FAIRFIRST INSURANCE LIMITED

FINANCIAL STATEMENTS AND CORPORATE GOVERNANCE DISCLOSURE 2025

Annual Report of the Board of Directors

The Directors have pleasure in presenting their Audited Financial Statements of your Company together with the audited financial statements for the year ended 31st December 2025.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide non-life insurance solutions.

REVENUE

Revenue generated by the Company amounted to Rs.12.29 billion (2024 – Rs. 11.87 billion).

FINANCIAL STATEMENTS

The Financial Statements of the Company are set out on pages 4 to 71 of the financial statements and the Auditor's Report thereon is set out on pages 1 to 3

RESULTS AND APPROPRIATIONS

The profit of the Company was Rs. 981 million (2024 – Rs.1,533 million). The said results of the Company are given in the Income Statement.

STATED CAPITAL

The total Stated Capital of the Company as at 31st December 2025 was Rs. 3.13 billion (2024 – Rs. 3.13 billion).

PROPERTY, PLANT AND EQUIPMENT

The Net Book value of Property, Plant and Equipment as at the Balance Sheet date amounted to Rs. 238 million (2024 – Rs. 243 million).

Details of Property, Plant and Equipment and their movements are given in Note 19 to the Financial Statements.

CHANGES IN ACCOUNTING POLICIES

There have been no major changes in the Accounting Policies.

RESERVES

Total Reserves as at 31st December 2025 for the Company amounted to positive Rs. 117 million (2024– positive Rs. 103 million). The movement and composition of the Capital and Revenue Reserves is disclosed in the Statement of Changes in Equity.

OPERATING RESULTS

For the Year Ended 31st December (Rs.'000)	2025	2024
Profit before Tax	**1,413,423**	**2,124,373**
Income Tax Expense	(432,628)	(591,542)
Profit after Tax	**980,795**	**1,532,831**
Balance brought forward from the previous year	NIL	NIL
Other Comprehensive Income	14,017	163,418
Dividend Paid	NIL	NIL
Total comprehensive income	**994,812**	**1,696,249**

DIRECTORS

The Directors of the Company as of 31 December 2025 are as follows:-

Mr. G A Athappan – Chairperson/Non-Independent Non-Executive Director
Mr. R M Prabhakar – Non-Independent Non Executive Director
Mr G Soundarajan – Non-Independent Non-Executive Director
Ms. S T Ratwatte – Independent Non-Executive Director (appointed w.e.f. 1 October 2025)
Mr. W D P de Mel – Independent Non-Executive Director (appointed w.e.f. 1 October 2025)

Pursuant to the divestment of 22% equity stake in the Company by Union Assurance PLC, Mr. S A J S W Jayatilake resigned from the Board with effect from 18 September 2025.

In compliance with Clause B - 2 of the revised Direction No.2 of 2022 issued by Insurance Regulatory Commission of Sri Lanka on 25th February 2022. Mr. C D Wijegunawardene and Mr. A S Wijesinha, Independent Non-Executive Directors of the Company, resigned from the Board with effect from 3 October 2025, upon completing 9 years of service in the Board.

DIRECTORS REMUNERATION

The details of fees paid to the Directors are set out in Note 37 to the Financial Statements.

INTEREST REGISTER

No entries have been made in the Interest Register during the year ended 31 December 2025..

EMPLOYMENT

The number of persons employed by the Company as at 31st December 2025 was 787 (2024- 788).

SUPPLIER POLICY

The Company applies an overall policy of agreeing and clearly communicating terms of payment as part of the commercial agreements negotiated with suppliers, and endeavors to pay for all items properly charged in accordance with these agreed terms.

24/02/2026

ENVIRONMENTAL PROTECTION

The Company complies with the relevant environmental laws, regulations and endeavors to comply with best practices applicable.

STATUTORY PAYMENTS

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 Balance Sheet date have been paid or, where relevant provided.

