Business Model Assessment

The Company will make an assessment of the objective of the business model when a financial asset is held at a portfolio level since this best reflects the way the business is managed and information flow to the management.

i. Classification - Financial assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects characteristics of cashflows of assets and the business model in which assets are managed.

SLFRS 9 includes three principal classification categories for financial assets; measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). It replaces the existing four categories under LKAS 39 of held to maturity (HTM), loans and receivables (L&R), fair value through profit or loss (FVTPL) and available for sale (AFS).

The table below provides new asset classification under SLFRS 9 following to the assessment made by the Company on its financial assets portfolio;

Financial assets that meet the solely payment of principal and interest (SPPI) test (excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis) are classified as Amortised cost.

Instrument	Note	Current classification	Credit risk grading	Carrying value under LKAS 39 Rs. '000	Fair value Rs. '000	Classification under SLFRS 9
Treasury bonds	30.3	HTM	N/A	48,222,643	54,987,311	FVTOCI
Debentures	30.4	L&R	Please refer Note 30.4(a)	11,441,753	11,987,530	FVTOCI
Bank deposits	30.4	L&R	N/A	43,130	43,130	Amortised cost
Reverse repurchase agreements	30.4	L&R	N/A	1,782,763	1,782,763	Amortised cost

NOTES TO THE FINANCIAL STATEMENTS

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

Instrument	Note	Current classification	Carrying value under LKAS 39 Rs. '000	Fair value Rs. '000	Classification under SLFRS 9
Equity shares	30.6	FVTPL	11,630,873	11,630,873	FVTPL
Debentures	30.6	FVTPL	93,171	93,171	FVTPL
Reverse repurchase agreements	30.6	FVTPL	54,072	54,072	FVTPL
Treasury bonds	30.6	FVTPL	82,898	82,898	FVTPL
Unit trusts	30.6	FVTPL	126,771	126,771	FVTPL
Treasury bonds	30.5	AFS	32,776,108	32,776,108	FVTOCI
Treasury bills	30.5	AFS	1,998,454	1,998,454	FVTOCI

Impact Assessment

The 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 fair value under LKAS 39, will also be measured at fair value under SLFRS 9;
- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9;
- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at FVTOCI under SLFRS 9;
- Debt investment securities that are classified as available for sale under LKAS 39 may, under SLFRS 9, be classified under FVTOCI or amortised cost and measured at fair value / amortised cost depending on the particular circumstance;
- The equity investment securities that are classified as fair value through profit or loss under LKAS 39 will be remained under FVTPL and measured at fair value under SLFRS 9.

ii. 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 require considerable judgement over how changes in economic factors affect Expected Credit Loss (ECL), which will be determined on a probability weighted basis.

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

SLFRS 9 requires a loss allowance to be recognised at an amount 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.

iii. Hedge Accounting

Hedge accounting requirements which are more closely aligned with the risk management activities of the Company. No significant change is currently anticipated from hedge accounting.

4.1.2 SLFRS 17 – Insurance Contracts

SLFRS 17 will replace SLFRS 4 on accounting for insurance contracts and will be effective from 01 January 2026.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdiction prior to January 2005. SLFRS 17 replaces this with a new measurement model for all insurance contracts.

Objective

SLFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard.

The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Scope

SLFRS 17 applies to:

- Insurance contracts, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

The Company has insurance and reinsurance contracts and those are valued under SLFRS 17. The Company doesn't issue any investment contracts with discretionary participation features.

Some contracts meet the definition of an insurance contract but have their primary purpose as provision of services for a fixed fee. Such issued contracts are in the scope of the Standard, unless an entity chooses to apply SLFRS 15 Revenue from Contracts with Customers, provided the following conditions are met:

a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;

b) the contract compensates customers by providing a service, rather than by making cash payments to the customer; and

c) the insurance risk transferred by the contract arises primarily from the customer's use of service rather than from uncertainty over the cost of those services.

However, the Company doesn't currently provide any of its product where the main aim is provision of service for a fixed fee.

Recognition

Currently, all acquisition costs were recognized as expense. Under SLFRS 17, only insurance acquisition cash flows that arises before the recognition of the related insurance contracts are recognised as a separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognized.

An entity shall recognize a group of insurance contracts it issues from the earliest of the following:

a) the beginning of the coverage period;

b) the date when the first payment from a policyholder becomes due; and

c) when the group becomes onerous and circumstances indicate that there is such a group.

SLFRS – 17 specify three measurement approaches;

1. General Measurement Model (GMM)
2. Premium Allocation Approach (PAA)
3. Variable Fee Approach (VFA)

General Measurement Model (GMM)

On initial recognition, an entity shall measure a group of contracts at the total of:

a) the amount of fulfilment cash flows ("FCF"), which comprise:

   I. estimates of future cash flows;

   II. an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and

   III. a risk adjustment for non-financial risk

b) the contractual service margin ("CSM").

An entity shall include all the cash flows within the boundary of each contract in the group. The entity may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfilment cash flows to individual groups of contracts.

The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. They should reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices.

Company has applied the measurement models suits its product portfolio in compliance with standard requirements.

Discount Rates

The discount rates applied to the estimate of cash flows shall:

a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;

b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and

c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flow of the insurance contracts.

Company has determined its discount rate methodology considering above characteristics.

NOTES TO THE FINANCIAL STATEMENTS

Risk Adjustment for Non-financial Risk

The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

Contractual Service Margin (CSM)

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

a) the initial recognition of an amount for the FCF;

b) the derecognition at that date of any asset or liability recognised for acquisition cash flows; and

c) any cash flows arising from the contracts in the group at that date.

Subsequent Measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

a) the liability for remaining coverage comprising:

    I. the FCF related to future services and;

    II. the CSM of the group at that date;

b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

Onerous Contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

On subsequent measurement, if a group of insurance contracts become onerous (or more onerous), that excess shall be recognised in profit or loss. Additionally, CSM cannot increase and no revenue can be recognised, until the onerous amount previously recognised has been reversed in profit or loss as part of a service expense.

Variable Fee Approach (VFA)

Mandatory measurement approach for contracts with direct participation features. The standard describes three conditions which are required to be met by a contract to be deemed to be a contract with direct participation feature. The three conditions are as follows:

I. The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items.

II. The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.

III. The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Premium Allocation Approach (PAA)

Optional measurement approach which can be applied instead of GMM provided certain criteria are met. Typically, these are contracts where application of PAA will yield similar insurance contract liabilities as under GMM or coverage period of contract one year or less than one year.

Company has applied the measurement models that suit its product portfolio in compliance with standard requirements.

Modification and De-Recognition

Modification of an Insurance Contract

If the terms of an insurance contract are modified, an entity shall derecognise the original contract and recognise the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

a) if, had the modified terms been included at contract's inception, this would have led to:

    I. exclusion from the Standard's scope;

    II. unbundling of different embedded derivatives;

    III. significant change to contract boundary; or

    IV. the reallocation to a different group of contracts; or

b) if the original contract met the definition of a direct participating insurance contracts, but the modified contract no longer meets that definition, or vice versa; or

c) the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it.

De-Recognition

An entity shall de-recognise an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Presentation in the Statement of Financial Position

An entity shall present separately in the statement of financial position the carrying amount of groups of:

a) insurance contracts issued that are assets;

b) insurance contracts issued that are liabilities;

c) reinsurance contracts held that are assets; and

d) reinsurance contracts held that are liabilities.

Recognition and Presentation in the Statement(s) of Financial Performance

An entity shall disaggregate the amounts recognised in the statement(s) of financial performance into:

a) an insurance service result, comprising insurance revenue and insurance service expenses, and

b) insurance finance income or expenses.

Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

Insurance Service Result

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components.

Insurance Finance Income or Expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a) the effect of the time value of money and changes in the time value of money; and

b) the effect of changes in assumptions that relate to financial risk; but

c) excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM.

SLFRS 17 has an accounting policy choice between including all of insurance finance income or expense for the period in profit or loss, or disaggregating it between amount presented in profit or loss and amount presented in other comprehensive income (OCI).

The Company has elected to apply the accounting policy choice to disaggregate insurance finance income or expense between profit or loss and other comprehensive income (OCI) Which reduces volatility in profit or loss arising from interest rate movements. The disaggregation policy choice will be applied to contracts measured under GMM & VFA.

Disclosures

An entity shall disclose qualitative and quantitative information on;

a) the amounts recognised in its Financial Statements that arise from insurance contracts;

b) the significant judgements, and changes in those judgements, made when applying SLFRS 17; and

c) the nature and extent of the risks that arise from insurance contracts.

Effective Date

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2026.

Transition

Under SLFRS 17, an entity is required to apply the Standard retrospectively unless doing so is Impractical. In such cases, the entity may apply either the modified retrospective approach or the fair value approach.

The Company has decided to apply the fair value approach. Under this approach, the entity determines the Contractual Service Margin (CSM) or the loss component at the transition date as the difference between the fair value of a group of insurance contracts and the fulfilment cash flows (FCF) measured at that date.

In applying this approach, the Company determined opening balances at the transition date by:

- Derecognising balances that are not permitted under SLFRS 17;
- Recognising insurance contract liabilities measured in accordance with the Standard; and
- Recognising any resulting net difference directly in opening equity at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

As the Company implemented SLFRS 9 on the same date as SLFRS 17, financial assets and financial liabilities were classified and measured in accordance with SLFRS 9 from the transition date.

At the date of initial application:

- Financial assets were assessed based on the business model for managing those assets and their contractual cash flow characteristics;
- Financial instruments were classified into the appropriate measurement categories; and
- Expected credit loss provisions were recognised where applicable.

As both Standards were adopted simultaneously, the transition adjustments arising from:

- The recognition and measurement of insurance contract liabilities under SLFRS 17; and
- The classification, measurement, and impairment of financial instruments under SLFRS 9 were recorded as adjustments to opening equity at the date of initial application.

This approach ensured consistency in the measurement of insurance liabilities and the financial assets supporting those liabilities from the same transition date and provided a reliable starting point for ongoing reporting under the new Standards.

SLFRS 17 Implementation program

Implementation of SLFRS 17 requires a high level of expertise across both accounting and actuarial domains, as the Standard is complex and introduces fundamental changes to financial reporting, including the application of significant judgement and estimation. The impact of the Standard is substantial and will affect the measurement of insurance contracts, the timing of profit recognition, and the key indicators used to assess business performance.

Given that the implementation journey requires new investments in IT, actuarial, and finance systems, the Company initiated a comprehensive implementation program in 2021 and 2025 for SLFRS 17 and SLFRS 9 respectively. This program includes establishing a strong governance structure, defining accounting policies, and developing robust internal controls to support effective compliance.

The Company is in the process of implementing SLFRS 17 and SLFRS 9 with the support of selected external consultants in both actuarial and finance areas to ensure adherence to the reporting requirements. This includes the development of accounting policies and methodological applications, the establishment of appropriate processes and controls, and the implementation of necessary actuarial and finance system enhancements. Most of the key decisions have been finalized under each respective category and the Company is now in the final state of readiness for go-live.

Management is in the process of validating the results of the application of the standard. As the validation process is yet in progress, no quantitative disclosure are made in these financial statements.

4.2 Applicable on or after 1 January 2026

A number of new accounting standards and amendments are effective for annual reporting periods beginning on or after 1 January 2026 and earlier application of these standards is permitted. However, the Company has not early adopted the new and amended standards in preparing these financial statements.

4.3 SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18 will replace LKAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to include Company information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method. The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is accompanied in the financial statements, including for items currently labelled as 'other'.

5 Material Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements. The accounting policies are presented along with the respective notes.

Set out below is an index of the material policies;

Other Material Accounting Policies Not Covered With Individual Notes

The following accounting policies which have been applied consistently by the Company, are considered to be material but are not covered in any other section.

5.1 Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets (other than insurance and reinsurance contract assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

5.2 Foreign Currency Transactions

Transactions in foreign currencies are converted into the functional currency of the Company at the exchange rates prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. The gain or loss arising on transactions of non-monetary items is treated in line with the recognition of gain or loss on fair value of the item.

5.3 Statement of cash flows

The Statement of Cash Flows has been prepared by using the Direct & Indirect Methods of preparing cash flows in accordance with the LKAS 7 'Statement of Cash Flows'. Cash and cash equivalents comprise of short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

6 Operating Segments

Accounting policy

Operating segments are components of the Company that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to segments and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Chief Executive Officer (being the CODM) include items that are directly attributable to segments as well as those that can be allocated on a reasonable basis.

6.1 Basis for Segmentation

The Company is one legal entity however for Management purposes and to comply with the regulatory framework, the Company is organised into business units based on their products and services and has two reportable operating segments. These segments are managed separately because they require different operational, risk management and marketing strategies. All operating results are reviewed regularly by the Chief Executive Officer (CEO) and Corporate Management to make decisions regarding resource allocation and assess its performance, and for which financial information is available.

The Company has the following two strategic segments, which are its reportable segments.

The following summary describes the operations of each reportable segment.

Reportable Segment	Description
Policyholder Fund	UA maintains five separate policyholder funds according to the following product types: Participating, Non-participating, Universal life, Unit linked, and Non-unit linked. The combination of above five funds is collectively known as the "Life Insurance Fund". Transactions of each product type are entered in the account maintained for that business. Assets belonging to each fund are maintained separately and the policyholder liabilities in each category are matched with suitable assets (by amount and duration). The investments in each fund complies with the regulatory requirements specified under Determination 1.
Shareholder Fund	Assets belonging to the shareholders are maintained separately in the "Shareholder Fund". Income and expenses arising from shareholders account are accounted under the Shareholders Fund. Every year, the surplus arising from policyholder funds are transferred to the Shareholder Fund based on the Actuary's recommendation. Currently, the Company holds the one-off surplus that arose from changing the policy liability valuation as a restricted reserve within the Shareholders Fund.

6.2 Information about Reportable Segments

Information related to each reportable segment is set out below. Segment profit / (loss) before tax is used to measure performance as this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industry.

Summary of Segment Performance

For the Year ended 31 December Rs. '000	2025			2024		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
Segment revenue						
Gross Written Premium	**25,749,667**	**-**	**25,749,667**	21,646,969	-	21,646,969
Net Written Premium	**24,051,778**	**-**	**24,051,778**	20,155,244	-	20,155,244
Total Investment Income and Other Revenue	**14,198,101**	**1,555,729**	**15,753,830**	12,799,403	1,863,816	14,663,219
Total Net Revenue	**38,249,879**	**1,555,729**	**39,805,608**	32,954,647	1,863,816	34,818,463
Total Claims and Expenses	**(19,366,764)**	**9,749**	**(19,357,015)**	(16,317,401)	27,147	(16,290,254)
Change in Contract Liabilities	**(15,483,115)**	**-**	**(15,483,115)**	(13,637,246)	-	(13,637,246)
Share of results of equity accounted investee, net of tax	**-**	**203,792**	**203,792**	-	337,223	337,223
Surplus distributed to shareholders	**(3,400,000)**	**3,400,000**	**-**	(3,000,000)	3,000,000	-
Segment Profit Before Tax	**-**	**5,169,270**	**5,169,270**	-	5,228,186	5,228,186
Income Tax Expenses	**-**	**(1,799,356)**	**(1,799,356)**	-	(1,486,968)	(1,486,968)
Segment Profit After Tax	**-**	**3,369,914**	**3,369,914**	-	3,741,218	3,741,218

All revenues are from external customers. There is no revenue from transactions between operating segments

As at 31 December Rs. '000	2025			2024		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
Segment Assets	**109,287,422**	**17,961,504**	**127,248,926**	93,259,520	16,199,821	109,459,341
Segment Equity and Reserves	**5,025,142**	**18,347,451**	**23,372,593**	5,375,177	18,292,814	23,667,991
Segment Liabilities	**100,864,667**	**3,011,666**	**103,876,333**	84,888,302	903,048	85,791,350

Segmental cash flows have not been presented since its managed at company level.

NOTES TO THE FINANCIAL STATEMENTS

6.3 Major Customer

The company does not have any major single customer.

6.4 Geographic Information

The Company functions in one geographic location (only in Sri Lanka). Accordingly, geographic information is not presented in the financial statements.

7 Financial Risk Management

The following presents the risks that the Company considers in Risk Management. This note presents information about the Company's exposure to each of the stated risks, the Company's objectives, policies and processes for measuring and managing such risks. The current economic condition is more fully describe under note 3 to the financial statements.

Risk Management Framework

Primary objective of the Company's business and financial risk management framework is to protect the Company's shareholders from events that could hinder the sustainable delivery of financial objectives. The risk management process comprises the identification and evaluation of existing and potential risks associated with the Company's operations and strategy, followed by appropriate management responses such as tolerance, mitigation, transfer, avoidance, termination or a combination of such responses.

The Company's Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits.

The Board has delegated the responsibility to design, implement and monitor the risk management plan to the corporate management team. The Management ensures effective management of risk through continuous and regular measurement and reports the Company's risk management performance to the Board Audit and Compliance Committee (BACC) which in turn updates the Board.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Financial risk management can be qualitative and quantitative. As a specialisation of risk management, financial risk management focuses on when and how to use financial instruments to manage costly exposures.

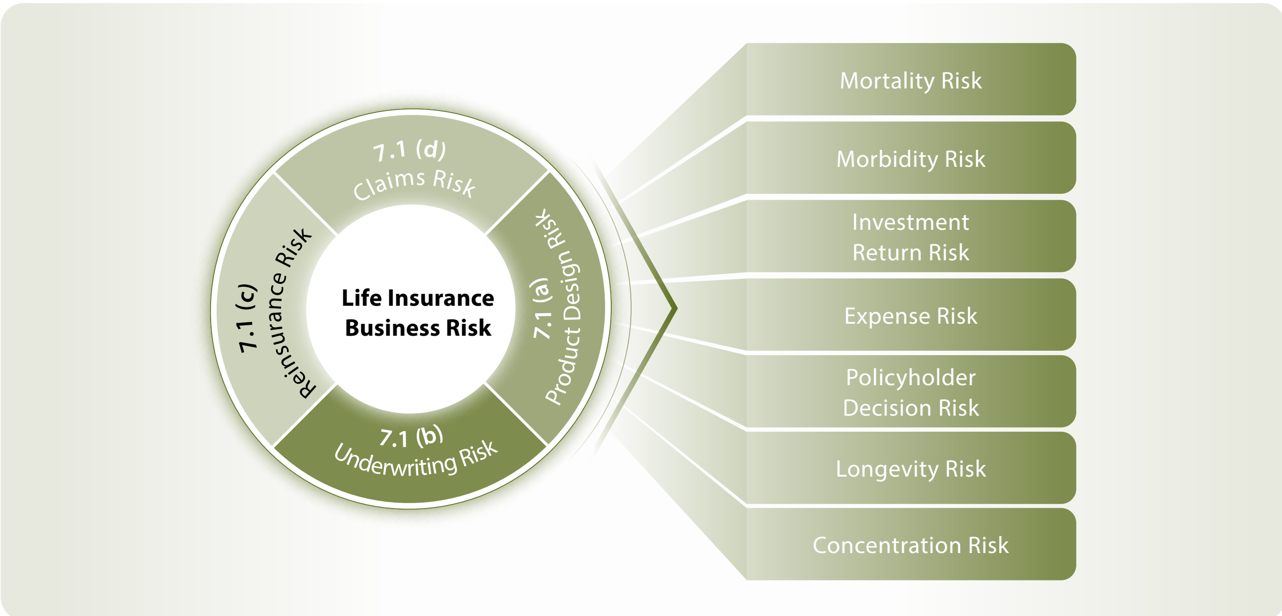
Details of our risk management framework, objectives and regulatory framework is provided under Corporate Governance and Enterprise Risk Management section, given on pages 226 to 236.

Regulatory Framework

The Insurance Regulatory Commission of Sri Lanka (IRCSL) safeguards policyholders through supervisory control of insurance companies in line with the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments. The Company needs to comply with rules with respect to the solvency position and the determination requirements to ensure the Company maintains appropriate level of admissible and approved investments in excess of liabilities to meet risks arising from unforeseen events. Further the Company is in compliance with the Risk Based Capital (RBC) requirement as per IRCSL. The Company has adequate Total Available Capital (TAC) in policyholder's and shareholder's funds collectively, to support the Risk based Capital Required (RBC).

The operations of the Company are also subject to oversight by various other regulators such as the Securities and Exchange Commission of Sri Lanka (SEC), the Colombo Stock Exchange (CSE), the Central Bank of Sri Lanka (CBSL), the Department of Inland Revenue, etc. The Company is also regulated by the Companies Act No. 07 of 2007.

7.1 Life Insurance Business Risk



Life insurance Business Risk

The Company being in the insurance industry, life insurance business risk is the risk that the Company is exposed to as a result of the insurance contracts undertaken. Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities.

Risk Response

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 spread;
- Careful selection and implementation of underwriting guidelines;
- The use of reinsurance arrangements;
- Ensure compliance (determination) requirements imposed by the regulator (IRCSL).

Risk management procedures adopted by the Company to manage insurance risk is given on pages 226 to 236.

Traditional Life Insurance

Life insurance is a contractual agreement between a policyholder and a life insurance Company. Policyholders agree to make premium payments to the Company, and the Company agrees to pay beneficiaries a sum of money if the policyholder dies or an insured event occurred.

Traditional life insurance products include protection and annuity covers. Protection products carry product designing, underwriting, claims and reinsurance risk.

NOTES TO THE FINANCIAL STATEMENTS

7.1 (a) Product Design Risk

Life insurance product design largely depends on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable products to the market due to inappropriate use of assumptions or judgements. The fundamental assumptions used in product development are explained below.

Risk	Description	Assumptions used / risk response
Mortality risk	Risk of loss arising due to policyholders death experience being different from expected	Use of standard mortality tables with adjustments to reflect the Company's mortality experience after allowing for adverse deviation having conducted stress analysis.
Morbidity risk	Risk of loss arising due to policyholders health experience being different from expected	Assumptions are based on reinsurance tables, adjustments made when appropriate to reflect the Company's own risk experience after allowing for adverse deviation having conducted stress analysis.
Investment return risk	Risk of loss arising from actual returns being different from expected	The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. Stress analysis is carried to check the sensitivity and allow for adverse deviation.
Expense risk	Risk of loss arising from the expense experience being different from expected	Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. Expense assumptions have been set based on the latest expense investigation carried out on the expenses incurred.
Policyholder decision risk	Risk of loss arising due to policyholders experiences (lapses and surrenders) being different from expected	Lapse and surrender rates are projected according to the Company's past experience. Stress analysis is carried to check the sensitivity and allow for adverse deviation.
Longevity Risk	Risk of loss arising due to the annuitant living longer than expected	Terms and conditions included in insurance applications have been designed to address non-standard and unpredictable risks.
Concentration risk	Risk of losses due to not maintaining a balanced product portfolio	Developing a proper product mix in line with Company strategy. Stress analysis is carried out to check the sensitivity of the business mix within the products.