DONATIONS

Total Donations made by the Company is Rs. Nil (2024 – Rs. Nil).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms that there is an on-going process for identifying, evaluating and managing any significant risks faced by the Company. Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle and the principle risks and mitigating actions in place are reviewed regularly by the Board. The Board, through the involvement of the risk review and control department takes steps to gain assurance on the effectiveness of control systems in place.

CORPORATE GOVERNANCE

The Board of Directors is committed to maintaining an effective corporate governance structure and process. The report on corporate governance is found in Annexure 1 of the Annual Report of the Board of Director

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

GOING CONCERN

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these Financial Statements.

AUDITORS

The Financial Statements for the year 2025 have been audited by Messrs. Deloitte Partners (Chartered Accountants).

The details of fees paid to the Auditors are set out in Note 16 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship with or any interest which the auditor has in, the Company.

24/02/2026

ANNUAL REPORT
The Board of Directors approved the Financial Statements as at 31st December 2025, on 27th February 2026.

ANNUAL GENERAL MEETING
The Annual General Meeting will be convened by a resolution in writing in terms of Section 144(3) of the Companies Act No. 7 of 2007.

Signed for and on behalf of the Board

Director ***Director***

S N Law Corporate Secretaries (Pvt) Ltd
Director
Secretaries to the Company

Secretaries

27th February 2026

24/02/2026

Annexure 1

CORPORATE GOVERNANCE - 2025

1) THE BOARD OF DIRECTORS

The Board is committed to maintaining a diverse and balanced composition to ensure its effectiveness and independence. Diversity is considered across several dimensions, including professional experience, skills, competencies, age, and industry knowledge. This multi-faceted approach enables the Board to provide strategic oversight, sound judgment, and informed decision-making aligned with the Company's long-term objectives.

The Company places significant emphasis on the objective selection and appointment of Directors. This ensures that new appointments complement existing Board strengths and support the strategic direction of the Company. The Board continuously evaluates its composition to ensure that collective expertise remains relevant to the evolving regulatory landscape and business environment.

In terms of Direction 2 of 2022 (Revised) the Insurance Regulatory Commission of Sri Lanka (IRCSL), the Company is required to comply with the Corporate Governance requirements specified under Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE). Accordingly, the Company has adopted the applicable provisions of Section 9 relating to Board composition, independence, Board committees, disclosure requirements, and governance practices.

The Board ensures that all governance structures, processes, and disclosures align with these mandatory standards. This includes maintaining the required balance of Executive, Non-Executive, and Independent Directors; establishing and operating Board committees in accordance with prescribed guidelines; and ensuring timely, accurate, and transparent reporting of governance-related information. Compliance with these requirements strengthens the Company's governance framework and supports IRCSL's objective of maintaining sound, fair, and transparent governance practices across the insurance sector.

The Company has established a structured mechanism to ensure all Directors remain fully informed of applicable regulatory requirements. This includes updates on the Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE), Companies Act No. 7 of 2007 (as amended) and applicable industry-specific rules, including those issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

Directors are regularly briefed on compliance requirements, emerging governance expectations, and any instances of compliance or non-compliance encountered by the Company. Continuous awareness enables the Board to exercise its duties with diligence and a strong understanding of the regulatory framework governing the Company's operations.

During the year under review, the Company obtained declarations from all Directors and the Chief Executive Officer confirming that they have continuously met the Fit and Proper Assessment Criteria prescribed under Section 9 of the Listing Rules of the CSE. Each Director and the CEO further affirmed that they continued to satisfy the said criteria as at the date of providing their respective confirmations.

The annual Board Performance Evaluation for the preceding financial year was conducted in January 2026. This assessment, carried out through a comprehensive questionnaire, evaluated the effectiveness of the Board as a whole and each of its sub-committees. The findings of the evaluation are scheduled to be presented to the Board at its meeting to be held on 27 March 2026.

Furthermore, in compliance with the applicable CSE requirements, the Company has established, maintained, and disclosed the existence of all mandatory governance policies on its official website, ensuring transparency and accessibility for all stakeholders.