Overall Risk Mitigation Approach in Traditional Life Insurance

Product	Key risks	Risk mitigation
Traditional participating	• Market risk: Investment return on underlying items falling below guaranteed minimum rates • Policyholder behaviour risk	• Management discretion to determine amount and timing of policyholder bonuses (within limits) • Surrender penalties
Non-Participating	• Market risk: Insufficient fees to cover cost of guarantees and expenses • Policyholder behaviour risk	• Derivative hedging programme • Surrender penalties
Universal life	• Interest rate risk: Differences in duration and yield of assets and liabilities • Investment credit risk	• Matching of asset and liability cash flows • Investing in investment grade assets
Unit linked product	• Market risk: Insufficient fees to cover expenses • Policyholder behaviour risk	• Product Pricing • Surrender penalties

Unit Linked Products

Unit linked products have been designed in order to reduce much of the market and credit risks associated with traditional products. It is a type of insurance vehicle in which the policyholder purchases units at their net asset values and also makes contributions toward another investment vehicle. Unit linked insurance plans allow for the coverage of an insurance policy.

Under unit linked contracts, risks are largely passed on to the policyholder, although a portion of the Company's management fees are linked to the value of funds under management and hence are at risk if the fund values decrease.

Unit linked products carry mortality risk and market risk to the extent that there are guarantees built into the product design. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. For certain contracts these risks are minimised by explicit mortality and morbidity charges.

Participating Fund vs Non-Participating Fund

The following table shows the concentration of the Participating and Non Participating funds position of the Company.

As at 31 December Type of contract	2025 Rs. '000	 %	2024 Rs. '000	 %
Participating	**9,321,215**	**10**	8,773,934	11
Non Participating	**84,119,253**	**90**	69,303,001	89
Total traditional	**93,440,468**	**100**	78,076,935	100
Non unit fund of linked insurance	**318,319**		322,572	
Total value of insurance liabilities	**93,758,787**		78,399,507	

The table below presents the sensitivity of the value of insurance liabilities to movements in the key assumptions used in the estimation of insurance liabilities with other assumptions held constant. For liabilities under life insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. No adjustments were required in 2025 or 2024, based on the results of the liability adequacy test.

As at 31 December	Change %	Impact on liabilities % 2025	 2024	Impact on liabilities Rs. '000 2025	 2024
Mortality	+10	**0.20**	0.17	**160,976**	113,190
	-10	**(0.20)**	(0.17)	**(161,474)**	(113,577)
Discount rate	+1	**(3.92)**	(3.77)	**(3,104,644)**	(2,482,603)
	-1	**4.23**	4.04	**3,350,544**	2,665,222

7.1 (b) Underwriting Risk

Underwriting risk arise from an inaccurate assessment of the risks entailed in writing an insurance policy. As a result, the policy may cost the insurer much more than it has earned in premiums.

Underwriting risk can be identified through following 3 main risk categories.

- **Insurance risk:** the risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
- **Policyholder behaviour risk:** the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuitise a contract earlier or later than expected.
- **Expense risk:** the risk of unexpected increases in the administrative costs associated with the servicing of contract (rather than in the costs associated with insured events).

NOTES TO THE FINANCIAL STATEMENTS

Risk Response

- Validation of policyholder data before underwriting. Accordingly, policyholder undergoes a medical test at Company's expense.
- Appropriate training is provided to insurance advisors.
- Use of common pricing policy.
- Interventions via advance data analytics to reduce lapse rates.

7.1 (c) Reinsurance Risk

Notwithstanding the advantages reinsurance provide, it can expose the Company at varying degrees to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks:

- Residual insurance risk may arise due to misalignment between the Company's reinsurance requirements and the actual coverage provided under reinsurance contracts, resulting in the retention of a higher level of risk than originally anticipated.
- Legal risk may occur where reinsurance contract terms do not accurately reflect the intended risk transfer or where such contracts are subject to enforceability challenges under applicable laws and regulations.
- Counterparty risk may result from the inability or potential refusal of a reinsurer, or a stakeholder in the case of alternative risk transfer mechanisms, to meet its contractual obligations to the Company.
- Liquidity risk may arise due to timing differences between the settlement of claims paid to policyholders and the receipt of corresponding recoveries from reinsurers.
- Operational risk may arise from inadequate contractual structures, or from insufficient technological, administrative, or operational capacity to effectively manage, monitor, and recover amounts due from reinsurers.

Risk Response

- Reinsurance arrangements are structured and placed in accordance with policy guidelines approved annually by the Board of Directors, taking into consideration the regulatory guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).
- Management conducts regular assessments of the creditworthiness and financial strength of reinsurers to support the ongoing optimisation of the reinsurance strategy and to determine the appropriate allowance for impairment of reinsurance assets.

The Company reinsures approximately 7% of gross written premiums.

For the year ended 31 December	2025 Rs. '000	%	2024 Rs. '000	%
Gross Written premium	**25,749,667**		21,646,969	
Reinsurance	**(1,697,889)**	**7**	(1,491,725)	7
Net Written Premium	**24,051,778**		20,155,244	

The Company has recovered approximately 46% of gross claims paid from reinsurers during the period under review.

For the year ended 31 December	2025 Rs. '000	%	2024 Rs. '000	%
Gross claims expenses*	**2,381,463**		2,170,578	
Claims recovered from reinsurers	**(1,096,490)**	**46**	(974,565)	45

*Maturity, annuity and surrender claims are excluded from gross claims expenses

7.1 (d) Claim Risk

The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

Risk Response

- Obtaining adequate reinsurance cover.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- In-house actuarial department closely monitors claim reserves.

7.2 Financial Risk

Financial risk is the probability of loss inherent in financing methods which may impair the ability to provide adequate returns. The Company is exposed to a range of financial risks through financial assets and financial liabilities.

Financial risks can be categorised as follows;

7.2 (a) Investment Concentration Risk

Investment concentration risk is the risk that an investor will suffer from lack of diversification, investing too heavily in one industry, one geographic area or one type of security. It may also be defined as the risk of loss due to over exposure to one investment, asset class, risk factor, etc.

Risk Response

- The Investment Committee (IC) sets an overall asset allocation target at the start of the year. The decision is based on a number of factors including an analysis of the macroeconomic environment, regulatory requirements, liquidity position and return expectations during the plan period.
- The IC sets sectorial asset allocation limits for equity investments as well as related party exposure limits.
- The Company limits the maximum cash amount that can be deposited with a single counterparty.
- Outsourced management of the equity portfolio to a third party fund management Company to leverage expert knowledge in investment decisions and optimise portfolio return and risk.

The above is based on the approved investment policy of the Company. Investment concentration related to financial investments is given below;

As at 31 December	2025 Rs. '000	2025 %	2024 Rs. '000	2024 %
Government securities and related institutions	**84,779,968**	**79**	77,382,593	82
Corporate debt securities	**11,441,753**	**11**	10,469,094	11
Fixed deposits	**43,130**	**-**	-	-
Unit Trusts	**126,771**	**-**	206,111	-
Investment in quoted equity securities	**11,065,865**	**10**	6,734,308	7
Total	**107,457,487**	**100**	94,792,106	100

Government Securities and Related Institutions

This includes investments made in treasury bills, treasury bonds, and reverse repurchase agreements

Corporate Debt Securities

The Company has predominantly invested in Banking and diversified financials sectors for which the Company believes the credit risk and market risk is low.

As at 31 December	2025 Rs. '000	2025 %	2024 Rs. '000	2024 %
Banking and Diversified financials	**10,792,562**	**94**	10,264,014	98
Utility	**444,139**	**4**	-	-
Telecommunication	**205,052**	**2**	205,080	2
Total	**11,441,753**	**100**	10,469,094	100

NOTES TO THE FINANCIAL STATEMENTS

Fixed Deposits

This includes investments made in fixed deposits issued by licensed commercial banks.

Investment in Quoted Equity Securities

Considering the market return and risk, the Company has predominantly invested in Capital goods and Materials sectors and regularly reviews market risk of the portfolio to assess adequacy of diversification.

As at 31 December	2025		2024	
Industry Group	Rs. '000	%	Rs. '000	%
Banks	1,491,154	13	1,696,821	25
Capital Goods	3,756,449	34	2,141,627	32
Consumer Durables & Apparel	630,704	6	1,029,815	15
Consumer Services	310,008	3	19,011	-
Diversified Financials	599,157	5	166,019	3
Food Beverage & Tobacco	148,618	1	431,308	7
Materials	2,551,098	23	1,033,328	15
Real Estate	530,259	5	-	-
Retailing	66,232	1	-	-
Transportation	59,700	1	206,449	3
Telecommunication Services	875,934	8	-	-
Utility	46,552	-	9,930	-
Total	**11,065,865**	**100**	6,734,308	100

7.2 (b) Liquidity Risk

Liquidity risk is the risk, that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic / unexpected large claim events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Company implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The Company attempts to match cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through investment cashflows.

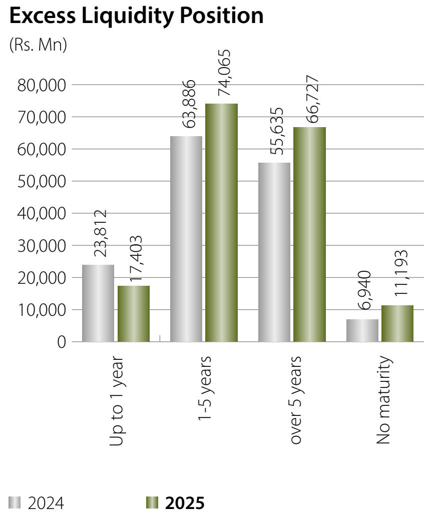
The Company continued to adopt a disciplined approach across the Company including functioning of the spend control steering committee for preserving and increasing liquidity to respond to possible future liquidity constraints.

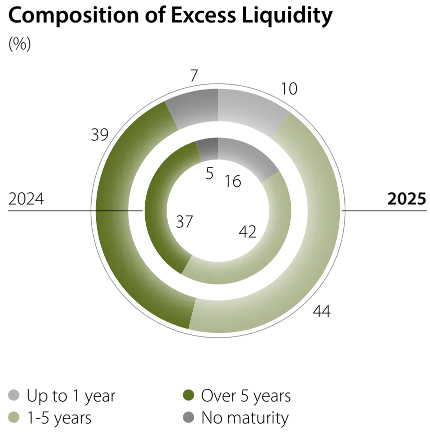
Risk Response

- The Investment Committee (IC) manages this risk by diversifying investment durations and reviewing cash flow projections regularly.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments when claim events exceed a certain size.
- Reviewing the maturity mix of the investment portfolio by the Management and the Investment Committee (IC) on a regular basis.
- Maintaining sufficient cash balances, overnight investments and other short tenure investments to accommodate expected obligations and commitments of the Company.

Excess liquidity position of the Company excluding insurance contract liabilities is given below (based on undiscounted cashflows);

	2025		2024	
As at 31 December	Rs. '000	%	Rs. '000	%
Up to one year	17,402,780	10	23,811,862	16
1 - 5 Years	74,065,333	44	63,886,135	42
Over 5 years	66,727,419	39	55,635,185	37
No maturity	11,192,636	7	6,940,419	5
	169,388,168	100	150,273,601	100





For reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unit linked liabilities are repayable or transferable on demand and are included as 'current' repayments.

The table below summarises the maturity profiles of non derivative financial assets and financial liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable. Undiscounted maturity profiles of insurance contract liability have been disclosed under note 42.11.

As at 31 December 2025	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
Financial assets						
Held to maturity	48,222,643	-	7,638,101	39,294,974	38,250,900	85,183,975
Loans and receivables	13,267,646	-	4,832,287	12,044,353	1,892,297	18,768,937
Available for sale	34,774,562	-	7,029,756	21,136,390	25,755,272	53,921,418
Fair value through profit or loss	11,192,636	11,192,636	-	-	-	11,192,636
Other financial assets	515,598	-	116,949	393,070	34,179	544,198
Loans to life policyholders	2,858,074	-	497,428	1,610,515	750,131	2,858,074
Reinsurance receivable	526,145	-	381,407	87,088	57,650	526,145
Premiums receivable	1,032,595	-	1,032,595	-	-	1,032,595
Cash and cash equivalents	1,698,143	-	1,698,143	-	-	1,698,143
Total undiscounted assets	**114,088,042**	**11,192,636**	**23,226,666**	**74,566,390**	**66,740,429**	**175,726,121**
Financial liabilities						
Reinsurance payables	603,586	-	603,586	-	-	603,586
Lease liabilities	510,588	-	209,503	408,057	13,010	630,570
Other financial liabilities	4,893,146	-	4,811,721	93,000	-	4,904,721
Bank overdraft	199,076	-	199,076	-	-	199,076
Total undiscounted liabilities	**6,206,396**	**-**	**5,823,886**	**501,057**	**13,010**	**6,337,953**
Total excess liquidity	**107,881,646**	**11,192,636**	**17,402,780**	**74,065,333**	**66,727,419**	**169,388,168**

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2024	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
Financial assets						
Held to maturity	46,244,375	-	6,591,217	33,338,286	47,682,689	87,612,192
Loans and receivables	14,442,825	-	7,144,312	10,306,925	2,310,000	19,761,237
Available for sale	27,164,487	-	10,218,540	18,838,742	5,007,770	34,065,052
Fair value through profit or loss	6,940,419	6,940,419	-	-	-	6,940,419
Other financial assets	420,302	-	115,987	370,642	16,607	503,236
Loans to life policyholders	2,651,478	-	496,099	1,576,208	579,171	2,651,478
Reinsurance receivable	418,852	-	285,516	85,979	47,357	418,852
Premiums receivable	1,066,641	-	1,046,976	19,665	-	1,066,641
Cash and cash equivalents	1,614,403	-	1,614,403	-	-	1,614,403
Total undiscounted assets	100,963,782	6,940,419	27,513,050	64,536,447	55,643,594	154,633,510
Financial liabilities						
Reinsurance payables	587,668	-	569,467	18,201	-	587,668
Lease liabilities	606,916	-	216,204	539,111	8,409	763,724
Other financial liabilities	2,837,476	-	2,780,988	93,000	-	2,873,988
Bank overdraft	134,529	-	134,529	-	-	134,529
Total undiscounted liabilities	4,166,589	-	3,701,188	650,312	8,409	4,359,909
Total excess liquidity	96,797,193	6,940,419	23,811,862	63,886,135	55,635,185	150,273,601

The table below sets out the availability of the company's financial assets to support future funding.

As at 31 December Unencumbered Rs.'000	2025			2024		
	Restricted as collateral	Available as collateral	Total	Restricted as collateral	Available as collateral	Total
Held to maturity	**44,347,850**	**3,874,793**	**48,222,643**	42,428,240	3,816,135	46,244,375
Loans and receivables	**11,787,223**	**1,480,423**	**13,267,646**	12,039,241	2,403,584	14,442,825
Available for sale	**29,294,644**	**5,479,918**	**34,774,562**	19,983,231	7,181,256	27,164,487
Fair value through profit or loss	**11,192,636**	**-**	**11,192,636**	6,893,162	47,257	6,940,419
Loans to life policyholders	**2,858,074**	**-**	**2,858,074**	2,651,478	-	2,651,478
Reinsurance receivable	**526,145**	**-**	**526,145**	418,852	-	418,852
Premiums receivable	**1,032,595**	**-**	**1,032,595**	1,066,641	-	1,066,641
Other financial assets	**515,486**	**112**	**515,598**	420,190	112	420,302
Cash in hand and at bank	**1,650,736**	**47,407**	**1,698,143**	1,577,124	37,279	1,614,403
Total	**103,205,389**	**10,882,653**	**114,088,042**	87,478,159	13,485,623	100,963,782

Assets restricted as collateral represents the assets owned by the Policyholders of the Company.

Financial assets available as collateral represents the assets owned by the Shareholders of the Company. There were no financial assets pledged as collateral during the year ended 31 December 2025 (2024-Nill).

7.2 (c) Credit Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations.

The Company's exposure to credit risk is derived from the following main categories of assets and the analysis of maximum credit exposure is given below.

As at 31 December	2025		2024	
Risk element	Rs. '000	%	Rs. '000	%
Financial investments	96,391,622	93	88,057,798	93
Loans to life policyholders and others	3,264,068	3	2,651,478	3
Reinsurance receivable	526,145	1	418,852	1
Premiums receivable	1,032,595	1	1,066,641	1
Cash at bank	1,692,947	2	1,609,353	2
Total	102,907,377	100	93,804,122	100

Credit risk related to financial investments

The Company is exposed to credit risk from counterparties where the Company holds securities issued by those entities.

The successful completion of both domestic and foreign bilateral debt restructuring has strengthened Sri Lanka's debt sustainability outlook. The government's continued adherence to the IMF program has reinforced fiscal discipline and ensured progress toward agreed targets. These measures have contributed to improved investor confidence, reflected in recent credit rating upgrades by leading agencies, which affirm the country's economic recovery. The Company employs robust mechanisms to mitigate credit risk.

Risk Response

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Appropriate actions are implemented when the Company identifies investments that are expected to be downgraded.
- The Company identifies and selectively reduces unsecured and subordinated credit exposure issued by third parties with weak credit profiles.
- Structured finance exposures are assessed on a look through basis prior to acquisition and not merely on the strength of prevailing credit ratings or credit profiles.

Company implemented several initiatives such as periodic review of the creditworthiness of its counterparties using external ratings, financial statements reviews, credit agency information and industry information.

The Company actively manages its investment portfolio to ensure that there is no significant concentration of credit risk. The Company monitors concentration of credit risk by sector and instrument. An analysis of concentration of credit risk and credit quality of financial investments are shown below.

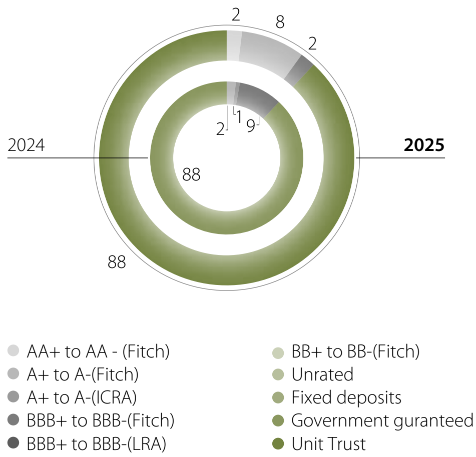
NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025 Rs. '000		Held to maturity financial assets	Loans and receivables	Available for sale financial assets	Financial assets at fair value through profit or loss	Total	%
Maximum exposure to credit risk, carrying amount		**48,222,643**	**13,267,646**	**34,774,562**	**126,771**	**96,391,622**	
Government securities and related institutions							
Treasury Bonds		**48,222,643**	**-**	**32,776,108**	**-**	**80,998,751**	**84**
Treasury Bills		**-**	**-**	**1,998,454**	**-**	**1,998,454**	**2**
Reverse Repo		**-**	**1,782,763**	**-**	**-**	**1,782,763**	**2**
Corporate debt securities							
AA+ to AA-	Fitch	**-**	**1,707,295**	**-**	**-**	**1,707,295**	**2**
A+ to A-	Fitch	**-**	**7,517,567**	**-**	**-**	**7,517,567**	**8**
BBB+ to BBB-	Fitch	**-**	**2,216,891**	**-**	**-**	**2,216,891**	**2**
BB+ to BB-	Fitch	**-**	**-**	**-**	**-**	**-**	**-**
Unrated		**-**	**-**	**-**	**-**	**-**	**-**
Fixed deposits							
Deposit with Licensed Commercial Banks		**-**	**43,130**	**-**	**-**	**43,130**	**-**
Unit Trust		**-**	**-**	**-**	**126,771**	**126,771**	**-**
Total		**48,222,643**	**13,267,646**	**34,774,562**	**126,771**	**96,391,622**	**100**
Past due but not impaired		**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	
Impaired		**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	

As at 31 December 2024 Rs. '000		Held to maturity financial assets	Loans and receivables	Available for sale financial assets	Financial assets at fair value through profit or loss	Total	%
Maximum exposure to credit risk, carrying amount		46,244,375	14,442,825	27,164,487	206,111	88,057,798	
Government securities and related institutions							
Treasury Bonds		46,244,375	-	20,354,866	-	66,599,241	76
Treasury Bills			-	6,809,621	-	6,809,621	7
Reverse Repo		-	3,973,731	-	-	3,973,731	5
Corporate debt securities							
A+ to A-	Fitch	-	1,517,646	-	-	1,517,646	2
A+ to A-	ICRA	-	543,369	-	-	543,369	1
BBB+ to BBB-	Fitch	-	8,164,538	-	-	8,164,538	9
BBB+ to BBB-	LRA	-	157,764	-	-	157,764	-
BB+ to BB-	Fitch	-	85,777	-	-	85,777	-
Unrated		-	-	-	-	-	-
Unit Trust		-	-	-	206,111	206,111	-
Total		46,244,375	14,442,825	27,164,487	206,111	88,057,798	100
Past due but not impaired		Nil	Nil	Nil	Nil	Nil	
Impaired		Nil	Nil	Nil	Nil	Nil	

Exposure To Credit Risk Rating-Class Wise

(%)



Collateral of Debt Securities

Reverse repo investments which fall under government securities is backed by Treasury bills and bonds which are provided as collateral. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Company held collateral for reverse repo investments above it's investment value at all times during the year. As at the reporting date, the Company held Treasury bonds and Treasury bills worth Rs 1,943 million as collateral for reverse repo investments amounting to Rs. 1,783 million.

Credit Risk Related to Policy Loans and Others

Financial losses could arise due to non-settlement of loans obtained by policyholders.

Risk Response

- Policy loans are collateralised by the surrender value of the policy.
- System controls are in place to automatically convert a policy to surrender stage when the policy loan amount together with the interest reaches the surrender value of the policy.

Analysis of maximum exposure to credit risk related to life policyholder loans can be summarised as follows;

As at 31 December	2025 Rs. '000	2024 Rs. '000
Neither past due nor impaired		
0 - 60 days	**123,162**	87,288
61- 90 days	**136,209**	40,664
91-180 days	**116,822**	132,287
181 days +	**2,481,881**	2,391,239
Past due but not impaired	**Nil**	Nil
Total	**2,858,074**	2,651,478
Provision for impairment	**-**	-
Total - Maximum exposure to credit risk	**2,858,074**	2,651,478

The Company considers the surrender value of the life policy as collateral for loans issued. As at the reporting date, the value of policy loans granted amounted to Rs. 1,053 million (2024 - Rs. 978 million) and its related surrender value is Rs. 4,659 million (2024 – Rs. 4,317 million).

Credit Risk Related to Amounts Due From Related Parties

Financial losses could arise due to non-settlement of amounts due from related parties.

Risk Response

- Related party transaction are settled within pre-agreed specific duration according to the Company policy.

Credit Risk Related to Reinsurance Assets

- This is the risk of reinsurers failing to fulfil their financial obligations towards the Company.

Risk Response

- The Company operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used, and applying strict limits to each reinsurer.
- Regular review of creditworthiness of reinsurers.