1.1 Board Composition as of 31 December 2025

Name of Directors	Date of Appointment
Mr Gobinath Arvind Athappan (Chairman) – Non-Independent Non-Executive Director	02 May 2024
Mr Ravindra Manjunath Prabhakar- Non-Independent Non-Executive Director	03 June 2021
Mr Gopalakrishnan Soundarajan- Non-Independent Non-Executive Director	31 May 2024
Mrs Sharmini Tamara Ratwatte- Independent Non-Executive Director	01 October 2025
Mr Widanalage Deshal Praveen de Mel - Independent Non-Executive Director	01 October 2025

Independence

Nature of the Directorships	Total No of Directors
Independent Non-Executive Director	2
Non-Independent Non-Executive Director	3

Age

Age	Total No of Directors
35- 50	1
51- 60	2
61- 70	2

Tenure

Tenure	Total No of Directors
Below 1 Yr	2
1- 7 Yrs	3
7- 9 Yrs	

Nationality

Nationality	Total No of Directors
Sri Lankan	2
Indian	2
Singaporean	1

24/03/2026

Pursuant to the divestment of 22% equity stake in the Company by Union Assurance PLC, Mr. S A J S W Jayatilake resigned from the Board with effect from 18 September 2025.

In compliance with Clause B- 2 of the revised Direction No.2 of 2022 issued by Insurance Regulatory Commission of Sri Lanka on 25th February 2022. Mr. C D Wijegunawardene and Mr. A S Wijesinha, Independent Non-Executive Directors of the Company, resigned from the Board with effect from 3 October 2025, upon completing 9 years of service in the Board.

Messrs. S T Ratwatte and W D P de Mel, Independent Non-Executive Directors, were appointed to the Board with effect from 1 October 2025.

1.2 Board Meetings and Attendance

The Company ensured compliance with the minimum number of Board meetings prescribed under relevant regulations. Attendance requirements, both in absolute numbers and percentages, were clearly communicated and consistently monitored. Directors adhered to these standards, demonstrating their commitment to fulfilling their governance responsibilities.

This practice ensures continuity in strategic oversight, timely decision-making, and active Board engagement. Regular attendance reflects the Directors' dedication to upholding high governance standards and supports effective stewardship of the Company.

Board meeting attendance for the year 2025

Name of the Director	Date of Appointment	Eligibility	Attendance
Non-Independent Non-Executive Director			
Mr Gobinath Arvind Athappan (Chairman)	02 May 2024	4	4
Mr Gopalakrishnan Soundarajan	31 May 2024	4	4
Mr Ravindra Manjunath Prabhakar	03 June 2021	4	4
Mr Subasinghe Arachige Jude Senath Wijewardana Jayatilake	16 February 2024	3	3
Independent Non-Executive Director			
Mr Cedric Damian Wijegunawardene	3 October 2016	3	3
Mr Anushka Sheran Wijesinha	3 October 2016	3	3
Mrs Sharmini Tamara Ratwatte	01 October 2025	1	1
Mr Widanalage Deshal Praveen de Mel	01 October 2025	1	1

The Company also adhered to the stipulated limits on the maximum number of directorships that each director may hold, ensuring that board members devote adequate time and focus on their roles within the Company.

24/02/2026

2. BOARD SUB COMMITTEES

The Board has delegated certain responsibilities to its Sub-Committees while retaining overall decision-making authority. This delegation enables the members of each Sub-Committee to concentrate on their specific areas of oversight and apply their specialised knowledge and expertise more effectively. The Sub-Committees submit their recommendations directly to the Board, and the minutes of all Sub-Committee meetings are tabled and discussed at subsequent Board meetings to ensure transparency and alignment in decision-making.

The Terms of Reference (Charters) for each Board Sub-Committee have been formally drafted with clearly defined scope, authority, responsibilities, and meeting quorum requirements. These Charters are prepared by the respective Committee Secretaries in accordance with the applicable corporate governance requirements relating to Board Committees, recommended by the relevant Sub-Committee, and approved by the Board.

The Chairperson of the Board of Directors did not chair any of the Board Sub-Committees.

Board Sub Committee and Responsibilities	Composition	Frequency of meetings
Board Audit and Compliance Committee • Financial reporting • Internal controls and risk management • Internal and external audits	- Comprised of three (03) Non-Executive Directors. - Out of which two (02) members are Independent Directors. - An Independent Director was appointed as the Chairperson, and she is member of a recognized professional accounting body	Quarterly
Related Party Transaction Review Committee • Disclosure and review of Related Party Transactions.	- Comprised of three (03) Non-Executive Directors. - Out of which two (02) members are Independent Directors. - An Independent Director was appointed as the Chairperson.	Quarterly
Remuneration Committee • Review of remuneration policy. • Succession planning for the Key Management Personnel. • Review and recommend performance-based payments CEO & Staff.	- Comprised of four (04) Non-Executive Directors. - Out of which two (02) members are Independent Directors. - An Independent Director was appointed as the Chairperson	Once a year and need basis

24/10/2026

Nominations & Governance Committee • Appointment of Key Management Personnel. • Effectiveness of the Board and its committees. • Lead the process of Board appointments, Board inductions and make recommendations to the Board in respect of all new Boar appointments and re-elections /reappointments. • Review and update the Board on Corporate Governance. Listing Rules and other applicable laws and regulations	- Comprised of four (04) Non-Executive Directors. - Out of which a minimum of two (02) members are Independent Directors. - An Independent Director was appointed as the Chairperson.	Once a year and need basis.
Investment Committee Meeting • Management of General investment portfolios including the development of overall and portfolio specific investment ensures that management of accordance with all internal and external regulations.	- Comprised of four (04) Non-Executive Directors. - Out of which f two (02) members were Independent Directors - A Non-Independent Non-Executive Director was appointed as the Chairperson.	Quarterly

2.1 Board Sub Committee attendance 2025

2.1.1 Board Audit and Compliance Committee

The role of the Committee is to assist the Board of Directors to fulfill their responsibility over financial reporting, internal controls and risk management compliance and external audits and the adequacy and performance of the internal audit function.

Name of the Director	Date of Appointment to the Committee	Eligibility	Attendance	Date of Resignation
Non-Independent Non-Executive Director				
Mr Ravindra Manjunath Prabhakar	18 June 2021	5	5	
Mr Subasinghe Arachige Jude Senath Wijewardana Jayatilake	22 March 2024	3	3	18 September 2025
Independent Non-Executive Director				

Mr Cedric Damian Wijegunawardene (Former Chairman)	3 October 2016	4	4	03 October 2025
Mr Anushka Sheran Wijesinha	3 October 2016	4	4	03 October 2025
Mrs Sharmini Tamara Ratwatte (Chairman)	3 October 2025	1	1	
Mr Widanalage Deshal Praveen de Mel	3 October 2025	1	1	

2.1.2 Nominations & Governance Committee

The Committee's role is to support the Board of Directors by overseeing the Board appointment process, facilitating Board inductions, and making recommendations on all new appointments and re-elections in line with regulatory requirements. The Committee also ensures that the annual Fit and Proper assessment is completed and that Board performance evaluations are carried out. Additionally, the Committee ensures that the Board receives periodic updates on relevant developments in corporate governance, as well as on applicable laws, rules, and regulations.