As at 31 December Risk element	2025 Rs. '000	 %	2024 Rs. '000	 %
Reinsurance receivables on outstanding claims	**233,510**	**44**	195,443	47
Reinsurance receivables on settled claims	**292,635**	**56**	223,409	53
Total reinsurance receivables / Maximum exposure to credit risk	**526,145**	**100**	418,852	100

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025, 100% (2024 - 100%) of our reinsurance receivables was due from reinsurers with a rating of AA- or above. There were no collateral against reinsurance receivables as at reporting date.

As at 31 December Reinsurers	Rating Agency	Rating	2025 Rs'000	2025 %	2024 Rs'000	2024 %
Munich	Fitch	AA	**459,681**	**87**	353,718	84
Hannover	Standard & Poor's	AA-	**62,466**	**12**	61,114	15
RGA	Standard & Poor's	AA-	**3,998**	**1**	4,020	1
Total			**526,145**	**100**	418,852	100

Credit Risk Related to Premiums Receivable

Premiums receivable consist of premiums receivable from individuals, intermediaries and group customers that create the risk of financial losses due to non-settlement of dues or taking substantial time to settle dues.

Risk Response

- Only designated institutions are employed as intermediary parties
- Agreements have been signed with the intermediaries committing them to settle dues within a specified time period.
- For individual and group premium receivables, company carries out continuous follow ups and reviews at each renewal periods.

Maximum exposure to credit risk related to premium receivables as at 31 December 2025 is Rs. 1,033 million (2024 - Rs. 1,066 million).

As at 31 December	2025 Rs. '000	2024 Rs. '000
Neither past due nor impaired		
0 - 30 days	**1,032,595**	1,024,459
More than 30 days	**-**	42,182
Pass due but not impaired	**Nil**	Nil
Total - Maximum exposure to credit risk	**1,032,595**	1,066,641

Credit Risk Related to Cash At Bank

Risk Response

The Company maintains an authorised list of acceptable bank counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators.

The Company manages credit risk by maintaining its deposits with various banking institutions with quality credit ratings. A list of such banking partners is provided below. Majority, i.e 22% of funds are deposited in banking institutions backed by the government of Sri Lanka.

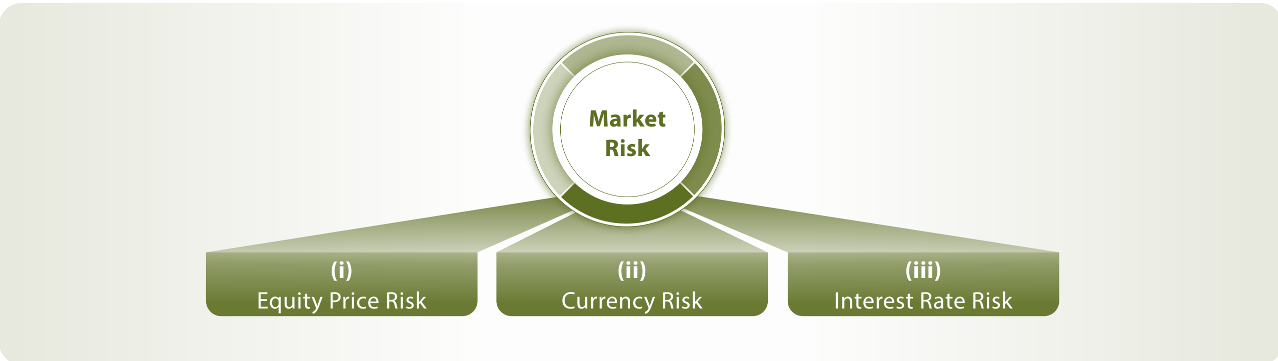
As at 31 December Bank	2025 Rs. '000	2025 %	2024 Rs. '000	2024 %
Bank of Ceylon	**327,596**	**19**	316,853	20
Commercial Bank of Ceylon PLC	**112,306**	**7**	97,805	6
Deutsche Bank AG	**176,502**	**11**	67,957	4
DFCC Bank PLC	**51,289**	**3**	9,929	-
Hatton National Bank PLC	**141,200**	**8**	68,719	4
National Development Bank PLC	**20,175**	**1**	11,063	1
National Savings Bank	**6,034**	**-**	10,091	1
Nations Trust Bank PLC	**187,173**	**11**	64,853	4
Pan Asia Bank	**7,953**	**1**	5,418	-
People's Bank	**52,412**	**3**	43,066	2
Sampath Bank PLC	**311,838**	**18**	66,933	5
Standard Chartered Bank	**110,849**	**7**	701,042	44
Seylan Bank PLC	**31,676**	**2**	22,320	1
Union Bank of Colombo PLC	**155,944**	**9**	123,304	8
Total cash at banks	**1,692,947**	**100**	1,609,353	100

The Company held cash at bank of Rs.1,693 million as at 31 December 2025 (2024 - Rs. 1,609 million). The cash at bank are held with banks and financial institutional counterparties, which are rated BBB- or better as at 31 December 2025.

As at 31 December	2025		2024	
Rating	Amount Rs. '000	%	Amount Rs. '000	%
AAA	116,884	7	711,133	44
AA-	945,352	56	-	-
A+	31,676	2	-	-
A	258,637	15	593,376	37
A-	176,502	10	176,123	11
BBB	7,953	1	-	-
BBB-	155,943	9	128,721	8
Total	**1,692,947**	**100**	1,609,353	100

7.2 (d) Market Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Company has assessed the market risk under three main categories;



i Equity Price Risk

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity portfolio investments.

In 2025, the Sri Lankan share market experienced strong growth, marked by double-digit year-to-date gains, record-high indices, increased turnover, and improved fundamentals across key sectors. The All Share Price Index (ASPI) delivered an impressive total return of 42% for the year, reaching an all-time high of 23,659.7 in November 2025. The company's equity portfolio benefited from this favorable market performance, recording a growth of 60% compared to the previous year. As a result, the company recognized fair value gains amounting to Rs. 1,983 million for the year. High retail Investor confidence due to political stability, stable macro-economic environment and low interest rate environment, it is expected that the Sri Lankan equity market will remian positive for 2026.

Risk Response

- Equity investment decisions are based on fundamentals rather than on speculation.
- Decisions are based on in depth macroeconomic and industry analysis as well as research reports on Company performance.
- A model to review the market price fluctuation of equity portfolio has been developed and significant deviations are identified and discussed with the external asset manager.
- Outsourced management of the equity portfolio to a third party to leverage on expert knowledge and optimise return and manage risk.
- Reviews were carried out on a continuous basis by the Investment Committee with the help of industry specialists to identify red flags.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2025, the Company has invested 10% (2024 - 7%) in equity as shown in the table below.

As at 31 December Rs.'000	2025 Value	2025 % of allocation	2024 Value	2024 % of allocation
Banks	**1,491,154**	**1**	1,696,821	2
Capital Goods	**3,756,449**	**4**	2,141,627	2
Consumer Durables & Apparel	**630,704**	**1**	1,029,815	1
Consumer Services	**310,008**	**-**	19,011	-
Diversified Financials	**599,157**	**1**	166,019	-
Food Beverage & Tobacco	**148,618**	**-**	431,308	1
Materials	**2,551,098**	**2**	1,033,328	1
Real Estate	**530,259**	**-**	-	-
Retailing	**66,232**	**-**	-	-
Transportation	**59,700**	**-**	206,449	-
Telecommunication Services	**875,934**	**1**	-	-
Utilities	**46,552**	**-**	9,930	-
Total value of equity	**11,065,865**	**10**	6,734,308	7
Total value of investments	**107,457,487**		94,792,106	

The following shows the estimated impact from a 10% change in the stock market prices on the portfolio with indicative comparatives.

Sensitivity of Fund Inflow to Change in Equity Prices

The following table provides details on the impact to the total fund inflow and total equity as a result of interest rate changes.

Rs.'000	2025 Impact on fund inflow	2024 Impact on fund inflow
10% increase in equity prices	**1,106,587**	673,431
10% decrease in equity prices	**(1,106,587)**	(673,431)

ii Currency Risk

Currency risk is the risk that the fair value / present value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates

The Sri Lankan rupee depreciated by 5.8% against the US Dollar during 2025, reflecting pressures from both external and domestic market conditions. Key domestic factors included the relaxation of vehicle import restrictions, rising import demand, and capital outflows, which collectively increased foreign currency requirements. Externally, global developments such as the introduction of reciprocal tariffs by the United States and heightened geopolitical tensions among major economies contributed to currency volatility. Amid these challenges, the Central Bank of Sri Lanka implemented several measures including foreign exchange interventions and reserve accumulation strategies to stabilize the currency and maintain market confidence.

The Company's principal transactions are carried out in Sri Lankan Rupees and its exposure to foreign exchange risk primarily arises when transacting with professional service providers and software vendors who operate outside the country. There are no material transactions and balances in foreign currency for the financial year.

Risk Response

- The Company does not carry foreign currency dominated assets or liabilities and any foreign payment is promptly processed.
- Prioritising critical foreign currency payments with bank partners to ensure continuous settling of foreign currency payments.
- As agreed with reinsurers settling net reinsurance payment after setting off reinsurance recievable against reinsurance payable.

iii Interest Rate Risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in market interest rates. Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

The Central Bank of Sri Lanka (CBSL) maintained the policy rates consistent through out the year to support the economic recovery. The yield curve shifted downwards falling by 60 bps on average across all maturities. Constant interest rate environment meant there is minimum impact to the liability and fixed income asset valuation and the investment income during the year.

Risk Response

- The Investment Committee keeps a regular track of macroeconomic scenarios and their likely impact on interest rates and corresponding impact on the investment portfolio.
- Monthly review of upcoming cash flows and established suitable investment strategies to take advantages of the increasing interest rate movements.
- Proactively evaluate and execute forward purchases to lock in future cash flows at favourable interest rates.
- Proactively evaluate and execute forward purchases to lock in future cash flows at favourable interest rates.
- Initial recognition of investments is closely monitored.
- Re-design of investment portfolio to keep in par with the interest rate movements.

The following provides details of the quantum of investment exposed to fluctuations in fair values and cash flows.

As at 31 December Instruments Rs.'000	2025 Fixed Interest Rate	2025 Variable Interest Rate	2025 Non-Interest bearing	2024 Fixed Interest Rate	2024 Variable Interest Rate	2024 Non-Interest bearing
Government securities	**84,779,968**	-	-	77,382,593	-	-
Corporate debts	**10,820,323**	**621,430**	-	9,839,947	629,147	-
Fixed deposits	**43,130**	-	-	-	-	-
Unit Trust	-	-	**126,771**	-	-	206,111
Equity instruments	-	-	**11,065,865**	-	-	6,734,308
Total	**95,643,421**	**621,430**	**11,192,636**	87,222,540	629,147	6,940,419

Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates on variable rate corporate debt instruments.

Rs. '000	2025 Impact on fund inflow	2025 Impact on equity	2024 Impact on fund inflow	2024 Impact on equity
+100 basis points	**(1,500)**	**1,500**	(6,544)	6,544
-100 basis points	**1,509**	**(1,509)**	6,677	(6,677)

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates on fixed rate available for sale.

Rs. '000		2025		2024	
		Impact on fund inflow	Impact on equity	Impact on fund inflow	Impact on equity
+100 basis points	AFS	**(1,187,070)**	**1,187,070**	(514,009)	514,009
-100 basis points	AFS	**1,268,523**	**(1,268,523)**	535,117	(535,117)

7.3 Operational Risk

Risk is stemming from inadequate or failed internal processes, people and systems, or from external events. The Board of Directors has delegated responsibility for operational risk to risk owners and managers who are responsible for the development and implementation of controls to address operational risks. This responsibility is supported by the development of overall Company standards for the management of operational risks in the following areas:

- Segregation of duties, including the independent authorisation of transactions.
- Reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- 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 it is cost effective.
- Compliance with Company standards, policies and procedures is supported by a programme of periodic reviews undertaken by internal audit.
- The results of internal audit reviews are discussed with the management Executive Committee and representative from group risk with summaries submitted to the BACC and the Board.

Implementation of SLFRS 17

SLFRS 17 Insurance Contracts, represents a significant transformation in financial reporting, replacing SLFRS 4 and becoming effective on 1 January 2026. SLFRS 17 aims to enhance transparency, comparability, and consistency in the recognition, measurement, and disclosure of insurance contracts. However, the transition to SLFRS 17 presents various challenges, including data management, system integration, actuarial complexities, and regulatory compliance. Successful implementation requires a strategic approach involving system upgrades, process reengineering, stakeholder collaboration, and capacity building. The Company has undertaken the following actions to mitigate the operational risks.

No	Risks	Risk Discription	Risk Mitigation Action
1	Data Quality and Integrity Risks	Inconsistent, incomplete, or inaccurate data can lead to incorrect calculations and reporting errors.	Establish a data governance framework to ensure data accuracy and consistency.
			Implement automated validation checks to detect and correct data errors.
			Conduct regular data reconciliation and cleansing activities.
2	System and IT Infrastructure Risks	Systems support challenges leading to integration failures or delays.	New/enhanced IT systems accommodated for SLFRS 17 calculations.
			Centralized data warehouse for streamlined data processing.
			End-to-end system testing to ensure proper integration and functionality.
3	Actuarial and Financial Model Complexity Risks	Complex IFRS 17 measurement models (GMM, PAA, VFA) require advanced actuarial and accounting expertise, increasing the risk of miscalculations.	Develop and validate robust actuarial and financial models in alignment with SLFRS 17.
			Parallel runs and back-testing before full implementation.
			Continuous training for finance, actuarial, and IT teams.
			Expert consultants on the implementation process.
4	Change Management and Workforce Readiness Risks	Employees may struggle to adapt to new processes, methodologies, and reporting structures.	A comprehensive change management strategy with clear roles and responsibilities in place.
			Regular SLFRS 17 training sessions for finance, actuarial, and IT teams.
			SLFRS 17 project team to monitor progress and resolve issues.
5	Reporting and Disclosure Risks	Failure to meet regulatory reporting requirements or delays in financial statement preparation.	Automate financial reporting workflows to ensure timely compliance.
			Conduct mock reporting exercises to test SLFRS 17 disclosures.
			Engage with regulators and auditors to align expectations.
			Perform parallel runs.
6	Operational Disruptions and Business Continuity Risks	Implementation delays, system failures, or resource constraints could disrupt normal business operations.	Business continuity plan (BCP) in place to mitigate disruptions.
			Dedicated resources in place for SLFRS 17 implementation.
			Regular risk assessments to identify and address bottlenecks.
7	Increased Cost and Budget Overruns	High implementation costs related to system upgrades, consulting fees, and training.	Cost-effective solutions, such as cloud-based SLFRS 17 systems.
			Detailed budget and cost-control measures in place.
			Regular review of project expenditure to present budget overruns.
8	Audit and Compliance Risks	Non-compliance with IFRS 17 regulations could lead to audit findings or financial penalties.	Internal controls and audit trails for all SLFRS 17-related processes.
			Progessive audit to ensure compliance.

NOTES TO THE FINANCIAL STATEMENTS

7.4 Capital Management

Objectives, Policies and Processes for Capital Management

For the purpose of the Company's capital management, capital includes stated capital, reserves and retained earnings. The primary objectives of the Company's capital management are to maximise shareholder returns, share price appreciation, sustain financial stability and financial strength.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and regulatory requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using the Risk Based Capital method.

In terms of using capital, the Company engages in following value adding processes in order to provide the desired output to it's varied stakeholders, while maintaining the right balance of risk based capital required.

- Providing financial security to citizens (Underwriting process)
- Management of overall business operations
- Prudent investments and risk management
- Delivering benefits and claims assured
- Closely follow up RBC guidelines issued by IRCSL

The Company has adequate Total Available Capital (TAC) to support the Risk-Based Capital Required (RCR) or Surrender Value Capital Charge (SVCC) whichever is higher.

Summary Quantitative Data

As at 31 December	2025 Rs. '000	2024 Rs. '000
Total Available Capital (TAC)	35,725,117	36,806,563
Formula Risk Based Capital Required (RCR)	16,598,720	13,951,689
Surrender Value Capital Charge (SVCC)	-	-
Risk based Capital requirement (RCR)	16,598,720	13,951,689
Risk based Capital Adequacy Ratio (CAR)	215%	264%

8 Fair Value Measurement and Related Disclosures

Financial instruments and non-financial assets disclosed at fair value or that are measured at fair value are given in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in the following notes.

Property, plant and equipment under revaluation model	Note	27
Financial instruments (Including those carried at amortised cost)	Note	30

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and buildings.

Fair value hierarchy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs.

A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

- quoted market prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category 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 value.

Valuation techniques include net present value and discounted cash flow model comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss), is deferred and recognised only when the inputs become observable or on recognition of the instrument.

The following note explains the methodology for valuing our financial and non-financial assets and provides an analysis of these according to the 'fair value hierarchy'.

Instrument Category	Fair value basis	Fair value hierarchy
Government Securities		
Treasury Bonds	Valued using the market yield	Level 1
Treasury Bills	Valued using the market yield	Level 1
Investment in Listed Shares	Closing Market prices	Level 1
Unit Trusts	Closing Unit prices	Level 1
Listed Corporate Debt	Published Market Prices	Level 1 / Level 2*
Land and Building	Market Comparable Method / Investment Method	Level 3

*Listed corporate debts which have been traded during the period have been classified under Level 1 and others under level 2.

Use of Judgments and Estimates

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

8.1 Valuation framework

The Company has established a control framework with respect to the measurement of fair values of investments. The Investment Committee has overall responsibility for the results of trading and investment operations and all significant fair value measurements carried out by the Investment Division, which include;

- Verification of observable pricing.
- Re-performance of model valuations.
- Quarterly calibration and back-testing of models against observed market transactions.
- Review of significant unobservable inputs, valuation, adjustments and significant changes of the fair value measurement of level 3 instruments compared with the previous year.

When third party information, such as broker quotes or pricing services are used to measure fair value, documentary evidence is obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRSs / LKASs.

8.2 Assets measured at fair value

The following table analyses financial assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. Whenever available, quoted prices in active markets are obtained for identical assets at the reporting date to measure fixed maturity securities at fair value in trading and AFS portfolios. Market price data is generally obtained from dealer markets.

As at 31 December		Fair value hierarchy							
		2025				2024			
Rs'000	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Non-Financial Assets Property, Plant & Equipment									
Land and Building	27.1	-	-	2,882,778	2,882,778	-	-	2,719,250	2,719,250
Total Non-Financial Assets at Fair Value		-	-	2,882,778	2,882,778	-	-	2,719,250	2,719,250
Fiancial Assets									
Financial assets at FVTPL									
Financial assets held for trading:									
Equity securities	30.6	11,065,865	-	-	11,065,865	6,734,308	-	-	6,734,308
Unit Trusts	30.6	126,771	-	-	126,771	206,111	-	-	206,111
Designated at FVTPL									
Investments for the benefit of Life insurance policyholders who bear the investment risk									
Equity securities	30.6	565,008	-	-	565,008	514,556	-	-	514,556
Debt securities	30.6	-	93,171	-	93,171	-	76,358	-	76,358
Government securities	30.6	82,898	54,072	-	136,970	100,896	76,998	-	177,894
Unit Trusts	30.6	-	-	-	-	6,530	-	-	6,530
		11,840,542	147,243	-	11,987,785	7,562,401	153,356	-	7,715,757
AFS financial assets:									
Treasury bills	30.5	1,998,454	-	-	1,998,454	6,809,621	-	-	6,809,621
Treasury bonds	30.5	32,776,108	-	-	32,776,108	20,354,866	-	-	20,354,866
		34,774,562	-	-	34,774,562	27,164,487	-	-	27,164,487
Total of financial assets carried at fair value		46,615,104	147,243	-	46,762,347	34,726,888	153,356	-	34,880,244
Total of assets carried at fair value		46,615,104	147,243	2,882,778	49,645,125	34,726,888	153,356	2,719,250	37,599,494

8.3 Transfer between levels

There were no transfers made between the levels in the year 2025 (2024 - Nil).

8.4 Financial assets and liabilities not measured at fair value

It is assumed that the following financial assets and liabilities have a short term maturity and the carrying amounts approximate their fair values.

As at 31 December	2025 Rs. '000	2024 Rs. '000
Financial Assets		
Reinsurance receivable	**526,145**	418,852
Premiums receivable	**1,032,595**	1,066,641
Receivables and other assets	**515,598**	420,302
Loans to life policyholders	**2,858,074**	2,651,478
Cash in hand and at bank	**1,698,143**	1,614,403
Financial Liabilities		
Reinsurance payables	**603,586**	587,668
Lease Liabilities	**510,588**	606,916
Other financial liabilities	**4,893,146**	2,837,476
Bank overdraft	**199,076**	134,529

*The fair value of policyholder loans are equal to its carrying value as those are given at competitive market rates.

8.5 Fixed rate financial instruments

The fair value of fixed rate financial investments carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on observable market inputs.

Table below analyses the fair value of financial investments carried at amortised cost in to their levels in fair value hierarchy.

		Fair value hierarchy									
		2025					2024				
As at 31 December Rs'000	Note	Amortised cost	Level 1	Level 2	Level 3	Total	Amortised cost	Level 1	Level 2	Level 3	Total
HTM financial assets											
Treasury bonds	30.3	**48,222,643**	**54,987,311**	**-**	**-**	**54,987,311**	46,244,375	52,017,058	-	-	52,017,058
		48,222,643	**54,987,311**	**-**	**-**	**54,987,311**	46,244,375	52,017,058	-	-	52,017,058
L & R financial assets											
Bank deposits	30.4	**43,130**	**43,130**	**-**	**-**	**43,130**	-	-	-	-	-
Debentures	30.4	**11,441,753**	**11,987,530**	**-**	**-**	**11,987,530**	10,469,094	3,946,089	7,073,491	-	11,019,580
Reverse repurchase agreements	30.4	**1,782,763**	**-**	**1,782,763**	**-**	**1,782,763**	3,973,731	-	3,973,731	-	3,973,731
		13,267,646	**12,030,660**	**1,782,763**	**-**	**13,813,423**	14,442,825	3,946,089	11,047,222	-	14,993,311
Total of fair values of financial investments not measured at fair value		**61,490,289**	**67,017,971**	**1,782,763**	**-**	**68,800,734**	60,687,200	55,963,147	11,047,222	-	67,010,369

NOTES TO THE FINANCIAL STATEMENTS

9 Gross Written Premium

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

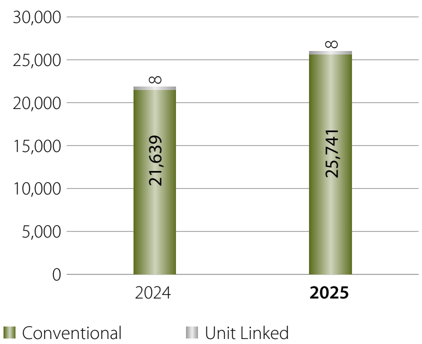
Gross written premiums on life and investment contracts with discretionary participating features (DPF) are recognised as revenue when receivable from the policyholder (policies within the 30 day grace period are considered as due). For single premium business, revenue is recognised on the date on which the policy is effective.

Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

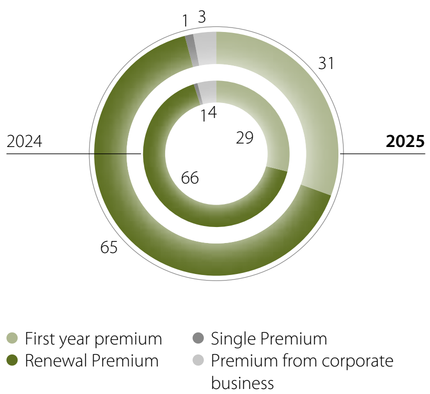
For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Conventional	**25,741,439**	21,638,719
Unit linked	**8,228**	8,250
Total gross written premium	**25,749,667**	21,646,969

For the year ended 31 December Rs. '000	2025			2024		
	Conventional	Unit linked	Total	Conventional	Unit linked	Total
Individual policies						
First year premium	**7,906,550**	**-**	**7,906,550**	6,233,431	-	6,233,431
Renewal premium	**16,864,705**	**8,228**	**16,872,933**	14,336,377	8,250	14,344,627
Single premium	**243,424**	**-**	**243,424**	204,988	-	204,988
	25,014,679	**8,228**	**25,022,907**	20,774,796	8,250	20,783,046
Corporate policies						
New business premium	**126,538**	**-**	**126,538**	331,137	-	331,137
Renewal premium	**600,222**	**-**	**600,222**	532,786	-	532,786
	726,760	**-**	**726,760**	863,923	-	863,923
Total gross written premium	**25,741,439**	**8,228**	**25,749,667**	21,638,719	8,250	21,646,969

Gross Written Premium
(Rs. Mn)



Composition of GWP
(%)



10 Premium Ceded To Reinsurers

Accounting Policy

Reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Value of the premiums are decided on the rates agreed with reinsurers and accounted on an accrual basis.

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Conventional	1,697,453	1,491,162
Unit linked	436	563
Total premium ceded to reinsurers	1,697,889	1,491,725

11 Net Investment Income

Accounting Policy

Investment income comprises interest income on funds invested (including AFS financial assets) and dividend income.

Interest income is recognised in the income statement as it accrues and is calculated by using the Effective Interest Rate method (EIR). The effective interest rate is the rate that exactly discounts the estimated future cash receipt or payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

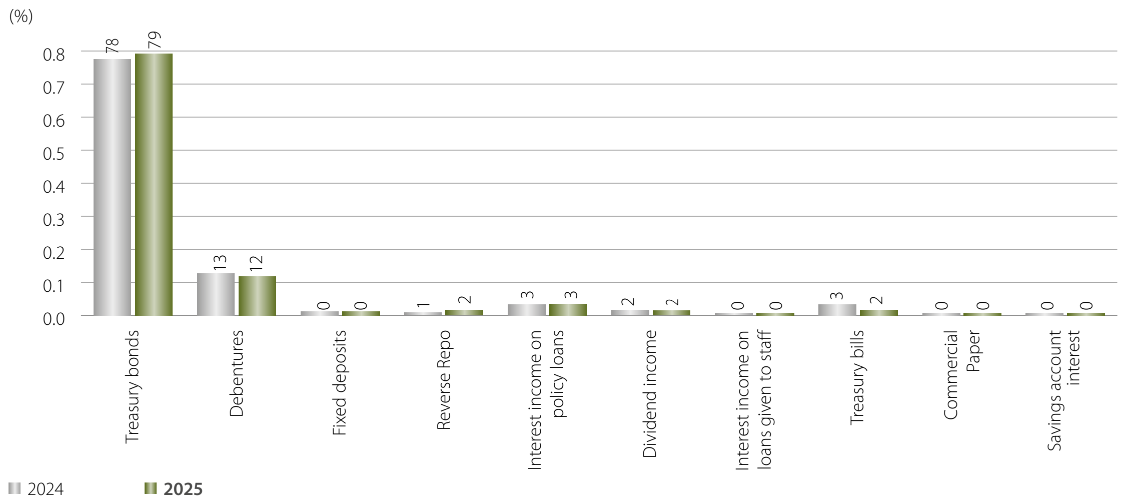
The calculation of the EIR includes all transaction costs and fees that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

Investment related expenses consist of costs relating to investment such as custodial fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

Dividends on equity investments are recognised in the income statement when the right to receive payment is established which is on the date at which the investment is priced 'ex dividend'.

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Investment income from;			
Held to maturity financial assets	11.1	6,513,991	5,998,617
Loans and receivables	11.2	2,123,098	2,045,399
Available for sale financial assets	11.3	3,612,321	3,537,776
Financial assets at fair value through profit or loss	11.4	297,217	261,989
Investment related expenses		(195,719)	(87,090)
Total net investment income		12,350,908	11,756,691

Composition of Investment Income



NOTES TO THE FINANCIAL STATEMENTS

11.1 Investment Income from Held to Maturity Financial Assets

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest income		
Treasury Bonds	**6,513,991**	5,998,617
	6,513,991	5,998,617

11.2 Investment Income from Loans and Receivables

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest income		
Interest income on policy loans	**431,062**	386,975
Reverse repurchase agreements	**194,722**	88,094
Fixed deposits	**2,130**	4,312
Interest income on loans given to staff	**31,933**	40,595
Debentures	**1,456,098**	1,496,081
Assets Backed Securities	**-**	23,670
Savings account interest	**7,153**	5,672
	2,123,098	2,045,399

11.3 Investment Income from Available for Sale Financial Assets

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest income		
Treasury bonds	**3,408,019**	3,161,202
Treasury bills	**204,302**	376,574
	3,612,321	3,537,776

11.4 Investment Income from Fair Value Through Profit or Loss

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest income		
Treasury bills	**117**	7,623
Treasury bonds	**16,025**	26,744
Debentures	**12,398**	11,669
Reverse repurchase agreements	**4,692**	6,459
	33,232	52,495
Dividend income		
Held for trading - Conventional	**248,957**	190,398
Held for trading - Unit linked	**15,028**	19,096
	263,985	209,494
	297,217	261,989

12 Net Realised Gains

Accounting Policy

Realised gains and losses recorded in the income statement on investments include gains and losses on sale of financial assets.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value, and are recorded on occurrence of the sale transaction.

On derecognition of an investment classified as AFS, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Realised gains	**1,484,761**	920,924
Realised losses	**(177,168)**	(58,827)
Total net realised gains	**1,307,593**	862,097

For the year ended 31 December Rs. '000	2025 Realised gains	2025 Realised losses	2025 Net realised gains / (losses)	2024 Realised gains	2024 Realised losses	2024 Net realised gains / (losses)
Available for sale financial assets						
Treasury Bills	-	-	-	4,245	(526)	3,719
Treasury Bonds	297,263	(9,708)	287,555	180,138	(29,901)	150,237
	297,263	(9,708)	287,555	184,383	(30,427)	153,956
Fair value through profit or loss financial assets						
Treasury Bills	-	-	-	313	(420)	(107)
Treasury bonds	2,500	-	2,500	21,883	-	21,883
Unit trusts	75,171	-	75,171	282,396	-	282,396
Quoted equity securities	1,109,827	(167,460)	942,367	431,949	(27,970)	403,979
	1,187,498	(167,460)	1,020,038	736,541	(28,390)	708,151
Loans and receivables						
Debentures	-	-	-	-	(10)	(10)
	-	-	-	-	(10)	(10)
	1,484,761	(177,168)	1,307,593	920,924	(58,827)	862,097

13 Net Fair Value Gains

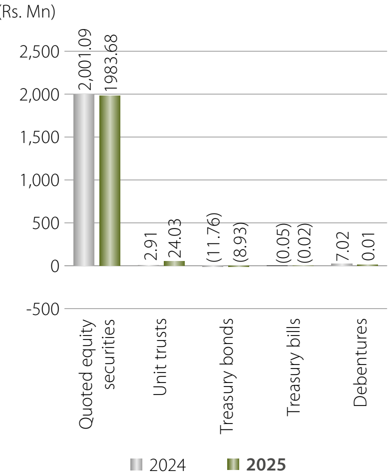
Accounting Policy

Fair value gains and losses recorded in the income statement on investments include fair value gains and losses on financial assets at FVTPL.

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Fair value through profit or loss financial assets		
Quoted equity securities	1,983,684	2,001,091
Unit Trusts	24,031	2,913
Treasury bonds	(8,932)	(11,759)
Treasury bills	(17)	(54)
Debentures	9	7,020
Total net fair value gains	1,998,775	1,999,211

Net Fair Value Gains

(Rs. Mn)



14 Other Income

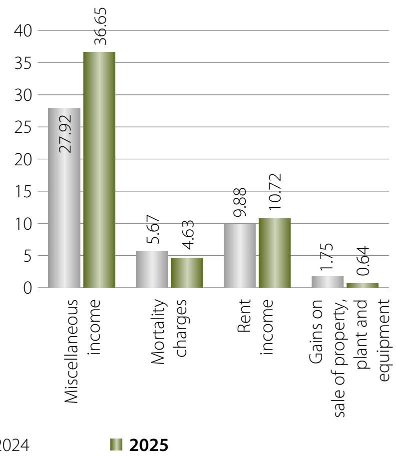
Accounting Policy

Other income comprises disposal gains and losses on property, plant and equipment, mortality charges, surrender charges, rent income and miscellaneous income.

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Mortality charges	4,633	5,673
Miscellaneous income	36,647	27,916
Rent income	10,720	9,876
Gains on sale of property, plant and equipment	635	1,755
Total other income	52,635	45,220

Other Income

(Rs. Mn)



NOTES TO THE FINANCIAL STATEMENTS

15 Net Insurance Benefits and Claims Paid

Accounting Policy

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to processing and settlement of claims and policyholder bonuses declared on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

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

For the year ended 31 December Rs. '000	2025 Gross claims paid	2025 Claims recovered from reinsurers	2025 Net claims paid	2024 Gross claims paid	2024 Claims recovered from reinsurers	2024 Net claims paid
Death, disability and hospitalisation	**2,294,154**	**(989,196)**	**1,304,958**	2,184,278	(1,003,271)	1,181,007
Surrenders	**2,964,087**	**-**	**2,964,087**	2,308,867	-	2,308,867
Annuity payments	**212,225**	**-**	**212,225**	195,560	-	195,560
Policy maturities	**3,367,030**	**-**	**3,367,030**	3,007,554	-	3,007,554
Total net life insurance claims and benefits	**8,837,496**	**(989,196)**	**7,848,300**	7,696,259	(1,003,271)	6,692,988

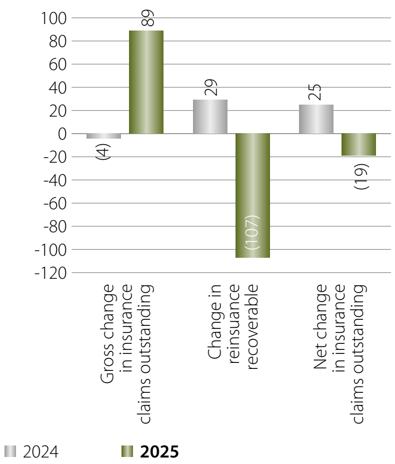
16 Net Change in Insurance Claims Outstanding

Accounting Policy

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

For the year ended 31 December Rs. '000	2025 Gross change in insurance claims outstanding	2025 Change in reinsurance recoverable	2025 Net change in insurance claims outstanding	2024 Gross change in insurance claims outstanding	2024 Change in reinsurance recoverable	2024 Net change in insurance claims outstanding
Death, disability and hospitalisation	**87,308**	**(107,293)**	**(19,985)**	(13,700)	28,706	15,006
Surrenders	**-**	**-**	**-**	8,745	-	8,745
Annuity payments	**1,391**	**-**	**1,391**	1,282	-	1,282
Policy maturities	**(59)**	**-**	**(59)**	(91)	-	(91)
Total net change in insurance claims outstanding	**88,640**	**(107,293)**	**(18,653)**	(3,764)	28,706	24,942

Changes in Insurance Claims Outstanding
(Rs. Mn)



16.1 Net Insurance Benefits and Claims Expense

For the year ended 31 December	Note	2025 Rs.'000	2024 Rs.'000
Net insurance benefits and claims paid	15	**7,848,300**	6,692,988
Net change in insurance claims outstanding	16	**(18,653)**	24,942
Total net insurance benefits and claims expense		**7,829,647**	6,717,930

17 Change in Insurance Contract Liabilities

Accounting Policy

Changes in the valuation of insurance contract liabilities are recognised in the income statement under change in contract liabilities.

Actuarial valuation of life insurance fund

The Directors are satisfied with the provision relating to long term insurances contract liabilities of the Company as at the year end as certified by the Appointed Actuary following his annual review of the valuation on the Life Insurance Fund. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the appointed actuary.

The appointed actuary's report is provided on page 246.

For the year ended 31 December Rs'000	Note	2025 Gross	2025 Reinsurance	2025 Net	2024 Gross	2024 Reinsurance	2024 Net
Premiums written	9/10	**25,749,667**	**(1,697,889)**	**24,051,778**	21,646,969	(1,491,725)	20,155,244
Insurance benefits and claims incurred	16.1	**(8,926,137)**	**1,096,490**	**(7,829,647)**	(7,692,495)	974,565	(6,717,930)
Underwriting and net acquisition costs (including reinsurance)	18	**(5,058,628)**	**152,379**	**(4,906,249)**	(4,136,169)	135,895	(4,000,274)
Other operating, selling and administrative expenses attributable to policyholders		**(6,630,868)**	**-**	**(6,630,868)**	(5,599,197)	-	(5,599,197)
Investment and other income attributable to policyholders		**14,198,101**	**-**	**14,198,101**	12,799,403	-	12,799,403
Surplus from life insurance fund transferred to Life shareholder's fund		**(3,400,000)**	**-**	**(3,400,000)**	(3,000,000)	-	(3,000,000)
Change in insurance contract liabilities		**15,932,135**	**(449,020)**	**15,483,115**	14,018,511	(381,265)	13,637,246

NOTES TO THE FINANCIAL STATEMENTS

18 Underwriting and Net Acquisition Costs (Net of Reinsurance)

Accounting Policy

All acquisition costs are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Acquisition cost	**5,058,628**	4,136,169
Reinsurance commission (including profit commission)	**(152,379)**	(135,895)
Total underwriting and net acquisition costs	**4,906,249**	4,000,274

19 Other Operating, Administrative and Selling Expenses

Accounting Policy

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Employee benefits expenses	19.1	**2,225,037**	1,847,293
Administration and establishment expenses		**2,338,494**	1,994,145
Finance cost	20.1	**68,499**	62,301
Selling expenses		**1,205,679**	1,006,738
Total other operating, administrative and selling expenses		**5,837,709**	4,910,477

19.1 Employee Benefits Expenses

Refer Note 45 for the Accounting Policy.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short - term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Short Term Employee Benefits			
Staff remuneration		**1,803,933**	1,498,966
Defined contribution plan cost - EPF	45.1	**139,020**	111,553
Defined contribution plan cost - ETF	45.1	**33,532**	27,888
Staff welfare		**90,741**	66,741
Training expenses		**67,253**	50,312
Other costs		**15,217**	18,252
		2,149,696	1,773,712
Long Term Employee Benefits			
Defined benefit plan cost	45.3.(a)	**53,366**	50,937
Share based payment expense	40.3 (a)	**21,975**	16,226
Other long term employee benefit cost - Charge during the year		-	6,418
		75,341	73,581
Total employee benefits expenses		**2,225,037**	1,847,293

20 Finance Costs

Accounting poclicy

Interest cost is recognised 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 to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

20.1 Finance Cost

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest expenses on lease liability	**58,132**	53,658
Bank Charges	**10,367**	8,643
	68,499	62,301

21 Profit Before Tax

Accounting poclicy

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes share of profit of equity-accounted investees and income taxes.

Profit before tax is stated after charging all expenses including the following;

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Directors fee and emoluments		**117,953**	96,667
Auditors remuneration			
Statutory audit and audit related services		**7,535**	6,301
Non audit related services		**27,172**	9,133
Legal fees		**11,549**	10,720
Depreciation of property plant and equipment	27.1	**147,453**	116,291
Amortisation of intangible assets	26.1	**442,186**	388,546
Depreciation of Right of use assets	28.1	**193,771**	156,736
Expenses relating to short term leases	28.1	**10,372**	3,394
Defined contribution plan			
- EPF	19.1	**139,020**	111,553
- ETF	19.1	**33,532**	27,888
Defined benefit plan cost	19.1	**53,366**	50,937
Other long term employee benefit cost charge during the year		**-**	6,418
Staff expenses		**1,999,119**	1,650,496
CSR expenses		**26,735**	23,909
Gain on sale of property,plant and equipment	14	**635**	(1,755)
Provision / (Reverals) for impairment of			
-Staff loans	34.1 (a)	**1,774**	2,717

22 Income Tax Expense

Accounting Policy

Income tax expense comprises current and deferred tax. Current tax and deferred tax relating to items recognised directly in equity or OCI is recognised in equity or OCI and not in the income statement. Current tax assets and liabilities are offset only if certain criteria are met.

22.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Gains and profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017 and amendments thereto. As per this section, gains and profits on which tax is payable is the aggregate of;

- Surplus distributed to shareholders from the Life insurance policyholders fund as certified by the actuary.
- Investment income of the shareholder fund less any expenses incurred in the production of such income.
- Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance.

Income tax rate of 30% has been applied on the total taxable income in 2025 (2024 - 30%)

22.2 Tax Exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities and such changes to tax liabilities will impact tax expense in the period that such a determination is made (refer note 51.1).

22.3 Crop Insurance Levy

The Crop Insurance Levy was introduced under the provisions of Section 14 of the Finance Act No. 12 of 2013, and came into effect from 1 April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit after Tax.

NOTES TO THE FINANCIAL STATEMENTS

22.4 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except;

- Where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, to the taxation authority is included as a part of receivables or payables in the statement of financial position.

22.5 Deferred Tax

Accounting Policy

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be used. The reversal of relevant taxable temporary differences are determined based on future taxable profits. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Use of Judgements and Estimates

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

22.6 Amount Recognised in the Profit or Loss

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Current tax expense		
Current tax expense for the year	**(1,487,847)**	(1,486,968)
Capital gain tax on disposal of equity accounted investee	**(311,509)**	-
	(1,799,356)	(1,486,968)

Current tax expenses excludes the Company's share of income tax expenses of equity accounted investee of Rs. 100 million (2024 - Rs. 130 million), which has been included in the share of profit of equity accounted investee, net of tax.

22.7 Income Tax computation as per IRD Act No 24 of 2017 and amendments to Act

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Surplus distributed to the shareholder from the life fund	42.5	**3,400,000**	3,000,000
Investment income of the shareholder fund, net of expenses		**1,559,489**	1,956,561
		4,959,489	4,956,561
Tax payable on shareholder profits - (30%)		**1,487,847**	1,486,968
Capital gain tax on disposal of equity accounted investee		**311,509**	-
		1,799,356	1,486,968
Surplus distibuted to the policy holders who participate in the Company's profit		**75,292**	79,943
Tax on Surplus distibuted to the policy holders who participate in the company's profit - (30%)		**22,588**	23,983
Total Tax Liability		**1,821,944**	1,510,951

22.8 Reconciliation of Effective Tax Rate

A reconciliation between tax expense and the product of accounting profit.

For the year ended 31 December	2025 %	2025 Rs. '000	2024 %	2024 Rs. '000
Profit before tax		**5,169,270**		5,228,186
Tax using the company's domestic tax rate	**30%**	**1,550,781**	30%	1,568,456
Share of profit of equity accounted investee, net of tax	**-2%**	**(100,457)**	-2%	(130,139)
Net aggregate disallowable expenses and tax exempt income	**1%**	**37,523**	1%	48,651
Capital Gain Tax on disposal of equity accounted investment	**6%**	**311,509**	0%	-
Total income tax expense of the shareholders fund	**35%**	**1,799,356**	28%	1,486,968

22.9 Uncertainty over Income Tax Treatments

The court of appeal delivered the order on 19 February 2026 for Income Tax Y/A 2010/11, 2011/12 and 2015/16 in favour of the company allowing the company to deduct all management expenses against the investment income of the life insurance business. Therefore, the company concluded that no additional provisions required to be made in the financial statements. Refer Note 51.1 for the details of the pending tax treatments.

23 Earnings per Share

Accounting Policy

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit after tax and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

23.1 Basic Earnings per Share

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Profit after tax (Rs.'000)	**3,369,914**	3,741,218
Weighted average number of ordinary shares ('000)	**589,286**	589,286
Basic Earnings Per Share (Rs.)	**5.72**	6.35

23.2 Diluted Earnings per Share

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 23.1.

NOTES TO THE FINANCIAL STATEMENTS

24 Dividends per Share

Accounting Policy

In the event of Dividend being declared by the Board of Directors after the reporting date it will not be recognised as a liability but as a note to the financial statements.

24.1 Dividends Declared During the Year

The Board of Directors of the Company has approved a first and final dividend of Rs. 5.00 per share (2024 - Rs. 5.00) for the financial year ended 31 December 2025 out of retained earnings.

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Dividend declared (Rs. '000)	**2,946,429**	2,946,429
Number of ordinary shares ('000)	**589,286**	589,286
Dividend per share (Rs.)	**5.00**	5.00

24.1 (a) Compliance with Section 56 and 57 of Companies Act No. 7 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007 the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, subject to relevant regulatory adherence, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors have been audited by Messrs. KPMG.

24.2 Dividend Paid During the Year

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
First and final dividend for 2024 - Rs. 5.00 per share (2023 - 8.75)	**2,946,428**	5,156,250

25 Financial Assets and Liabilities

25.1 Non Derivative Financial Assets

Accounting Policy

Initial Recognition and Measurement

The Company initially recognises loans and receivables and deposits on the date that they are originated. Equity and Unit trust investments are initially recognized on the trade date. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the settlement date at which the Company becomes a party to the contractual provisions of the instrument.

In the case of financial assets not measured at fair value through profit or loss, it is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Income and expenses are presented on a net basis only when permitted under SLFRSs / LKASs, or for gains and losses arising from a group of similar transactions such as the Company's trading activity.

Depending on the intention and ability to hold the invested assets, the financial assets categories and their classification criteria are shown in the table below;

Classification	Classification criteria
Held-To-Maturity	Financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold it to maturity.
Loans and Rceivables (L&R)	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market
Fair Value Through Profit or Loss (FVTPL)	Financial assets held for trading and those designated upon initial recognition at FVTPL and investments typically bought with the intention to sell in the near future. For investments designated at FVTPL, the following criteria must be met; • The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losse on a different basis, Or • The assets and liabilities are part of a Company's financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Company's investment strategy.
Available For Sale (AFS)	Financial assets that are designated as AFS and that are not classified in any of the previous categories. AFS financial investments includes debt securities. Securities in this category are those that are intended to be held till maturity and which maybe sold in response to the need for liquidity or in response to changes in the market conditions.