Name of the Director	Date of Appointment to the Committee	Eligibility	Attendance	Date of Resignation
Non-Independent Non-Executive Director				
Mr Gobinath Arvind Athappan	14 June 2024	3	2	
Mr Ravindra Manjunath Prabhakar	18 June 2021	3	2	
Mr Subasinghe Arachige Jude Senath Wijewardana Jayatilake	22 March 2024	3	2	18 September 2025
Independent Non-Executive Director				
Mr Cedric Damian Wijegunawardene	3 October 2016	3	3	03 October 2025
Mr Anushka Sheran Wijesinha (Former Chairman)	3 October 2016	3	3	03 October 2025
Mrs Sharmini Tamara Ratwatte	3 October 2025	-	-	
Mr Widanalage Deshal Praveen de Mel (Chairman)	3 October 2025	-	-	

2.1.3 Related Party Transactions Review Committee

The Committee ensures that all Related Party Transactions are conducted under the terms and conditions comparable to those of arm's length dealings and shall be subject to appropriate corporate approvals and actions of the Company and the related parties, with the best interest of the investing public and the Company.

Name of the Director	Date of Appointment of the Committee	Eligibility	Attendance	Date of Resignation
Non-Independent Non-Executive Director				
Mr Ravindra Manjunath Prabhakar	22 March 2024	4	4	
Independent Non-Executive Director				
Mr Cedric Damian Wijegunawardene (Former Chairman)	22 March 2024	3	3	03 October 2025
Mr Anushka Sheran Wijesinha	22 March 2024	3	2	03 October 2025
Mrs Sharmini Tamara Ratwatte (Chairman)	3 October 2025	1	1	
Mr Widanalage Deshal Praveen de Mel	3 October 2025	1	1	

2.1.4 Board Remuneration Committee

The purpose of the Committee is to assist the Board of Directors to provide clear and transparent guidelines for the Company to develop market-related, modern remuneration practices that achieve the Company objectives, promote positive outcomes and ethical culture and responsible corporate citizenship

Name of the Director	Date of Appointment to the Committee	Eligibility	Attendance	Date of Resignation
Non-Independent Non-Executive Director				
Mr Gobinath Arvind Athappan	14 June 2024	1	1	
Mr Ravindra Manjunath Prabhakar	18 June 2021	1	1	
Independent Non-Executive Director				
Mr Cedric Damian Wijegunawardene (Former Chairman)	3 October 2016	1	1	03 October 2025
Mr Anushka Sheran Wijesinha	3 October 2016	1	1	03 October 2025
Mrs Sharmini Tamara Ratwatte (Chairman)	3 October 2025	-	-	
Mr Widanalage Deshal Praveen de Mel	3 October 2025	-	-	

2.1.5 Board Investment Committee

The purpose of the Investment Committee is to assist the Board of Directors to fulfill their responsibility to shareholders and policyholders, in relation to the management of General investment portfolios including the development of overall and portfolio specific investment guidelines

Name of the Director	Date of Appointment to the Committee	Eligibility	Attendance	Date of Resignation
Non-Independent Non-Executive Director				
Mr Gopalakrishnan Soundarajan (Chairman)	14 June 2024	4	4	
Mr Ravindra Manjunath Prabhakar	18 June 2021	4	4	
Independent Non-Executive Director				
Mr Cedric Damian Wijegunawardene	3 October 2016	3	3	03 October 2025
Mr Anushka Sheran Wijesinha	3 October 2016	3	3	03 October 2025
Mrs Sharmini Tamara Ratwatte	3 October 2025	1	1	
Mr Widanalage Deshal Praveen de Mel	3 October 2025	1	1	

FAIRFIRST INSURANCE LIMITED
FINANCIAL STATEMENTS
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FAIRFIRST INSURANCE LIMITED

FINANCIAL STATEMENTS - 31 DECEMBER 2025

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fairfirst Insurance Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Deloitte.