Subsequent Measurement

Held-to Maturity Financial Assets (HTM)

Subsequent to initial recognition held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in net investment income in the income statement.

Loans and Receivables (L&R)

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Fair Value Through Profit or Loss (FVTPL)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

Available for Sale Financial Assets (AFS)

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available for sale equity instruments, are recognised in the statement of profit or loss and other comprehensive income and presented within equity in the available for sale reserve.

Company's non-derivative financial assets and their classifications are summarised as follows;

Financial Asset	Category			
	HTM	AFS	L & R	FVTPL
Treasury bonds	√	√	-	√ *
Treasury bills	-	√	-	√ *
Reverse repurchase agreements	-	-	√	√ *
Quoted shares	-	-	-	√ *
Unit trusts	-	-	-	√ *
Corporate debts	-	-	√	√ *
Term deposits	-	-	√	-
Loans to policyholders	-	-	√	-
Staff and advisor loans	-	-	√	-
Reinsurance receivables	-	-	√	-
Premiums receivable	-	-	√	-
Other receivables	-	-	√	-
Cash in hand and at bank	-	-	√	-

* Financial assets are designated as FVTPL relating to Unit Linked fund

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of finance 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 and the 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.

Objective evidence that financial assets (including equity securities) are impaired may include;

- Significant financial difficulty of the borrower or user,
- Default or delinquency by debtor,
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization,
- Adverse change in the payment status of issuers or debtors in the Company, or
- In the case of equity a significant or prolonged decline in its fair value below its cost.

NOTES TO THE FINANCIAL STATEMENTS

Impairment Losses on Financial Assets Carried at Amortised Cost

The Company considers evidence of impairment for financial assets measured at amortised cost (L&R and HTM financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed or any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in income statement under other cost and reflected in an allowance account against L&R or HTM investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment Losses on AFS Financial Assets

Impairment losses on AFS financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the income statement. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. In the case of equity investments impairment, the cumulative loss is 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.

If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, impairment losses on equity investments are not reversed through the income statement and increases in their fair value after impairment is recognised directly in the statement of profit or loss and other comprehensive income.

Derecognition

The Company derecognises a financial asset when;

- The rights to receive cash flows from the asset have expired, or
- The rights to receive cash flows from the asset have expired, or the Company has transferred its rights 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

(a) the consideration received (including any new asset obtained less any new liability assumed) and

(b) In case of AFS financial investments, any cumulative gain or loss that had been recognised in the statement of profit or loss and other comprehensive income is recognised in the income statement.

25.2 Non Derivative Financial Liabilities

Accounting Policy

Initial Recognition and Measurement

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise, reinsurance payables, Lease Liabilities, other liabilities and bank overdraft.

Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

25.3 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

25.4 Reclassification of Financial Assets and Liabilities

The Company reclassifies non derivative financial assets out of the held for trading category and into the AFS, L&R, or HTM categories as permitted by the Sri Lanka Accounting Standard LKAS 39 - Financial Instruments: Recognition and Measurement.

Further, in certain circumstances, the Company is permitted to reclassify financial instruments out of the AFS category and into the L&R category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. 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 with a fixed maturity reclassified out of the AFS 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 asset using the 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.

The Company may reclassify a non derivative trading asset out of the held for trading category and into the L&R category, if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in the estimate.

Reclassification is at the election of the management and is determined on an instrument by instrument basis.

The Company does not reclassify any financial instrument into the FVTPL category after initial recognition. Further, the Company does not reclassify any financial instrument out of the FVTPL category if upon initial recognition it was designated as fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

25.5 Financial Assets and Liabilities by Category

As at 31 December Rs'000	Note	L&R 2025	L&R 2024	FVTPL 2025	FVTPL 2024
Financial Assets					
Financial investments	30.2	**13,267,646**	14,442,825	**11,987,785**	7,715,757
Loans to life policyholders	31	**2,858,074**	2,651,478	**-**	-
Reinsurance receivable	32	**526,145**	418,852	**-**	-
Premiums receivable	33	**1,032,595**	1,066,641	**-**	-
Receivables and other assets	34	**515,598**	420,302	**-**	-
Cash in hand and at bank	35	**1,698,143**	1,614,403	**-**	-
Total financial assets		**19,898,201**	20,614,501	**11,987,785**	7,715,757
Financial Liabilities					
Reinsurance payables	46	**-**	-	**-**	-
Lease Liabilities	44	**-**	-	**-**	-
Other financial liabilities	47	**-**	-	**-**	-
Bank overdraft	35	**-**	-	**-**	-
Total financial liabilities		**-**	-	**-**	-

26 Intangible Assets

Accounting Policy

Recognition and Measurement

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - Intangible Assets.

Software

Software acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the statement of financial position at cost, less accumulated amortisation and accumulated impairment losses.

Contractual Relationships

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

Lapse Used Case Development

This is an advance data analytic model on lapse prevention developed by the Company with the help of an external consultant and the Parent Company. Asset is initially measured at cost and subsequently carried at cost less accumulated amortisation and impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful Economic Life and Amortisation

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives and is generally recognised in profit or loss. None of the intangible assets are assumed to have a residual value.

The estimated useful lives of intangible assets and the amortisation methods for the current and comparative periods are as follows;

	AFS		HTM		Other financial liabilities		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	34,774,562	27,164,487	48,222,643	46,244,375	-	-	108,252,636	95,567,444
	-	-	-	-	-	-	2,858,074	2,651,478
	-	-	-	-	-	-	526,145	418,852
	-	-	-	-	-	-	1,032,595	1,066,641
	-	-	-	-	-	-	515,598	420,302
	-	-	-	-	-	-	1,698,143	1,614,403
	34,774,562	27,164,487	48,222,643	46,244,375	-	-	114,883,191	101,739,120
	-	-	-	-	603,586	587,668	603,586	587,668
	-	-	-	-	510,588	606,916	510,588	606,916
	-	-	-	-	4,893,146	2,837,476	4,893,146	2,837,476
	-	-	-	-	199,076	134,529	199,076	134,529
	-	-	-	-	6,206,396	4,166,589	6,206,396	4,166,589

Software	5 -10 years using the straight line method from the date the software is available for use
Contractual Relationships	5 - 15 years based on the expected business volumes
Lapse Used Case Development	10 years using the straight line method from the date asset is available for use

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Changes in the expected useful life or the expected pattern of future economic benefits embodied in the assets is accounted for by changing the useful life or method as appropriate and are treated as changes in accounting estimates.

Intangible assets with indefinite useful life

In the event Company acquired an intangible asset with indefinite useful life, those assets are tested for impairment annually either individually or at the Cash Generating Unit (CGU) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. The Company does not have intangible assets with indefinite useful life as at the reporting date (2024 - Nil).

De-Recognition

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such intangible assets is included in income statement.

Research and Development Cost

Research costs are expensed as incurred. Development expenditure is capitalised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the development of the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use or sell the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

26.1 Reconciliation of Carrying Amounts of Intangible Assets

As at 31 December Rs. '000	Software Licensed	Software Purchased	Contractual relationships	Lapse used Case Development	2025 Total	2024 Total
Cost						
Balance as at 1 January	39,063	1,286,529	1,196,268	94,838	**2,616,698**	2,574,138
Acquisitions during the year - separately acquired	-	141,137	6,791,346	-	**6,932,483**	54,560
Fair value adjustment	-	-	-	-	**-**	(12,000)
Balance as at 31 December	39,063	1,427,666	7,987,614	94,838	**9,549,181**	2,616,698
Accumulated amortisation and impairment losses						
Balance as at 1 January	39,063	825,791	919,826	47,419	**1,832,099**	1,443,553
Amortisation	-	151,946	280,756	9,484	**442,186**	388,546
Balance as at 31 December	39,063	977,737	1,200,582	56,903	**2,274,285**	1,832,099
Carrying value						
As at 31 December 2025	-	449,929	6,787,032	37,935	**7,274,896**	
As at 31 December 2024	-	460,738	276,442	47,419		784,599

26.2 Assessment of Impairment of Intangible Assets

Bancassurance Partnerships

Contractual relationships are valued at the present value of the access fee outflows, by recognising the relevant asset and the liability. There are three such contractual relationship agreements with three financial institutions. With the prevailing situation, actual performance was compared with contractual arrangement and the management has assessed that no impairment is required for the said asset as of the reporting date.

Other Intangible Assets

The Board of Directors has assessed the potential impairment loss of other intangible assets as at 31 December 2025. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

26.3 Title Restriction on Intangible Assets

There are no restrictions that existed on the title of the intangible assets of the Company as at the reporting date.

26.4 Intangible Assets pledged as Security

None of the Intangible assets have been pledged as security as at the reporting date.

26.5 Acquisition of Intangible Assets During the Year

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 6,932 million (2024 - Rs. 55 million).

26.6 Amount of Contractual Commitments for the Acquisition of Intangible Assets

There are no contractual commitments for the acquisition of intangible assets as at the reporting date.

26.7 Revaluation of Intangible Assets

There are no any intangible assets revalued as at 31 December 2025. (2024 - Nil)

26.8 Fully Amortised Intangible Assets in Use

Intangible assets include fully amortised computer software which are in use in the normal business activities to the gross carrying value of Rs. 345 million (2024 - Rs. 271 million).

27 Property, Plant and Equipment

Accounting Policy

Recognition and Measurement

The Company applies the requirements of the Sri Lanka Accounting Standard LKAS 16 - Property, Plant and Equipment, in accounting for its owned assets which are held and used in the provision of services or for administrative purposes and are expected to be used for more than one year.

Basis of Recognition

Property, plant 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.

Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Except for land and buildings, the Company applies the cost model for all property, plant and equipment and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the following;

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that 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.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in 'other income' in the income statement.

Subsequent Costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Repairs and Maintenance

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Revaluations

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses are recognised after the date of the revaluation. Valuations are performed every two years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in the statement of profit or loss and other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

An annual transfer from the revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Useful Economic Life and Depreciation

Depreciation is recognised in the Income Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embedded in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Asset Class	Basis
Freehold buildings	50 years
Office Equipments	4-5 years
Furniture and fittings	5 years
Computer equipment	2-5 years
Motor vehicles	8 years

NOTES TO THE FINANCIAL STATEMENTS

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e. when it is in the location and in the condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

Carrying Amount

The carrying amount of an asset or significant group of assets within the class is assessed annually, if there are impairment indicators with its fair value and where the fair value is less than the carrying amount, the asset is written down to its fair value. The consequent adjustment is recognised in the income statement.

The residual values of assets that are significant are reassessed annually.

Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation.

De - Recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

Capital Work in Progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in property, plant and equipment, awaiting for capitalisation.

27.1 Reconciliation of Carrying Amounts of Property, Plant and Equipment

As at 31 December Rs. '000	Freehold land	Freehold buildings	Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	2025 Total	2024 Total
Cost / Revaluation								
Balance as at 1 January	2,190,700	540,300	305,818	591,511	518,389	80	**4,146,798**	4,080,482
Additions during the year	-	-	57,406	177,022	34,153	69,964	**338,545**	131,804
Revaluation	74,050	101,226	-	-	-	-	**175,276**	-
Transfer of accumulated depreciation on assets revalued	-	(23,498)	-	-	-	-	**(23,498)**	-
Disposals during the year	-	-	(52,021)	(42,632)	(246,194)	(80)	**(340,927)**	(65,488)
Balance as at 31 December	2,264,750	618,028	311,203	725,901	306,348	69,964	**4,296,194**	4,146,798
Accumulated depreciation and impairment losses								
Balance as at 1 January	-	11,750	218,604	416,855	479,173	80	**1,126,462**	1,074,364
Depreciation for the year	-	11,748	35,439	81,832	17,091	1,343	**147,453**	116,291
Transfer of accumulated depreciation on assets revalued	-	(23,498)	-	-	-	-	**(23,498)**	-
Accumulated depreciation on disposals during the year	-	-	(48,914)	(42,602)	(246,194)	(80)	**(337,790)**	(64,193)
Balance as at 31 December	-	-	205,129	456,085	250,070	1,343	**912,627**	1,126,462
Carrying value								
As at 31 December 2025	2,264,750	618,028	106,074	269,816	56,278	68,621	**3,383,567**	
As at 31 December 2024	2,190,700	528,550	87,214	174,656	39,216	-		3,020,336

27.2 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of property, plant and equipment of the Company as at the reporting date.

27.3 Acquisition of Property, Plant and Equipment During the Year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.339 million (2024 - Rs. 132 million). Cash payments amounting to Rs. 339 million (2024- Rs. 132 million) were made during the year for purchase of property plant and equipment.

27.4 Disposal of Property, Plant and Equipment During the Year

During the financial year, the Company disposed of property, plant and equipment to the aggregate value of Rs. 341 million (2024 - Rs. 65 million). Cash amounting to Rs. 4 million (2024 - Rs. 3 million) was received during the year for disposal of property plant and equipment. Gain on disposal of property, plant and equipment is disclosed in Note 14 to the Financial Statements.

27.5 Amount of Contractual Commitments for the Acquisition of Property, Plant and Equipment

There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date.

27.6 The Details of Freehold Land and Buildings Which are Stated at Valuation

Freehold land and buildings were valued by an Independent valuer, Mr. P. B. Kalugalagedara (Chartered valuation surveyor [UK]).

Company property	No. of Buildings	Extent Perches (Land)	Square feet (Building)	Method of valuation	Date of valuation	Valuer	Revalued amount Land Rs.'000	Revalued amount Building Rs.'000	Carrying value after revaluation Rs.'000	Carrying value %
Land and building situated at No. 20, St. Michael's Road, Colombo 3	1	93.4	57,916	Market Comparable Method / Investment Method	31 December 2025	Mr. P. B. Kalugalagedera Chartered valuation surveyor	1,984,750	452,250	2,437,000	85
Land and building situated at No. 6, Rajapihilla Road, Kurunegala	1	32.3	27,412	Market Comparable Method / Investment Method	31 December 2025		280,000	165,778	445,778	15
							2,264,750	618,028	2,882,778	100

27.7 Significant Unobservable Inputs Used in Measuring Fair Value

The table below sets out the significant unobservable inputs used in measuring Land and buildings categorised as Level 3 in the fair value hierarchy as at 31 December 2025

Location and address of Property	No. of buildings	Method of valuation	Significant unobservable inputs	Range of Estimates for unobservable inputs	Inter-Relationship between key unobservarable inputs and fair value measurement
Kollupitiya No. 20, St. Michael's Road, Colombo 3	1	Market Comparable Method / Investment Method			The estimated fair value would increase / (decrease) if:
			Land - Price per perch	Rs. 19,000,000 - Rs. 22,000,000	Price per perch for land increases, decreases
			Building - Price per square foot	Rs. 35,000 - Rs. 50,000	Price per square foot for building increases, decreases
Kurunegala No. 6, Rajapihilla Road, Kurunegala	1	Market Comparable Method / Investment Method	Land - Price per perch	Rs. 9,000,000 - Rs. 14,000,000	Price per perch for land increases, decreases
			Building - Price per square foot	Rs. 25,000 - Rs. 45,000	Price per square foot for building increases, decreases

NOTES TO THE FINANCIAL STATEMENTS

Market Comparable Method

Market comparable method considers the selling price of a similar property within a reasonable period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustment for differences in size, nature, location and condition of the specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are compensated for, since the price may not adequately reflect the fair market value.

Investment Method

This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.

27.8 Revaluation Surplus

Rs.'000	2025 Land	2025 Buildings	2025 Total
Revalued amount	2,264,750	618,028	2,882,778
Carrying value (prior to revaluation)	(2,190,700)	(516,802)	(2,707,502)
Revaluation surplus for the year ended 31 December	**74,050**	**101,226**	**175,276**

27.9 Amount if Land and Buildings were stated at Historical Cost;

As at 31 December	2025 Rs. '000	2024 Rs. '000
Cost	251,124	251,124
Accumulated depreciation	(113,717)	(109,702)
Carrying value	**137,407**	141,422

27.10 The Effect of Revaluation of Freehold Buildings on the Income Statement during the year was as follows;

As at 31 December	2025 Rs. '000	2024 Rs. '000
Depreciation charge per annum after revaluation	11,750	11,750
Depreciation charge per annum prior to revaluation	(4,015)	(4,015)
Decrease in profit in subsequent period	**7,735**	7,735

27.11 Impairment of Property, Plant and Equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The Management has assessed the potential impairment indicators of property, plant and equipment as at 31 December 2025. Based on the assessment, the Company does not foresee any indications of impairment as at the reporting date.

27.12 Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

As at 31 December	2025 Rs. '000	2024 Rs. '000
Computer equipment	207,421	440,569
Office equipment	117,734	157,871
Furniture and fittings	251,235	271,905
Motor Vehicle	-	80
Total	**576,390**	870,425

27.13 Property, Plant and Equipment pledged as Security

None of the property, plant or equipment have been pledged as security as at the reporting date.

27.14 Permanent Fall in Value of Property, Plant and Equipment

There has been no permanent fall in value of property, plant and equipment which require an impairment provision in the Financial Statements.

27.15 Temporarily Idle Property, Plant and Equipment

There are no temporarily idle property, plant or equipment as at the reporting date.

27.16 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received / receivable from third parties for items of property, plant or equipment that were impaired, lost or given up.

27.17 Property, Plant & Equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2024 - Nil)

27.18 Investment Properties

As at the reporting date, the Company has not invested in investment properties (2024 - Nil)

28 Right of Use Assets (Leases)

Accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Company has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise. Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised insubstance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company presents right of use assets which do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Short-term leases and leases of low-value assets

The Company has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sublease with reference to the right of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income'.

28.1 Leases as lessee (SLFRS 16)

The Company has lease contracts for branches, typically made in between 1 to 6 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company does not foresee any indications of impairment of right of use assets. The Company does not anticipate discontinuation of any right of use assets as at the year end.

Information about leases for which the Company is a lessee is presented below.

As at 31 December	2025 Building Rs. '000	2025 Motor Vehicles Rs. '000	2025 Total Rs. '000	2024 Total Rs. '000
Balance at 1 January	560,830	29,405	590,235	418,566
Additions to right of use assets during the year	111,716	18,744	130,460	333,364
Derecognition of right of use assets	(9,248)	(9,088)	(18,336)	(4,959)
Depreciation for the year	(170,079)	(23,692)	(193,771)	(156,736)
Balance at 31 December	**493,219**	**15,369**	**508,588**	590,235

Amounts recognised in the income statement

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest on lease liabilities	58,132	53,658
Depreciation of right of use assets	193,771	156,736
Expenses relating to short-term leases	10,372	3,394
	262,275	213,788

Amounts recognised in statement of cash flows

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Lease capital repayment	218,256	150,689
	218,256	150,689

The Company has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company; and
- short-term lease payments and payments for leases of low value assets as operating activities.

28.2 Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

29 Investment in Equity Accounted Investee

Divestment of Investment in Associate Company

The Company divested its 22% stake in Fairfirst Insurance Limited comprising of 30,800,000 ordinary shares to Fairfax Asia Limited for a total consideration of Rs. 2,638 Mn.

For the year ended 31 December	2025 Rs. '000
Sales proceed	2,638,080
Investment in equity accounted investee	(2,638,080)
Transfer of share of available for sales reserve of equity accounted investee to Income statement	43,919
Gain on disposal of equity accounted investee	**43,919**

29.1 Summarised Financial Information in Respect of Equity Accounted Investee

Income Statement

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Percentage ownership interest	0%	22%
Net earned premium	3,793,926	5,951,357
Finance and other income	1,550,608	2,342,076
Benefits, claims and expenses	(3,961,584)	(6,169,059)
Profit before tax	1,382,950	2,124,374
Income tax expenses	(456,624)	(591,543)
Profit from continuing operations, net of tax	926,326	1,532,831
Company's share of profit from investment in associate, net of tax	203,792	337,223
Other Comprehensive Income		
Other comprehensive income, net of tax	68,691	163,418
Company's share of other comprehensive income, net of tax	15,112	35,952
Total comprehensive income	995,017	1,696,249
Company's share of total comprehensive income, net of tax	218,904	373,175

Statemet of financial position

As at 31 December	2025 Rs. '000	2024 Rs. '000
Total assets	25,975,425	24,846,576
Total liabilities	13,984,153	13,850,321
Net assets (100%)	11,991,272	10,996,255
Company's share of net assets (22%) before disposal	2,638,080	2,419,176
Sales Proceeds	(2,638,080)	-
Company's share of net assets (22%) subsequent to disposal	-	2,419,176

NOTES TO THE FINANCIAL STATEMENTS

29.1(a) Company's Share of Other Comprehensive Income, net of Tax

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Share of gains on AFS reserve	39	**15,112**	38,517
Share of remeasurement losses on defined benefit plans	40.2	**-**	(2,565)
Company's share of other comprehensive income, net of tax		**15,112**	35,952

29.2 Reconciliation of Summarised Financial Information

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in the financial statements is as follows.

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Value of investment in equity accounted investee as at 1 January	**2,419,176**	2,046,001
Add		
Net profit for the period recognised in income statement	**203,792**	337,223
Other comprehensive income	**15,112**	35,952
Company's share of equity accounted investee (net of tax)	**218,904**	373,175
Value of investment in equity accounted investee prior to disposal	**2,638,080**	2,419,176
Sales Proceeds	**(2,638,080)**	-
Value of investment in equity accounted investee subsequent to disposal	**-**	-
Contingent liabilities of equity accounted investee	**Nil**	Nil
Capital and other commitments of equity accounted investee	**Nil**	Nil

30 Financial Investments

Refer accounting policy in Note 25

The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined in Note 7 to the financial statements.

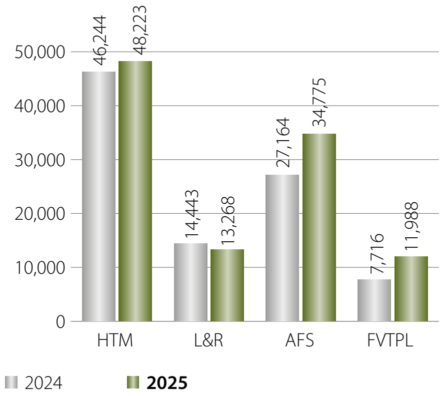
30.1 Financial Investments Pledged as Security

None of the financial investments have been pledged as security as at the reporting date.