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

As required by Section 47(2) of the Regulation of Insurance Industry Act, No 43 of 2000, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

Deloitte Partners

CHARTERED ACCOUNTANTS

COLOMBO

27 February 2025

FAIRFIRST INSURANCE LIMITED

Income statement

	Notes	Year ended 31 December 2025 Rs. ' 000	2024 Rs. ' 000
Gross written premium	7	12,291,488	11,870,180
Net change in reserve for unearned premium	9.1	(544,540)	520,513
Gross earned premium		11,746,948	12,390,693
Premiums ceded to reinsurers	8	(5,155,981)	(6,514,685)
Net change in reserve for unearned reinsurance premium	9.2	(627,183)	75,348
Net earned premium	9	**5,963,784**	**5,951,356**
Other income			
Net investment income	10	2,343,440	2,207,504
Net realised gains	11	6,879	-
Other operating income	12	193,375	134,571
Total other income		**2,543,694**	**2,342,075**
Total net income		**8,507,478**	**8,293,431**
Net benefits, claims and expenses			
Net insurance benefits and claims	13	(3,782,900)	(2,723,960)
Underwriting and net acquisition costs	14	(458,887)	(473,778)
Other operating and administrative expenses	15	(2,476,372)	(2,601,685)
Interest expense on lease liabilities	20.2	(34,910)	(36,599)
Depreciation and amortisation		(340,986)	(333,036)
Total benefits, claims and expenses		**(7,094,055)**	**(6,169,058)**
Profit before taxation		1,413,423	2,124,373
Income tax expense	17	(432,628)	(591,542)
Profit for the year		**980,795**	**1,532,831**
Earnings per share			
Basic earnings per share (Rs)	18	7.01	10.95

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

Deloitte Partners Colombo

Independent auditor's report - pages 1 to 3.

FAIRFIRST INSURANCE LIMITED

Statement of comprehensive income

	Notes	Year ended 31 December 2025 Rs. ' 000	2024 Rs. ' 000
Profit for the year		980,795	1,532,831
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit plan	34.2	(71,556)	(16,653)
Related tax		21,467	4,996
		(50,089)	(11,657)
Items that may be reclassified to profit or loss			
Net change in fair value of available for sale financial assets	30.1	91,580	250,107
Related tax		(27,474)	(75,032)
		64,106	175,075
Other comprehensive income for the year, net of tax		14,017	163,418
Total comprehensive income		**994,812**	**1,696,249**

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

Independent auditor's report - pages 1 to 3.

Deloitte Partners
Colombo

FAIRFIRST INSURANCE LIMITED

Statement of financial position

As at	Notes	31 December 2025 Rs. ' 000	31 December 2024 Rs. ' 000
Assets			
Property plant and equipment	19	238,169	242,920
Right-of-use assets	20	513,278	215,732
Deferred tax assets	27	-	18,213
Intangible assets	21	1,316,179	1,246,064
Financial investments	22	15,145,147	14,141,843
Reinsurance receivables	23	12,084,889	5,149,949
Premium receivables	24	2,489,069	2,479,368
Receivables and other assets	25	340,140	304,038
Deferred acquisition cost	26	701,832	637,902
Cash and cash equivalents	28	649,789	429,580
Total assets		**33,478,492**	**24,865,609**
Equity and liabilities			
Equity			
Stated capital	29	3,131,949	3,131,949
Reserves	30	117,295	103,278
Retained earnings		8,741,824	7,761,029
Total equity		**11,991,068**	**10,996,256**
Liabilities			
Deferred tax liabilities	27	14,633	-
Lease liabilities	20	482,780	188,787
Insurance contract liabilities	31	18,004,456	9,434,067
Reinsurance payable	32	954,516	2,050,275
Deferred revenue	33	609,695	771,386
Employee benefits	34	306,438	231,399
Other liabilities	35	821,551	858,002
Current tax liabilities	36	97,780	300,114
Amount due to related parties	37	19,370	16,299
Bank overdraft	28	176,205	19,024
Total liabilities		**21,487,424**	**13,869,353**
Total equity and liabilities		**33,478,492**	**24,865,609**

These financial statements are in compliance with the requirement of the Companies Act No 07 of 2007.

....

Madhava Hettiarachchi

Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board :

....

S.T. Ratwatte D.P. De Mel

Director **Director**

27 February 2026

Colombo

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

Independent auditor's report - pages 1 to 3.