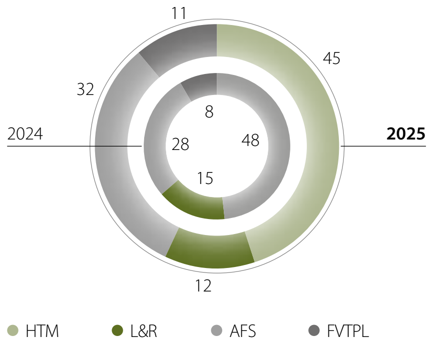
30.2 The Company's Financial Instruments are Summarised as follows

As at 31 December Rs. '000	Note	2025		2024	
		Carrying value	Fair Value	Carrying value	Fair Value
Held to maturity financial assets (HTM)	30.3	**48,222,643**	**54,987,311**	46,244,375	52,017,058
Loans and receivables (L&R)	30.4	**13,267,646**	**13,813,423**	14,442,825	14,993,311
Available for sale financial assets (AFS)	30.5	**34,774,562**	**34,774,562**	27,164,487	27,164,487
Financial assets at fair value through profit or loss (FVTPL)	30.6	**11,987,785**	**11,987,785**	7,715,757	7,715,757
Total financial investments		**108,252,636**	**115,563,081**	95,567,444	101,890,613

Investments - Reporting Category Wise
(Rs. Mn)



Composition of Investments
(%)



30.2 (a) Investments Supporting Restricted Regulatory Reserve

Based on the direction issued by the IRCSL dated 20 March 2018 on one-off surplus transfer, following investments have been marked to support the Restricted Regulatory Reserve of the Company.

As at 31 December	2025 Rs. '000	2024 Rs. '000
Treasury bonds		
Held to maturity financial investments	**1,853,030**	1,826,810
Available for sale financial investments	**1,557,472**	1,710,015
	3,410,502	3,536,825

30.3 Held to Maturity Financial Assets (HTM)

As at 31 December	2025 Rs. '000	2024 Rs. '000
Amortised cost		
Treasury bonds	**48,222,643**	46,244,375
Total HTM financial investments	**48,222,643**	46,244,375

30.3 (a) Impairment of Held to Maturity Financial Investments

At the reporting date, there were no HTM financial investments that were overdue and impaired.

30.4 Loans and Receivables (L&R)

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Amortised cost			
Bank deposits		**43,130**	-
Debentures	30.4 (a)	**11,441,753**	10,469,094
Reverse repurchase agreements		**1,782,763**	3,973,731
Total L&R financial investments		**13,267,646**	14,442,825
The effective interest rate		**13.27%**	12.63%

NOTES TO THE FINANCIAL STATEMENTS

30.4 (a) Debentures

As at 31 December Issuer	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
	2025					
Peoples Bank	AA-	3/29/26	5,000,000	536,233	501,539	9.75
Singer Finance (Lanka) PLC	BBB-	6/25/26	805,200	85,197	84,759	11.70
Siyapatha Finance PLC	BBB+	9/1/26	5,000,000	515,247	515,129	9.46
Hatton National Bank PLC	A	9/23/26	864,100	89,291	89,327	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,851	301,485	12.90
Peoples Bank	AA-	11/8/27	4,370,000	444,514	446,199	12.25
Sampath Bank PLC	A	2/9/28	6,770,000	843,937	1,062,108	28.00
Seylan Bank PLC	A-	3/29/28	3,000,000	310,088	311,511	13.50
Sri Lanka Telecom PLC	AA-	4/19/28	2,000,000	205,052	206,008	12.75
Commercial Bank of Ceylon PLC	A	7/23/28	5,000,000	527,537	530,201	12.50
Commercial Bank of Ceylon PLC	A	12/20/28	7,500,000	753,574	820,983	15.00
DFCC Bank PLC	BBB+	1/16/29	9,697,700	1,111,133	1,178,699	15.25
Siyapatha Finance PLC	A	6/6/29	7,000,000	751,363	788,295	13.20
Resus Energy PLC	A-	6/30/29	1,700,000	179,672	173,721	11.55
Commercial Bank Of Ceylon PLC	A	12/12/29	5,000,000	512,400	762,644	27.00
First Capital Treasuries PLC	A	4/25/30	5,002,300	540,731	537,639	12.00
Merchant Bank of Sri Lanka PLC	BBB+	5/30/30	1,907,100	204,463	197,093	12.50
Siyapatha Finance PLC	A	6/26/30	5,519,900	583,695	560,730	11.40
Resus Energy PLC	A-	6/30/30	2,500,000	264,467	255,745	11.75
Seylan Bank PLC	A-	7/18/30	287,500	29,390	28,151	10.80
Seylan Bank PLC	A-	7/18/30	3,400,000	356,980	342,950	11.25
Peoples Bank	AA-	7/27/30	5,000,000	521,497	474,963	10.25
First Capital Holdings PLC	A+	9/29/30	4,800,200	493,087	472,231	11.00
Hatton National Bank PLC	A	8/27/34	10,500,000	1,097,177	1,169,132	13.50
Commercial Bank of Ceylon PLC	A	8/12/35	794,200	82,795	78,473	11.00
Commercial Bank of Ceylon PLC	A	8/12/35	972,500	101,382	97,815	11.30
				11,441,753	11,987,530	

As at 31 December Issuer	Credit Rating	2024 Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
First Capital Treasuries PLC	BBB	1/30/25	1,500,000	157,764	158,100	12.75
DFCC Bank PLC	BBB	3/29/25	3,000,000	329,167	329,841	13.00
Seylan Bank PLC	BBB	3/29/25	2,000,000	206,539	207,257	13.20
DFCC Bank PLC	A-	6/12/25	3,270,000	346,461	345,828	11.00
National Development Bank PLC	BBB	9/25/25	5,000,000	512,246	504,167	9.50
DFCC Bank PLC	BBB	10/23/25	3,000,000	304,952	298,568	9.00
Peoples Bank	A+	3/29/26	5,000,000	543,369	534,288	9.25
Singer Finance (Lanka) PLC	BB+	6/25/26	805,200	85,777	86,771	13.22
Siyapatha Finance PLC	BBB-	9/1/26	5,000,000	515,299	495,945	9.46
Hatton National Bank PLC	BBB+	9/23/26	864,100	89,305	90,802	12.80
Nations Trust Bank PLC	BBB	12/23/26	3,000,000	300,898	305,427	12.90
Peoples Bank	A	11/8/27	4,370,000	444,568	451,061	12.25
Sampath Bank PLC	BBB+	2/9/28	6,770,000	844,098	1,107,221	28.00
Seylan Bank PLC	BBB	3/29/28	3,000,000	310,076	316,987	13.50
Sri Lanka Telecom PLC	A	4/19/28	2,000,000	205,080	209,785	12.75
Commercial Bank of Ceylon PLC	BBB+	7/23/28	5,000,000	527,560	525,902	12.50
Commercial Bank of Ceylon PLC	BBB+	12/20/28	7,500,000	753,615	805,330	15.00
DFCC Bank PLC	BBB	1/16/29	9,697,700	1,111,338	1,176,874	15.25
Siyapatha Finance PLC	BBB+	6/6/29	7,000,000	751,455	761,054	13.20
Commercial Bank of Ceylon PLC	BBB+	12/12/29	5,000,000	510,713	759,821	27.00
Peoples Bank	A	7/27/30	5,000,000	521,537	475,578	10.25
Hatton National Bank PLC	BBB+	8/27/34	10,500,000	1,097,277	1,072,973	13.50
				10,469,094	11,019,580	

NOTES TO THE FINANCIAL STATEMENTS

30.4 (b) Impairment of Loans and Receivables Financial Investments

At the reporting date, there were no loans and receivables financial investments that were overdue and impaired.

30.5 Available for Sale Financial Assets (AFS)

As at 31 December	2025 Rs. '000	2024 Rs. '000
Fair value		
Treasury bills	1,998,454	6,809,621
Treasury bonds	32,776,108	20,354,866
Total Available for Sale Financial investments	34,774,562	27,164,487

30.5 (a) Impairment of Available for Sale Financial Investments

At the reporting date, there were no AFS financial investments that were overdue and impaired.

30.6 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Fair value			
Quoted equities	30.6 (a)	11,065,865	6,734,308
Unit trusts		126,771	206,111
		11,192,636	6,940,419
Investments in unit linked funds			
Quoted equities	30.6 (b)	565,008	514,556
Reverse repurchase agreements		54,072	76,998
Treasury bills		-	4,900
Treasury bonds		82,898	95,996
Unit trusts		-	6,530
Debentures		93,171	76,358
		795,149	775,338
Total Fair Value Through Profit or Loss financial investments		11,987,785	7,715,757

30.6 (a) Quoted Equities - Other than Unit Linked Investments

As at 31 December	2025 No of shares	2025 Cost Rs. '000	2025 Carrying / Fair Value Rs. '000	2024 No of shares	2024 Cost Rs. '000	2024 Carrying / Fair Value Rs. '000
Banks						
Commercial Bank of Ceylon PLC	6,478,353	982,223	1,300,529	3,935,763	371,709	569,702
Hatton National Bank PLC	-	-	-	3,410,443	530,865	1,090,489
Sampath Bank PLC	-	-	-	153,328	12,113	18,131
National Development Bank PLC	-	-	-	119,058	10,358	13,483
Nations Trust Bank PLC	471,286	93,760	147,513	26,897	3,558	5,016
Seylan Bank PLC	570,262	35,796	43,112	-	-	-
		1,111,779	1,491,154		928,603	1,696,821
Capital Goods						
Access Engineering PLC	13,776,118	575,444	1,009,789	10,548,394	283,981	363,920
ACL Cables PLC	7,112,077	254,597	638,665	2,942,660	268,266	348,705
Aitken Spence PLC	288,325	44,255	45,051	1,456,617	156,329	211,209
E B Creasy & Company PLC	418,111	27,215	27,094	-	-	-
Hayleys PLC	1,062,724	187,473	208,028	95,866	11,244	12,582
Hemas Holdings PLC	2,416,785	53,461	83,862	123,890	11,150	12,792
Royal Ceramics Lanka PLC	11,240,446	462,682	517,061	4,251,360	179,566	184,934
John Keells Holdings PLC	56,539,141	1,067,077	1,226,899	44,578,969	719,042	1,007,485
		2,672,204	3,756,449		1,629,578	2,141,627

As at 31 December	2025 No of shares	2025 Cost Rs. '000	2025 Carrying / Fair Value Rs. '000	2024 No of shares	2024 Cost Rs. '000	2024 Carrying / Fair Value Rs. '000
Consumer Durables & Apparel						
Hayleys Fabric PLC	8,070,007	343,323	328,449	8,011,724	341,356	440,645
Hela Apparel Holdings PLC	-	-	-	36,865,251	273,417	217,505
Teejay Lanka PLC	8,660,592	373,750	302,255	7,092,850	287,536	371,665
		717,073	630,704		902,309	1,029,815
Consumer Services						
Aitken Spence Hotel Holdings PLC	290,556	22,322	32,905	224,450	15,038	19,011
Jetwing Symphony PLC	3,386,493	65,359	68,069	-	-	-
John Keells Hotels PLC	9,128,119	233,301	209,034	-	-	-
		320,982	310,008		15,038	19,011
Diversified Financials						
Central Finance Company PLC	71,901	17,256	19,269	-	-	-
People's Leasing & Finance PLC	18,367,710	317,659	459,193	8,735,261	106,821	148,499
Lanka Orix Leasing Company PLC	-	-	-	15,009	6,487	10,360
LB Finance PLC	275,000	33,074	42,694	80,000	5,720	7,160
Mercantile Investments and Finance PLC	2,096,800	57,662	78,001	-	-	-
		425,651	599,157		119,028	166,019
Food Beverage & Tobacco						
Ceylon Tobacco Company PLC	-	-	-	9,130	11,458	12,757
Distilleries Company of Sri Lanka PLC	-	-	-	2,155,093	54,892	84,049
Melstacrop Limited	440,590	57,238	76,663	6,145	498	756
Sunshine Holdings PLC	2,050,000	61,044	71,955	3,337,467	153,752	333,746
		118,282	148,618		220,600	431,308
Materials						
Alumex PLC	23,392,186	456,363	477,201	-	-	-
Chevron Lubricants Lanka PLC	-	-	-	2,780,897	314,550	444,944
CIC Holdings PLC	27,032,564	694,794	895,995	-	-	-
JAT Holding PLC	490,190	12,790	23,627	233,261	6,076	5,832
Tokyo Cement Company (Lanka) PLC	10,904,272	679,739	1,154,275	8,882,696	439,145	582,552
		1,843,686	2,551,098		759,771	1,033,328
Real Estate						
Prime Lands Residencies PLC	15,971,669	495,292	530,259	-	-	-
		495,292	530,259		-	-
Retailing						
Singer Sri Lanka PLC	755,215	56,471	66,232	-	-	-
		56,471	66,232		-	-
Telecommunication Services						
Dialog Axiata PLC	29,393,757	627,955	875,934	-	-	-
		627,955	875,934			
Transpotation						
Digital Mobility Solutions Lanka Ltd	400,000	46,385	59,700	3,058,501	147,511	206,449
		46,385	59,700		147,511	206,449
Utility						
Vallibel One PLC	471,180	48,001	46,552	152,067	8,020	9,930
		48,001	46,552		8,020	9,930
		8,483,761	11,065,865		4,730,458	6,734,308

NOTES TO THE FINANCIAL STATEMENTS

Quotted Equities - Other than Unit Linked Investments

30.6 (b) Equity Securities - Unit Linked Fund

As at 31 December	2025 No of shares	2025 Cost Rs. '000	2025 Carrying / Fair Value Rs. '000	2024 No of shares	2024 Cost Rs. '000	2024 Carrying / Fair Value Rs. '000
Banks						
Commercial Bank of Ceylon PLC	425,426	45,845	85,404	316,074	30,404	45,752
Hatton National Bank PLC	-	-	-	263,271	32,280	84,181
		45,845	85,404		62,684	129,933
Capital Goods						
Access Engineering PLC	911,263	34,475	66,795	688,728	21,930	23,761
ACL Cables PLC	344,950	11,307	30,977	211,001	19,447	25,004
Aitken Spence PLC	-	-	-	99,376	10,554	14,410
E B Creasy & Company PLC	236,069	15,800	15,297	-	-	-
Hayleys PLC	22,190	4,288	4,344	-	-	-
John Keells Holdings PLC	3,381,341	58,761	73,375	3,744,230	64,679	84,620
Royal Ceramics Lanka PLC	583,970	24,318	26,863	232,489	10,191	10,112
		148,949	217,651		126,801	157,907
Consumer Durables & Apparel						
Hayleys Fabric PLC	670,043	24,273	27,271	691,236	25,086	38,018
Hela Apparel Holdings PLC	-	-	-	2,831,136	24,260	16,704
Teejay Lanka PLC	586,916	24,204	20,483	519,857	20,733	27,241
		48,477	47,754		70,079	81,963
Consumer Services						
Jetwing Symphony PLC	39,930	771	803	-	-	-
John Keells Hotels PLC	80,621	1,909	1,846	-	-	-
		2,680	2,649		-	-
Diversified Financials						
Mercantile Investments and Finance PLC	748,600	20,587	27,848	-	-	-
People's Leasing & Finance PLC	1,159,485	16,638	28,987	700,003	8,202	11,900
		37,225	56,835		8,202	11,900

As at 31 December	2025 No of shares	2025 Cost Rs. '000	2025 Carrying / Fair Value Rs. '000	2024 No of shares	2024 Cost Rs. '000	2024 Carrying / Fair Value Rs. '000
Food Beverage & Tobacco						
Distilleries Company of Sri Lanka PLC	-	-	-	237,738	6,073	9,271
Sunshine Holdings PLC	-	-	-	244,898	10,778	24,490
		-	-		16,851	33,761
Materials						
Alumex PLC	945,566	18,663	19,290	-	-	-
Chevron Lubricants Lanka PLC	-	-	-	204,455	22,206	32,712
CIC Holdings PLC	1,188,620	29,294	38,957	-	-	-
Ex-pack Corrugated Cartons PLC	-	-	-	126,183	1,676	2,057
Lanka Aluminium Industries PLC	11,892	559	582	-	-	-
Tokyo Cement Company (Lanka) PLC	382,176	18,937	39,990	726,780	35,952	47,912
		67,453	98,819		59,834	82,681
Real Estate						
Prime Lands Residencies PLC	636,482	18,462	21,131	-	-	-
		18,462	21,131	-	-	-
Telecommunication Services						
Dialog Axiata PLC	1,166,603	23,865	34,765	-	-	-
		23,865	34,765	-	-	-
Transpotation						
Digital Mobility Solutions Lanka Ltd	-	-	-	243,124	8,820	16,411
		-	-		8,820	16,411
		392,956	565,008		353,271	514,556

Equity Securities - Unit Linked Fund - (FVTPL)

(%)

NOTES TO THE FINANCIAL STATEMENTS

30.6 (c) Impairment of Fair Value Through Profit or Loss Financial Investments

At the reporting date, there were no fair value through profit or loss financial investments that were overdue and impaired.

30.7 Movement of Financial Investments

Rs.'000	Held to maturity	Loans and receivables	Available for sale	Fair value through profit or loss	Total
As at 1 January 2024	40,777,419	10,849,760	22,797,716	8,994,878	83,419,773
Purchases	5,245,796	6,515,884	19,657,238	24,828,612	56,247,530
Maturities	(100,000)	(2,935,499)	(10,238,262)	(141,021)	(13,414,782)
Disposals	-	-	(6,568,613)	(27,993,657)	(34,562,270)
Scrip Dividend	-	-	-	25,944	25,944
Fair value losses recorded in income statement (excluding net realised gains) classified as held for trading	-	-	-	1,999,211	1,999,211
Fair value gains recorded in OCI	-	-	883,405	-	883,405
Amortisation	144,663	15,974	702,796	10,788	874,221
Net change in accrued Interest	176,497	(3,294)	(69,793)	(8,998)	94,412
As at 31 December 2024	46,244,375	14,442,825	27,164,487	7,715,757	95,567,444
As at 1 January 2025	46,244,375	14,442,825	27,164,487	7,715,757	95,567,444
Purchases	2,226,450	2,729,370	21,823,593	28,207,856	54,987,269
Maturities	(500,000)	(3,967,910)	(11,012,063)	(35,328)	(15,515,301)
Disposals	-	-	(3,154,868)	(25,922,671)	(29,077,539)
Scrip Dividend	-	-	-	18,845	18,845
Fair value losses recorded in income statement (excluding net realised gains) classified as held for trading	-	-	-	1,998,775	1,998,775
Fair value losses recorded in OCI	-	-	(869,378)	-	(869,378)
Amortisation	199,695	(97)	562,400	3,404	765,402
Net change in accrued Interest	52,123	63,458	260,391	1,147	377,119
As at 31 December 2025	48,222,643	13,267,646	34,774,562	11,987,785	108,252,636

31 Loans to Life Policyholders

Refer accounting policy in Note 25

Policyholder loans are granted up to 90% of the surrender value of a life insurance policy at a rate equivalent to market rate. Policyholder loans are initially measured at fair value and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

As at 31 December	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January	**1,955,102**	1,763,679
Loans granted during the year	**1,052,905**	977,892
Repayments during the year	**(928,232)**	(786,469)
	2,079,775	1,955,102
Interest receivables on loans to life policyholders	**778,299**	696,376
Balance as at 31 December	**2,858,074**	2,651,478

31.1 Collateral Details

As at 31 December 2025 surrender value of policyholder loans amounted to Rs. 4,659 million (2024 - Rs. 4,317 million).

If the total receivable of the loan, including interest due and accrued exceeds the surrender value, the policy terminates and becomes void.

The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on policy loans.

31.2 Fair Value of Loans to Life Policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

31.3 Concentration Risk of Loans to Life Policyholders

There is lower concentration of credit risk with respect to policyholders, as the Company has a large number of dispersed receivables.

31.4 Impairment of Loans to Life Policyholders

Policyholder loans are reviewed for impairment at each reporting date. As of 31 December 2025, no impairment loss was recorded on policyholder loans (2024 - Nil).

31.5 Number of Policy Loans

Number of policy loans due as at 31 December 2025 was 12,487 (2024 - 13,355).

32 Reinsurance Receivable

Accounting Policy

Refer accounting policy in Note 25.

The Company cedes insurance risk in the normal course of business for majority of its Insurance Contracts. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance is recorded gross in the statement of financial position unless a right to offset exists.

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

Reinsurance assets are derecognised when the contractual rights are extinguished or expired.

As at 31 December	2025 Rs. '000	2024 Rs. '000
Reinsurance receivable on outstanding claims	**233,510**	195,443
Reinsurance receivable on settled claims	**292,635**	223,409
Total reinsurance receivables	**526,145**	418,852

32.1 Impairment of Reinsurance Receivable

The Board of Directors has assessed potential impairment loss of reinsurance receivable as at 31 December 2025. Based on the assessment, there was no impairment loss on reinsurance receivable.

32.2 Fair Value of Reinsurance Receivable

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

32.3 The Aging of Reinsurance Receivable on Paid Claims

As at 31 December	2025 Rs. '000	2024 Rs. '000
Less than 60 days	**217,458**	151,027
More than 60 days	**75,177**	72,382
	292,635	223,409

32.4 Reinsurance Receivable Past Due but Not Impaired (On Paid Claims)

As at 31 December 2025, reinsurance receivable of Rs. 182 million (2024 - Rs. 72million) were past due but not impaired. These relate to parties where there were no recent history of default.

32.5 Collateral Details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

32.6 Reinsurance Receivable on Outstanding Claims

This includes reinsurance reserves on claims that have not been paid and the reinsurance receivable have not been received.

NOTES TO THE FINANCIAL STATEMENTS

32.7 Risk Management

Refer Note 7.1(c) to the financial statements for risk management initiatives relating to reinsurance.

33 Premiums Receivable

Accounting Policy

Refer accounting policy in Note 25.

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premiums receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognised in the income statement.

The life insurance premiums for policies within the 30 day grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner.

As at 31 December	2025 Rs. '000	2024 Rs. '000
Premiums receivable from;		
Policyholders	**787,038**	743,968
Intermediaries (Including collections in transit)	**245,557**	322,673
Total premiums receivable	**1,032,595**	1,066,641

33.1 Fair Value of Premiums Receivable

The carrying amount disclosed above approximates the fair value at the reporting date.

33.2 Impairment of Premiums Receivable

The Management has assessed potential impairment loss of premiums receivable as at 31 December 2025. Based on the assessment, there was no impairment loss on premiums receivable (2024 - Nil).

33.3 Collateral Details

The Company does not hold any collateral as security against potential default by policyholders or intermediaries.

33.4 Risk Management Initiatives Relating to Premiums Receivable

Refer Note 7.2(c) to the financial statements for risk management initiatives relating to premiums receivable.

34 Receivables and Other Assets

Accounting Policy

Refer accounting policy in Note 25.

Staff / Agent Loans

Loans are granted as a benefit to Staff and Advisors subject to defined eligibility criteria. These are measured at amortised cost based on the prevailing interest rates at the loan grant date. Impairment test of loans are carried out when the indicators of impairment exist.

Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is the estimated market price in the ordinary course of business less any estimated expense to sell.

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Financial Assets			
Staff loans*	34.1	**404,291**	349,770
Agent / advisor loans	34.2	**1,703**	3,499
Refundable deposits		**57,242**	57,319
Other receivables		**52,362**	9,714
		515,598	420,302
Non Financial Assets			
Taxes recoverable	34.6	**542,327**	263,064
Prepayments		**162,501**	194,693
Inventories		**6,632**	9,982
Advance payments		**487,224**	438,136
		1,198,684	905,875
Total receivables and other assets		**1,714,282**	1,326,177

34.1 Staff Loans

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January		**349,770**	292,306
Loans provided during the year		**262,800**	236,746
Payments / settlements during the year		**(233,708)**	(205,320)
Fair value adjustment during the year		**32,880**	31,715
		411,742	355,447
Provision for impairment	34.1 (a)	**(7,451)**	(5,677)
Balance as at 31 December		**404,291**	349,770

34.1 (a) Provision for Impairment

As at 31 December	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January	**5,677**	2,960
Charge during the year	**1,774**	2,717
Balance as at 31 December	**7,451**	5,677

34.2 Agent Loans

As at 31 December	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January	**35,747**	38,550
Payments / settlements during the year	**(1,796)**	(2,803)
	33,951	35,747
Provision for impairment	**(32,248)**	(32,248)
Balance as at 31 December	**1,703**	3,499

34.3 Impairment of Staff and Agent Loans

The Management has assessed potential impairment loss of staff and agent loans as at 31 December 2025. Based on the assessment, no additional impairment provision is required to be made in the financial statements as at the reporting date in respect of staff and agent loans, other than the amounts provided in Note 34.1(a).

34.4 Loans Granted to Directors

No loans have been granted to the Directors of the Company during 2025 (2024 - Nil).

34.5 Fair Value

The fair value of staff loans are based on discounted cash flows. Discount rate is equal to AWPLR plus appropriate risk margin. The fair values of agent / advisor loans are equal to the carrying amount as they are granted at competitive market rates.

34.6 Taxes Recoverable

As at 31 December	2025 Rs. '000	2024 Rs. '000
ACT recoverable	**92,296**	92,296
WHT recoverable	**170,768**	170,768
Income tax recoverable	**279,263**	-
	542,327	263,064

34.7 Refer Note 7.2(c) to the financial statements for risk management policies / initiatives relating to other financial assets.

34.8 Other Assets Pledged as Securities

None of the other assets have been pledged as securities for liabilities as at the reporting date (2024-Nil)

35 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise cash in hand and at bank net of bank overdrafts that are repayable on demand.

35.1 Cash in hand and at bank in the Statement of Financial Position

As at 31 December	2025 Rs. '000	2024 Rs. '000
Cash at Bank	**1,505,774**	1,544,500
Cash at Bank with related parties		
- Nations Trust Bank PLC	**187,173**	64,853
Cash in hand	**5,196**	5,050
Total cash in hand and at bank	**1,698,143**	1,614,403

35.2 Cash and Cash Equivalent in the Statement of Cash Flows

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Cash in hand and at bank	35.1	**1,698,143**	1,614,403
Bank overdraft used for cash management purposes		**(199,076)**	(134,529)
Cash and cash equivalent in the statement of cash flows		**1,499,067**	1,479,874

35.3 Fair Value of Cash and cash equivalents

The carrying amounts disclosed above reasonably approximated the fair values at the reporting date.

35.4 Risk Management Initiatives Relating to Cash at Bank

Please refer Note 7.2(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

36 Stated Capital

Accounting Policy

Ordinary Shares

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

36.1 Rights of Ordinary Shareholders

The Company has only one class of ordinary shares and carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All issued shares are fully paid.

As at 31 December	2025 No. of shares	2025 Rs. '000	2024 No. of shares	2024 Rs. '000
Ordinary Voting Shares	**589,285,720**	**1,000,000**	589,285,720	1,000,000
	589,285,720	**1,000,000**	589,285,720	1,000,000

37 Restricted Regulatory Reserve

Based on the direction issued by the IRCSL dated 20 March 2018, the Company has transferred Rs. 3,382 million attributable to Non-Participating and Non Unit Fund of Unit Linked business from Life Policyholder Fund to Life Shareholder Fund (SHF). The distribution of one off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one - off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL [Note 30.2(a)].

As at 31 December	2025 Rs. '000	2024 Rs. '000
Transfer of one - off surplus from non participating fund	**3,393,900**	3,393,900
Transfer from shareholder fund for the one - off deficit created in the non unit fund of unit linked life insurance contracts	**(11,966)**	(11,966)
	3,381,934	3,381,934

38 Revaluation Reserve

Nature and purpose of the reserve

On revaluation of an asset, any increase in the carrying amount is recognised in the revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous written down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to the revaluation reserve in equity through OCI, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

Life Policyholders' Revaluation Reserve

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January		**2,079,500**	2,087,235
Revaluation surplus during the year		**175,276**	-
Depreciation transfer during the year	27.10	**(7,735)**	(7,735)
		2,247,041	2,079,500
Unrealised gain reserve	38.1	**475,860**	475,860
Balance as at 31 December		**2,722,901**	2,555,360

The revaluation relates to land and building as indicated in Note 27.

38.1 Unrealised Gain Reserve

Unrealised gain reserve comprises of the gain from transferring the investment of Cornhill (Private) Limited to Life Policyholders in 2007, and the gain on transferring the land and building at Kurunegala in 2011. These gains will be realised to shareholders when the properties are disposed and upon declaration of surplus.

39 Available For Sale Reserve

Nature and purpose of reserve

The Available for Sale reserves comprises the cumulative net change in the fair value of Available for Sale financial assets until the assets are derecognised or impaired.

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January		**4,255,977**	3,334,055
Net change in fair value of AFS financial assets		**(121,489)**	339,110
Net change in fair value of AFS financial assets transferred to the income statement	39.1	**(248,261)**	(45,813)
		(369,750)	293,297
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets		**(460,335)**	698,251
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets transferred to the income statement	39.1	**(39,293)**	(108,143)
		(499,628)	590,108
Share of gains (losses) on AFS assets of equity accounted investee		**15,112**	38,517
Reclassification of company's share of accumulated other comprehensive income of equity accounted investee to income statement		**(43,919)**	-
Related tax		**-**	-
Balance as at 31 December		**3,357,792**	4,255,977

39.1 Net change in fair value transferred to the income statement

As at 31 December	2025 Rs. '000	2024 Rs. '000
Net change in fair value of AFS financial assets	**(248,261)**	(45,813)
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets	**(39,293)**	(108,143)
Balance as at 31 December	**(287,554)**	(153,956)

40 Other Reserves

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Reserve on merger with Cornhill (Private) Limited	40.1	**16,752**	16,752
Reserves on retirement benefit obligation	40.2	**(65,987)**	(54,123)
Employee share based option	40.3(a)	**135,919**	113,944
Total other reserves		**86,684**	76,573

40.1 Reserve on Merger with Cornhill (Private) Limited

The unrealised gain reflects the net result of the merger of the Company and Cornhill (Private) Limited. The investment in Cornhill (Private) Limited was absorbed by merging all assets and liabilities into the life policyholders' statement of financial position.

40.2 Reserves on Retirement Benefit Obligation

Refer Note 45 for Accounting Policies.

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January		**(54,123)**	(37,927)
Actuarial losses on defined benefit plan	45.3(a)	**(17,950)**	(13,631)
Transfer of share of remeasurement loss on defined benefit plan of equity accounted investee		**6,086**	(2,565)
Related tax		**-**	-
Balance as at 31 December		**(65,987)**	(54,123)

NOTES TO THE FINANCIAL STATEMENTS

40.3 Employee Share Based Option

Accounting Policy

Employees receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

Equity Settled Transactions

The cost of equity settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity settled transaction where vesting is conditional upon a market or non vesting condition, which are treated as vesting irrespective of whether or not the market or non vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non vesting conditions within the control of either the entity or the employee are not met.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Description of The Employee Share Option Scheme

Under the John Keells Group's Employee Share Option Scheme (ESOP), share options of the Parent are granted to senior executives of the Company and is dependent on a performance criteria and a service criteria. SLFRS

02 - Share based payment has been applied to equity instruments in share based transactions that were granted after 1 January 2012, which was the effective date of the standard. Hence options granted subsequent to this date have been accounted for as per the standard. All options are to be settled by shares and there are no cash settlement alternatives.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

The terms and conditions of the grants are as follows;

Grant date / employees entitled	Method of valuation	Vesting conditions	Contractual life of the Awards	Exercise price
The grant date for each Award is on the 1 of July of that respective financial year. Senior executives of the company with more than 12 months of service as at the respective reporting date.	Please refer Note 40.3(b)	Vests over a period of four years. A minimum performance achievement of meeting the Key Result Areas (KRA's) and being in employment at the time the share options vests.	5 years for each Award	For each 'Award' it is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant.

Accounting judgements, estimates and assumptions

Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The John Keells Group measures the cost of equity settled transactions with employees relevant to the entire Group by reference to the fair value of the equity instruments on the date at which they are granted. The same assumptions have been used by the Company as John Keells Group's Employee Share Option Scheme applies to the Company.

The expected life of the share options is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information which are relevant to the John Keells Holdings PLC was used and results were generated using binomial model for ESOP.

	2026 Plan no 12 Award 1	2025 Plan No 11 Award 3	2024 Plan no 11 Award 2.1	2024 Plan no 11 Award 2	2023 Plan no 11 Award 1	2022 Plan no 10 Award 3	2021 Plan no 10 Award 2
Dividend yield (%)	1	1.46	2.07	2.54	2.90	3.28	3.87
Expected volatility (%)	22.71	24.54	25.05	24.99	24.15	22.37	21.35
Risk free interest rate (%)	9.56	12.76	14.49	26.92	23.10	8.87	6.44
Expected life of share options (Years)	5	5	5	5	5	5	5
Weighted average share price at the grant date (LKR)	22.93	194	158.36	137.83	119.85	132.63	134.74
Weighted average remaining contractual life for the share options outstanding (Years)	3	3	3	3	3	3	3
Weighted average fair value of options granted during the year (LKR)	7.64	64.67	52.79	45.94	39.95	44.21	44.91
Exercise price for options outstanding at the end of the year (LKR)	21.8	20.03	145.59	137.86	121.91	136.64	132.86

Reconciliation of Outstanding Share Options

The following table illustrates the number of options (No.), weighted average exercise prices (WAEP) and movements of share options during the year:

As at 31 December	2025 No.	2025 WAEP (Rs)	2024 No.	2024 WAEP (Rs)
Outstanding at 1 January	**8,125,899**	**16.13**	1,019,172	94.59
Granted during the year	**4,905,150**	**21.80**	419,600	200.74
Adjustment for 1:10 sub-division	**-**	**N/A**	9,970,563	N/A
Trasfer Out	**-**	**N/A**	(2,942,186)	15.39
Forfeited during the year	**(2,113,143)**	**14.73**	(341,250)	13.28
Outstanding at 31 December	**10,917,906**	**18.95**	8,125,899	16.13
Exercisable at 31 December	**3,372,613**	**14.89**	2,868,510	13.22

NOTES TO THE FINANCIAL STATEMENTS

40.3 (a) Employee Expenses for Share Based Payment Transactions

The expense recognised for employee services received during the year is as follows;

As at 31 December	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January	113,944	97,718
Expense arising from equity settled share-based payment transactions	21,975	16,226
Balance as at 31 December	**135,919**	113,944

The expense recognised for employee services is based on the Parent company's best estimate of the number of options that will ultimately vest. No expense is recognised for Awards that do not ultimately vest.

40.3 (b) Fair Value of the Share Options and Assumptions

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

41 Retained Earnings

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January		**12,398,147**	13,805,444
Profit for the year		3,369,914	3,741,218
Transfer from revaluation reserve to retained earnings, net of tax	38	7,735	7,735
Transfer of share of defined benefit plans of equity accounted investee from other capital reserve to retained earnings		(6,086)	-
First and final dividends 2024		(2,946,428)	(5,156,250)
Balance as at 31 December		**12,823,282**	12,398,147

42 Insurance Contract Liabilities

Accounting Policy

42.1 Recognition and Measurement

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non-participating liabilities are discounted using the fund based yield of the non-participating insurance fund.

The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the Participating Insurance Fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered and the cashflows are discounted using the risk free interest rate yield curve. Total benefits liability includes all the guaranteed and non-guaranteed benefits, and discounted cash flows using the fund based yield of the Participating Insurance Fund.

42.2 Use of Judgements and Estimates

42.2 (a) Product Classification

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

Contracts where the Company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, 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 expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary Participating Features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that;

- are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and contractually based on:
  - The performance of a specified pool of contracts or a specified type of contract,
  - Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
  - The profit or loss of the company, fund or other entity that issues the contract.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the income statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and / or investment contract with DPF is measured at fair value through the profit and loss.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

42.2 (b) Valuation of Life Insurance Contract Liabilities

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating, non participating life and universal life insurance products. Short duration contract liabilities are primarily group term. The actuarial reserves have been established based on the following;

- Non participating liabilities and participating liabilities are discounted using their respective fund yield curves.
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IRCSL.
- Surrender rates based on actual experience.

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

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates as further detailed in notes to the financial statements. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to the life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made for future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. The fund based yield curves used in calculation of actuarial reserves have been derived using estimates of future economic conditions.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the company's historical experience of lapses and surrenders.

42.3 De-recognition

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

NOTES TO THE FINANCIAL STATEMENTS

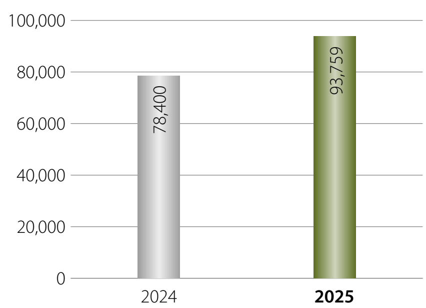
42.4 Valuation of Life Insurance Fund

The valuation of the conventional life insurance fund as at 31 December 2025 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of Rs. 3,345 million was transferred from the conventional life insurance fund to the shareholders fund for the year 2025. Subsequent to the transfer the conventional life fund stood at Rs. 93,440 million.

Similarly the non unit fund of linked long term business valuation was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of Rs. 55 million was transferred from the non unit fund of linked long term fund to the shareholders fund for the year 2025. Subsequent to the transfer the non unit fund stood at Rs. 318 million.

Conventional and Non - Unit Fund

(Rs. Mn)



In the opinion of the appointed actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2025 is adequate to cover the liabilities of the funds.

42.5 Surplus from Life Insurance Fund Transferred to Life Shareholder Fund

As at 31 December	2025 Rs. '000	2024 Rs. '000
Conventional life insurance fund	**3,344,665**	3,000,000
Non unit fund of linked Life insurance	**55,335**	-
	3,400,000	3,000,000

42.6 Insurance Contract Liabilities

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Life insurance fund	42.7	**92,807,484**	77,514,257
One-off surplus arising from changing policy liability valuation relating to participating fund	42.14	**435,046**	435,046
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	42.12	**(101,643)**	(79,055)
		93,140,887	77,870,248
Claim payables	42.16	**617,900**	529,259
		93,758,787	78,399,507

42.7 Composition of the Life Fund

As at 31 December Rs'000	Note	2025 Insurance contract liabilities	2025 Reinsurance	2025 Net	2024 Insurance contract liabilities	2024 Reinsurance	2024 Net
Balance as at 1 January		**81,582,060**	**(4,067,803)**	**77,514,257**	67,709,735	(3,579,349)	64,130,386
Premium income / Reinsurance expenses	9/10	**25,749,667**	**(1,697,889)**	**24,051,778**	21,646,969	(1,491,725)	20,155,244
Liabilities paid for death, maturities, surrenders, benefits and claims	15	**(8,837,496)**	**989,196**	**(7,848,300)**	(7,696,259)	1,003,271	(6,692,988)
Benefits and claims experience variation		**(3,388,940)**	**-**	**(3,388,940)**	(3,032,490)	-	(3,032,490)
Investment return and other income		**14,015,805**	**-**	**14,015,805**	12,553,575	-	12,553,575
Expenses		**(11,537,116)**	**-**	**(11,537,116)**	(9,599,470)	-	(9,599,470)
Balance as at 31 December		**97,583,980**	**(4,776,496)**	**92,807,484**	81,582,060	(4,067,803)	77,514,257

42.8 Movement in Life Fund

As at 31 December	2025 Rs. '000	2024 Rs. '000
Conventional life insurance fund		
Balance as at 1 January	**78,076,935**	64,797,623
Increase in life insurance fund before surplus transfer to shareholders	**18,637,793**	16,314,179
Transfer to shareholders	**(3,344,665)**	(3,000,000)
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	**(22,588)**	(23,983)
Net change in unclaimed benefits	**92,993**	(10,884)
Balance as at 31 December - Conventional Life insurance	**93,440,468**	78,076,935
Non Unit Fund of Linked Life Insurance Contracts		
Balance as at 1 January	**322,572**	245,761
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	**55,435**	69,692
Transfer to shareholders	**(55,335)**	-
Net change in unclaimed benefits	**(4,353)**	7,119
Balance as at 31 December - Non unit fund of linked Life insurance	**318,319**	322,572
	93,758,787	78,399,507

42.9 Key Assumptions used in Determination of Best Estimate Liability

Asset Class	Basis
Economic Assumptions	
Risk free rate	Risk free rate curve as of 31 December 2025 issued by IRCSL
Fund yield	Expected fund yields based on the Company's long term strategic asset allocation plan and the expected yield on the long term bonds with a risk premium adjustment for other asset classes.
Operating Experience Assumptions	
Mortality rate	Adjusted A67/70 mortality table rates based on company's experience study as of 31 December 2024.
Morbidity rate	Percentage of reinsurance rates, where the percentages are determined based on the morbidity studies performed as of 31 December 2024.
Expense rate and Expense inflation	Fixed & variable, acquisition and maintenance cost assumptions based on the 2024 experience study, with an inflation adjustment made to reconcile with the actual expenses in 2025. Sales related acquisition expenses are taken as a % of first year commission. Sales related maintenance expenses are taken as a % of renewal commission.
Lapse rates, paid-up rates and surrender rates	Rates are based on company's persistency study as of 31 December 2024.

42.10 Sensitivity Analysis

Sensitivity analysis of life insurance fund liability in an 1% increase & 1% decrease interest rate environment is provided in Note 7.1(a).

NOTES TO THE FINANCIAL STATEMENTS

42.11 Expected Maturity Profile for Reserves for Insurance Contracts, Net of Reinsurance (Undiscounted cash flows)

As at 31 December	2025 Rs. '000	2024 Rs. '000
< 1 year	**4,400**	3,489
1 to 5 years	**28,918**	23,114
5 to 10 years	**62,169**	53,934
10 to 20 years	**63,059**	57,914
> 20 years	**30,018**	29,740
	188,564	168,191

42.12 Taxation on surplus distributed to the life insurance policyholder who participate in the profit share

In terms of Section 67 (2) of the Inland Revenue Act No. 24 of 2017 and amendments thereto, the surplus distributed to the Life Insurance Policyholder who shares the profits of a person engaged in the business of life insurance in a given year, shall be deemed as gains and profits of that person from the business and subject to tax at a rate of 30% (2024 - 30%). As recommended by the Appointed Actuary Mr. Vivek Jalan. FIA, FIAI of Messrs. Towers Watson India Private Limited, the Company has declared a bonus of Rs. 75 million (Please refer point (3) of the Actuarial report provided in page 246) to Life Insurance Policyholders who were participating in the profit of Life Insurance business. Accordingly the Company has adjusted the respective tax liability to the life insurance fund.

42.13 Solvency Margin

In the opinion of the appointed actuary, Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited, the Company maintains a Capital Adequacy Ratio (CAR) of 215% and Total Available Capital (TAC) of Rs.35,725 million as at 31 December 2025, which exceeded the minimum requirement of 120% and Rs. 500 million respectively as per the Solvency Margin (Risk Based Capital) Rules.

42.14 One - off Surplus Arising from Changing Policy Liability Valuation

The one off surplus comprises of Rs. 432.5 million attributable to participating business and Rs. 2.5 million attributable to Unit Linked Fund and Rs. 3,382 million attributable to Non-Participating and Non Unit Fund of Unit Linked Business.

Based on the directions issued by the IRCSL dated 20 March 2018 and subsequent approval, the Company has transferred Rs. 3,382 million attributable ton on-participating and non unit fund of unit linked business from life policyholder fund through Income Statement to life shareholder fund and held as part of the Restricted Regulatory Reserve under equity in the statement of financial position.

One - off Surplus was determined as the difference between the NPV solvency basis liability and the GPV distribution basis liability as of 31 December 2015. This is calculated for Participating and other than participating funds, separately. Above basis is in line with the 'Minimum One - off Surplus' calculation basis provided in the IRCSL guideline.

Disclosure in the Financial Statements	Participating Fund	Non Participating Fund	Non Unit Fund	Unit Link Fund	Total
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	9,375,793	13,063,008	7,132	2,543,761	24,989,694
Value of Insurance contract liability based on Independent Actuary - GPV as at 31 December 2015	8,943,287	9,669,108	19,098	2,541,221	21,172,714
Surplus created due to change in valuation method - One off Surplus as at 01/01/2016	432,506	3,393,900	(11,966)	2,540	3,816,980
Transfer of one off surplus from long term fund to Restricted Regulatory Reserve	-	3,393,900	(11,966)	-	3,381,934
Remaining surplus created due to change in valuation method - One off Surplus	432,506	-	-	2,540	435,046

Applicable disclosures required in the Financial Statements as per Identification and Treatment of One - Off Surplus: Direction #16 - 20.03.2016 issued, under Section 96A of the Regulation of Insurance Industry Act No 43 of 2000 are given below;

Disclosure in Financial Statements	Compliance with the Requirement	Page
i Equity and statement of changes in equity to include a new line item called 'Restricted Regulatory Reserve' with value equal to one - off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Complied [Note 37]	330
ii Disclosure stating 'distribution of one - off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied [Note 37]	330
iii The basis of computation of one - off surplus. Any deviation from the direction in respect of determining the 'minimum one - off surplus'.	Complied [Note 42.14]	338
iv One-off surplus relating to participating and other than participating should be disclosed separately.	Complied [Note 42.14]	338
v Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied [Note 30.2(a)]	319

42.14 (a) Distribution of One-off Surplus

The distribution of One-off surplus to Shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below. These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further regulator will reconsider the distribution of One-off Surplus when the RBC rules are revised.

- Expense allocation policy setting out basis of allocation of expenses between the Shareholder Fund and the Policyholder Fund as well as between different lines of business within the Policyholder Fund, particularly participating and non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset-liability management policy.
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policyholder Fund to Shareholder Fund.

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case-by-case basis.

42.15 Liability Adequacy Test (LAT) - Life Insurance Contract Liabilities

Accounting Policy

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 - Insurance Contracts. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses.

In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

Valuation

SLFRS 4 requires an insurer to assess whether its recognized insurance liabilities are adequate at the end of each reporting period. The Liability Adequacy Test has been performed as at 31 December 2025 to reflect most

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probable estimates of assumptions (with some degree of prudence) and using professional judgement liaising with company's Appointed Actuaries (Willis Towers Watson India (Private) Limited). As at the reporting date, liability adequacy test was performed by the Appointed Actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India (Private) Limited and concluded that, the liability value has been determined on a 'going concern' basis and assumes a continuation of current economic, regulatory and legal environment prevailing in Sri Lanka; and are considered sufficient to meet future benefits and expenses under what is believed to be a view of the 'most probable' future experience.

No provision was required to be made for any premium deficiency.

Details of LAT reports is provided in page 246 to this report

42.16 Direction 18 - Unclaimed benefits of long term insurance business

There was no transfer of any unclaimed benefit to shareholders and it was recorded in the same as a liability in the long term insurance fund.

43 Insurance Contract Liabilities - Unit Linked

Accounting Policy

Unit linked contracts are those that do not meet the definition of insurance contract or investment contract with discretionary participating features. For these Unit linked contracts, the liabilities are valued at current unit value, i.e. on the basis of the fair value of the financial investment, backing those contracts at the reporting date together with rights to future management fees.

Total insurance contract liabilities - Unit Linked

As at 31 December	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January	**792,176**	718,692
Premium Invested	**7,594**	7,544
Net investment income	**38,176**	53,058
Net realised gains	**58,205**	54,443
Net fair value gains	**97,083**	148,642
Fund Management fee expense	**(11,168)**	(10,315)
Other expenses	**(9,085)**	(10,546)
	972,981	961,518
Fund withdrawals	**(165,204)**	(169,342)
Balance as at 31 December	**807,777**	792,176

Fair Value of the Financial Investments Backing Unit Linked Contracts are as follows.

As at 31 December	2025 Rs. '000	2024 Rs. '000
Government securities	**136,970**	177,894
Equity instruments	**565,008**	514,556
Corporate debt instruments	**93,171**	76,358
Unit Trust	**-**	6,530
	795,149	775,338
Other financial investments and assets	**20,347**	27,422
Other unit linked liabilities	**(7,719)**	(10,584)
Insurance contract liabilities - Unit Linked	**807,777**	792,176

44 Lease Liability

Accounting Policy

Refer accounting policy in Note 28.

As at 31 December	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January	**606,916**	422,540
New lease agreements recognized during the period	**128,574**	329,603
Interest expenses for the year	**58,132**	53,658
Termination	**(22,646)**	(6,539)
Payment of lease liabilities	**(260,388)**	(192,346)
Balance as at 31 December	**510,588**	606,916

45 Employee Benefits Liabilities

Accounting Policy

45.1 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 income statement 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, monthly to the Employees Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes each month at the rate of 3% of the salaries of each employee, to the Employees' Trust Fund administrated by the Employees' Trust Fund Board.

Following contributions have been made to the employee provident fund and employee trust fund during the year.

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Employees' Provident Fund (EPF)		
Employer's contribution (12%)	**139,020**	111,553
Employee's contribution (8%)	**86,386**	74,369
Employees' Trust Fund (ETF)		
Employer's contribution (3%)	**33,532**	27,888

45.2 Defined Benefit Plans - Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

As per LKAS 19 - Employee Benefits, the re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in the statement of profit or loss and other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

45.3 Employee benefit liabilities

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Employee defined benefit plan - gratuity	45.3 (a)	**284,384**	229,709
Balance as at 31 December		**284,384**	229,709

45.3.(a) Movement in Present Value of Gratuity

As at 31 December	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January	**229,709**	190,578
Included in Profit or Loss:		
Current service cost	**22,971**	25,209
Interest cost	**30,395**	25,728
	53,366	50,937
Included in OCI:		
Remeasurement loss on obligation	**17,950**	13,631
Other		
Gratuity transfer	**1,733**	-
Payments during the year	**(18,374)**	(25,437)
Balance as at 31 December	**284,384**	229,709

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the the-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Income Statement.

45.4 Principal Actuarial Assumptions Used

The defined benefit obligation liability of the Company is based on an actuarial valuation carried out by Mr. K. Arumugam (Fellow Member, Institute of Actuaries of India) of Actuarial & Management Consultants (Pvt) Ltd. an Independent Actuary. The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the complexity of the valuation and the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with support of the independent actuarial expert.

NOTES TO THE FINANCIAL STATEMENTS

A long term treasury bond rate of 9% per annum (2024: 10%) has been used to discount the future liability taking into consideration remaining working life of eligible employees. Further, the salary increment rate of 8%(2024: 8%) is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

Assumptions	2025 Rs. '000	2024 Rs. '000
Financial assumptions		
Discount rate	**9.0%**	10.0%
Salary increase	**8.0%**	8.0%
Demographic assumptions		
Staff turnover rate - early withdrawal through resignations		
- i) Less than 5 years	**27.5%**	32.5%
- ii) More than 5 years	**4%**	7%
Retirement age	**60 Years**	60 Years
Mortality	**based on the A1967/70 issued by the Institute of Actuaries, London**	
Weighted average duration for retirement obligation	**5 Years**	5 Years

45.5 Maturity Analysis of the Payments

The following payments are expected on employee benefit liabilities in future years

As at 31 December	2025 Rs. '000	2024 Rs. '000
Within the next 12 months	**41,008**	32,663
Between 1 and 2 years	**35,472**	26,840
Between 2 and 5 years	**106,433**	73,157
Over 5 years	**101,471**	97,049
Total expected payments	**284,384**	229,709

45.6 Sensitivity Analysis

Reasonably possible variation in one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Increase / (Decrease) in discount rate	Increase / (Decrease) in Salary Increment	Change in employee defined benefit liability Rs'000	Estimated employee defined benefit liability Rs'000
1%		(11,970)	272,414
-1%		13,033	297,417
	1%	13,678	298,062
	-1%	(12,778)	271,606

Methods and assumptions used in preparing the sensitivity analysis

The sensitivity analysis above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another and such methodology has not been changed compared to the previous year.

46 Reinsurance Payables

Accounting Policy

Refer accounting policy in Note 25

Reinsurance payables represent balances due to reinsurance companies. Amounts payable are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs in a manner consistent with the related reinsurance contract.

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

As at 31 December	2025 Rs. '000	2024 Rs. '000
Balance as at 1 January	587,668	365,027
Arising during the year	740,921	1,357,906
Utilised during the year	(725,003)	(1,135,265)
Balance as at 31 December	603,586	587,668

47 Other Liabilities

Financial Liabilities

Refer accounting policy in Note 25

The Company initially recognises financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Other Liabilities

Other Liabilities include accruals and advances and these liabilities are recorded at the amounts that are expected to be paid.

As at 31 December	Note	2025 Rs. '000	2024 Rs. '000
Other Financial Liabilities			
Agency commission, incentive and other payables		550,620	570,523
Premiums in suspense		1,655,327	1,485,459
Other liabilities		2,687,199	781,494
		4,893,146	2,837,476
Other Non Financial Liabilities			
Government levies	47.1	872,578	766,638
Other staff related provisions		474,388	321,178
Other liabilities and accruals		1,471,789	1,115,137
Premium received In advance		234	416
		2,818,989	2,203,369
Total other liabilities		7,712,135	5,040,845

47.1 Government Levies

As at 31 December	2025 Rs. '000	2024 Rs. '000
Other Financial Liabilities		
Income Tax Payable	804,589	711,973
Crop Insurace Payable	24,901	23,711
Cess Payable	13,895	11,620
WHT Payable	27,866	18,179
Other	1,327	1,155
	872,578	766,638

Maturity schedule of other financial liabilities as of 31 December 2025 and 2024 are shown in Note 7.2(b) to the financial statements.

48 Related Party Disclosures

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company carries out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures. Outstanding current account balances are unsecured, interest free and settlement occurred in cash.

NOTES TO THE FINANCIAL STATEMENTS

48.1 Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeded 10% of the gross revenue of the Company as per 31 December 2025 audited financial statements, which required additional disclosures in the 2025 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

48.2 Non-Recurrent Related Party Transaction

There were no non-recurrent related party transactions which aggregate value exceeded 10% of the equity or 5% of the total assets of the Company which ever is lower as per 31 December 2025 audited financial statements, which required additional disclosures in the 2025 Annual Report under Colombo Stock Exchange listing Rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

48.3 Transactions with Key Management Personnel (KMPS)

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company and selected key employees who meet the criteria for KMP.

As John Keells Holdings PLC (JKH) is the ultimate parent of the Company and the Board of Directors of JKH has the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of JKH have also been identified as KMP of the Company.

48.3 (a) Compensation of KMPS

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Short term employment benefits	**117,953**	96,667
Post employment benefits	**8,967**	5,134
Other long term benefits	-	-
Termination benefits	-	-
Share based benefits	-	-
Total	**126,920**	101,801

The short term employment benefits include Non Executive Directors fees and emoluments paid to other key management personnel. Where applicable Directors fees are paid directly to the companies that the Directors represent. There are no short - term, long - term, post - employment, terminal and share - based payments linked to the remuneration of the Non - Executive Directors and no ex - gratia payments were made to Directors during the year. No loans have been granted to the Directors of the Company.

48.3 (b) Transactions, Arrangements and Agreements Involving KMPS, and their Close Family Members (CFMS)

CFMs of a KMP are those family members who may be expected to influence, or be influenced by that KMP in their dealings with the entity. They may include KMPs' domestic partner and children, children of the KMPs' domestic partner and dependents of the KMP or the KMPs' domestic partner.

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Insurance premium	**2,523**	1,485

The Directors of the Company and their immediate relatives do not have substantial shareholdings in the Company as at 31 December 2025.

48.3 (c) Share Based Benefits to KMP and CFM

As at 31 December	2025 Rs. '000	2024 Rs. '000
Number of ordinary shares held	-	-
Dividends Paid (in Rs. 000)	-	-

48.4 Transactions with Related Entities

The Directors of the company as at 31 December 2025 was also Directors of the following companies as set out below and transactions included in Note 48.4(a), 48.4(b) and 48.4(d) have been carried out with such companies.

Company	Name of Director	Position	Relationship	Details of financial dealings
John Keells Holdings PLC	Mr K N J Balendra	Chairperson	John Keells Holdings PLC and its subsidiaries own 90% of the Company's issued share capital	The Company has transactions in the normal course of business with John Keells Holdings PLC, its subsidiaries and associate companies
John Keells Office Automation (Pvt) Ltd	Mr. D P Gamlath	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Office Automation (Pvt) Ltd
Asian Hotels and Properties PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Asian Hotels and Properties PLC
Trans Asia Hotels PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Trans Asia Hotels PLC
John Keells Foundation	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Foundation
Ceylon Cold Stores PLC	Mr K N J Balendra Mr. D P Gamlath	Chairperson Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Ceylon Cold Stores PLC
John Keells International (Pvt) Ltd	Mr. D P Gamlath	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells International (Pvt) Ltd
John Keells Stock Brokers (Pvt) Ltd	Mr. D P Gamlath	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Stock Brokers (Pvt) Ltd
The Colombo Ice Company (Pvt) Ltd	Mr. D P Gamlath	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with The Colombo Ice Company (Pvt) Ltd
Braybrooke Residential Towers (Pvt) Ltd	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Braybrooke Residential Towers (Pvt) Ltd
John Keells CG Auto (Pvt) Ltd	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells CG Auto (Pvt) Ltd
DHL Keells (Pvt) Ltd	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with DHL Keells (Pvt) Ltd
Waterfront Properties (Pvt) Ltd	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Waterfront Properties (Pvt) Ltd
Rajawella Holdings Limited	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Rajawella Holdings Limited

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Company	Name of Director	Position	Relationship	Details of financial dealings
Sancity Hotels & Properties Limited	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Sancity Hotels & Properties Limited
John Keells Hotels PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Hotels PLC
John Keells PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells PLC
	Mr P T Wanigasekara	Director		
Keells Food Product PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Keells Food Product PLC
	Mr. D P Gamlath	Director		
Lanka Marine Services (Pvt) Ltd	Mr. D P Gamlath	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Lanka Marine Services (Pvt) Ltd
South Asia Gateway Terminals (Pvt) Ltd	Mr K N J Balendra	Chairperson	Associate of John Keells Holdings PLC	The Company has transactions in the normal course of business with South Asia Gateway Terminals (Pvt) Ltd
	Mr. D P Gamlath	Director		
Asia Securities (Pvt) Ltd	Mr. D H Fernando	Chairperson	Related entity via key management personnel	The Company has transactions in the normal course of business with Asia Securities (Pvt) Ltd
Asia Securities Wealth Management (Pvt) Ltd	Mr. D H Fernando	Chairperson	Related entity via key management personnel	The Company has transactions in the normal course of business with Asia Securities Wealth Management (Pvt) Ltd

48.4 (a) Transactions with the Parent and Ultimate Controlling Party

As at 31 December	2025 Rs. '000	2024 Rs. '000
Statement of financial position		
Assets		
Financial instruments	**1,300,274**	1,092,104
	1,300,274	1,092,104
Liabilities		
Other liabilities	**(24,850)**	(44,017)
	(24,850)	(44,017)

Transacted amounts for the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Income Statement		
Gross written premium	**408**	413
Net benefits and claims	**-**	(600)
Other operating and administrative expenses	**(189,014)**	(203,014)
Dividend Income received	**11,964**	5,654
Dividend Paid	**(2,651,786)**	(4,640,625)
Statement of financial position		
Purchase of intangible assets	**15,733**	-
Net Purchase/(Sale) of financial instruments	**283,864**	151,176
Employee benefit liabilities	**(1,234)**	-

48.4 (b) Transactions with / between Subsidiary Companies and Associates of the Parent Company and Other Related Entities

As at 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	2025 Rs. '000	2024 Rs. '000
Statement of financial position				
Financial investments				
Nations Trust Bank PLC	Associate	Debenture Investments, equity shares, bank balances and distribution Rights	**635,537**	588,551
John Keells Hotels PLC	Subsidiary	Shares	**210,880**	-
			846,417	588,551
Other liabilities				
Other subsidiaries and associates			**(10,662)**	(5,608)
			(10,662)	(5,608)

For the year ended 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	Transaction amount during the year	
			2025 Rs. '000	2024 Rs. '000
Income statement				
Gross written premium				
Other subsidiaries and associates			**12,597**	75,736
			12,597	75,736
Net benefits and claims				
Other subsidiaries and associates			**(7,000)**	(1,300)
			(7,000)	(1,300)
Investment income				
Nations Trust Bank PLC	Associate	Debentures interest income	**38,653**	53,187
Nations Trust Bank PLC	Associate	Dividend	**738**	-
Ceylon Cold Stores PLC	Subsidiary	Dividend	**446**	-
John Keells Hotels PLC	Subsidiary	Dividend	**17**	-
			39,854	53,187
Other operating and administrative expenses				
Other subsidiaries and associates			**(669,489)**	(556,916)
			(669,489)	(556,916)
Statement of financial position				
Assets				
Property, plant & equipment and intangible assets				
Other subsidiaries and associates		Acquisition of property plant, & equipment and intangible assets	**111,415**	27,970
			111,415	27,970

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For the year ended 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	Transaction amount during the year 2025 Rs. '000	2024 Rs. '000
Net Purchase / (Sale) of financial instruments				
John Keells Hotels PLC	Subsidiary		**236,181**	(47,831)
Ceylon Cold Stores PLC	Subsidiary		**4,006**	-
Nations Trust Bank PLC	Associate		**89,464**	3,394
			329,651	(44,437)
Employee benefit liabilities				
Mackinnons Travels (Pvt) Ltd	Subsidiary		-	144
Walkers Tours Ltd	Subsidiary		-	252
			-	396

48.4 (c) Transactions with / Between Associate of the Company - Fairfirst Insurance Ltd

As at 31 December	2025 Rs. '000	2024 Rs. '000
Statement of Financial Position		
Other receivables *	-	-
Other liabilities *	-	-

*Relating to current account transactions and are payable / receivable on demand.

For the year ended 31 December	Transaction amount during the year 2025 Rs. '000	2024 Rs. '000
Income Statement		
Other operating and administrative expenses	**(221)**	(292)

48.4 (d) Companies controlled / jointly controlled / significantly influenced by KMP and their close family members

For the year ended 31 December		Transaction amount during the year 2025 Rs. '000	2024 Rs. '000
Income Statement			
Asia Securities (Pvt) Ltd	Gross written premium	**11,436**	6,545
	Net benefits and claims	**(4,031)**	(7,770)
	Stock Brokerage Commission	**(34,458)**	(9,724)
Asia Securities Wealth Management (Pvt) Ltd	Unit Trust Management Fees	**(305)**	-
Insurance Consulting Asia Ltd	Other operating and administrative expenses	-	(8,188)

48.4 (e) No guarantees given or received during the year.

48.4 (f) Impairment

Management concluded that no impairment is required in relation to the receivable balances as at the reporting date.

No expenses has been recognized in the current year or prior year for bad and doubtful debts in respect of amounts owed by the related parties.

49 Commitments

49.1 Capital Commitments

The capital commitments approved and contracted as at the reporting date were Rs. 96 million (2024 - Rs. 87 million).

50 Events After the Reporting Date

Accounting Policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

50.1 Mr. Senath Jayatilake Chief Executive Officer of Union Assurance PLC has been appointed to the Board of Directors of the Company as an Executive Director of the Company with effect from 23 February 2026.

50.2 Dividends

The Board of Directors of the Company has declared a first and final dividend of Rs. 5.00 per share out of retained earnings for the financial year ended 31 December 2025. The dividend will be paid on or before 30 March 2026.

As required by the Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57 prior to declaring the first and final dividend. A statement of solvency duly completed and signed by the Directors has been audited by Messrs. KPMG.

In accordance with LKAS 10, Events After the Reporting Period, the first and final dividend has not been recognised as a liability in the financial statement as at 31 December 2025.

There have been no events other than the above subsequent to the reporting date which would have any material effect on the Company.

51 Provisions and Contingencies

Accounting Policy

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised in the profit or loss.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Use of Judgments and Estimates

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

The contingent liabilities of the Company as at 31 December 2025, relates to the following;

51.1 Income tax assessments relating to years of assessments 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17, 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22.

The Department of Inland Revenue (IRD) has raised assessments on Union Assurance PLC for the years of assessments 2010/11, 2011/12, 2012/13, 2014/15, 2015/16, 2017/18, 2018/19 and 2019/20 assessing the Life insurance business to pay income tax liabilities of Rs. 13 million, 132 million, Rs. 411 million together with a Rs. 233 million penalty totalling to Rs.644 million, Rs. 887 million together with a Rs. 443 million penalty totalling to Rs.1,330 million, Rs. 832 million together with a Rs. 416 million penalty totalling to Rs. 1,248 million, Rs.749 million along with a Rs. 368 million penalty totalling to Rs.1,117 million, Rs. 701 million along with a Rs. 498 million penalty totalling to Rs. 1,199 million and Rs. 856 million respectively.

Company lodged appeals against the said assessments with the Tax Appeals Commission (TAC) and TAC issued it's determinations in favour of the company for years of assessments 2012/13, 2014/15 and 2015/16 and in favour of the Inland Revenue Department for years of assessments 2010/11, 2011/12, 2017/18, 2018/19 and 2019/20. All these cases were filed at the Court of Appeal against said determinations by IRD and UA respectively.

NOTES TO THE FINANCIAL STATEMENTS

The court of appeal delivered the order on 19 February 2026 for Y/A 2010/11, 2011/12 and 2015/16 in favour of the company allowing the company to deduct all management expenses against the investment income of the life insurance business.

The IRD has raised assessments on Union Assurance PLC for the years of assessments 2013/14, 2016/17 and 2020/21 assessing the Life insurance business to pay income tax liabilities of Rs.175 million together with a Rs. 88 million penalty totalling to Rs. 263 million, Rs. 472 million together with a Rs. 236 million penalty totalling to Rs. 708 million and Rs. 627 million respectively. The Company has lodged valid appeals against said assessments with the Tax Appeals Commission (TAC).

The IRD has raised an assessment on Union Assurance PLC for the year of assessment 2021/22 assessing the Life insurance business to pay income tax liability of Rs. 59 million. The Company has lodged a valid appeal with the Commissioner General of IRD against said assessment.

VAT assessments relating to years of assessments 2018 and 2019

The IRD has raised assessments on Union Assurance PLC for the years of assessments 2018 and 2019, assessing the Life insurance business to pay a VAT liability of Rs.0.01 million along with a Rs. 0.009 million penalty totalling Rs. 0.02 million and Rs. 0.06 million along with a Rs. 0.04 million penalty totalling Rs. 0.1 million respectively. The Company has lodged valid appeals with the Commissioner General of IRD against said assessments.

VAT on Financial Services assessments relating to years of assessments 2016, 2019, 2021, 2022 and 2023

The IRD has raised assessments on Union Assurance PLC for the years of assessments 2016 & 2019, assessing the Life insurance business to pay a VAT on Financial Services liability of Rs. 59 million along with a Rs. 33 million penalty totalling to Rs. 92 million and Rs. 108 million along with a Rs. 54 million penalty totalling to Rs. 162 million respectively. The Company has lodged valid appeals against the said assessments with the TAC.

The IRD has raised assessments on Union Assurance PLC for the years of assessments 2021, 2022 and 2023 assessing the Life insurance business to pay VAT on Financial Services liability of Rs. 175 million along with a Rs. 88 million penalty totalling to Rs. 263 million, Rs. 318 million along with a Rs. 159 million penalty totalling to Rs. 477 million and Rs. 569 million along with a Rs. 267 million penalty totalling to Rs. 836 million. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against the said assessments.

Social Security Contribution Levy assessment relating to year of assessment 2023

The IRD has raised an assessment on Union Assurance PLC for the year of assessment 2023 assessing the Life insurance business to pay a Social security contribution levy liability of Rs. 79 million along with a Rs. 45 million penalty totalling to Rs.124 million. The Company has lodged a valid appeal with the Commissioner General of Inland Revenue against the said assessment.

Surcharge Tax assessment relating to year of assessment 2020/21

The IRD has raised an assessment on Union Assurance PLC for the year of assessment 2020/21 assessing the Life insurance business to pay a surcharge tax liability of Rs. 476 million along with a Rs. 453 million penalty totalling to Rs. 929 million. The Company has lodged a valid appeal against the said assessment with the TAC.

Directors are of the view that the Company has followed due process and acted in accordance with the prevailing laws in its tax submissions for above years of assessments and therefore, the above assessments have no rationale or basis in law.

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business

While it is not practicable to forecast or determine the final results of all pending or potential legal proceedings, Directors do not believe that such proceedings (including litigation) will have a material effect on the Company's results and financial position. All pending litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

The Company is also subject to insurance solvency regulations and has complied with all solvency regulations.

There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

52 Directors' Responsibility

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. Please refer page 247 for the Statement of Directors' Responsibility.