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FAIRFIRST INSURANCE LIMITED

Statement of changes in equity

For the year ended

Rs. '000	Stated capital	Reserves – Other reserves – Available for sale reserve	Reserves – Other reserves – Other capital reserves	Retained earnings	Total
Balance as at 1 January 2024	**3,131,949**	**(44,134)**	**(16,006)**	**6,228,198**	**9,300,007**
Profit for the year	-	-	-	1,532,831	1,532,831
Other comprehensive income for the year, net of tax					
Fair value changes in available for sale financial assets	-	175,075	-	-	175,075
Actuarial loss on defined benefit plan	-	-	(11,657)	-	(11,657)
Total other comprehensive income	-	175,075	(11,657)	-	163,418
Total comprehensive income for the year	-	175,075	(11,657)	1,532,831	1,696,249
Balance as at 31 December 2024	**3,131,949**	**130,941**	**(27,663)**	**7,761,029**	**10,996,256**
Balance as at 1 January 2025	**3,131,949**	**130,941**	**(27,663)**	**7,761,029**	**10,996,256**
Profit for the year	-	-	-	980,795	980,795
Other comprehensive income for the year, net of tax					
Fair value changes in available for sale financial assets	-	64,106	-	-	64,106
Actuarial loss on defined benefit plan	-	-	(50,089)	-	(50,089)
Total other comprehensive income	-	64,106	(50,089)	-	14,017
Total comprehensive income for the year	-	64,106	(50,089)	980,795	994,812
Balance as at 31 December 2025	**3,131,949**	**195,047**	**(77,752)**	**8,741,824**	**11,991,068**

AFS reserve

Comprise of unrealised gains recognised with respect to financial instruments classified as "Available for Sale" financial assets such as Treasury Bonds, listed and unlisted shares.

Other reserve

Comprise of actuarial losses originated from the actuarial valuation of retirement benefit obligations of the Company.

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

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FAIRFIRST INSURANCE LIMITED

Statement of cash flows

	Notes	Year ended 31 December 2025 Rs. ' 000	2024 Rs. ' 000
Profit before tax		1,413,423	2,124,373
Adjustment for:			
Depreciation and amortisation	16	340,986	333,036
Provision for employee benefits	34.2	47,364	47,533
Net realised gains	11	(6,879)	-
Amortisation of deferred acquisition expenses (net)	14	(225,621)	196,553
Net interest income	10.2	(2,306,920)	(2,193,231)
Dividend income	10.1	(38,782)	(16,402)
Adjusted (loss)/profit before working capital changes		**(776,429)**	**491,862**
Net change in operational assets			
Net change in reinsurance assets		(6,934,940)	(1,550,337)
Net change in premium receivables		(9,701)	113,211
Net change in receivables and other assets		(48,352)	159,246
Net change in operational liabilities			
Net change in other liabilities		(1,129,064)	(670,589)
Net change in insurance contract liabilities		8,570,407	581,350
Cash used from operating activities		**(328,079)**	**(875,257)**
Retiring gratuity paid	34.2	(43,881)	(52,053)
Income taxes paid		(595,872)	(620,754)
Interest received		2,315,820	2,204,130
Dividend received	10	38,782	16,402
Net cash generated from operating activities		**1,386,770**	**672,468**
Cash flows from investing activities			
Net acquisition of investments		(913,743)	(507,650)
Acquisition of intangible assets	21	(152,199)	(155,682)
Acquisition of property, plant and equipment	19	(76,859)	(64,020)
Net cash used in investing activities		**(1,142,801)**	**(727,352)**
Cash flows from financing activities			
Principal element of lease payments		(180,941)	(184,939)
Net cash used in financing activities		**(180,941)**	**(184,939)**
Net increase/(decrease) in cash and cash equivalents		63,028	(239,823)
Cash and cash equivalents as at 1 January		410,556	650,379
Cash and cash equivalents as at 31 December	28	**473,584**	**410,556**

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

Independent auditor's report - pages 1 to 3.

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FAIRFIRST INSURANCE LIMITED

Notes to the financial statements
(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

1 Reporting entity

Corporate information

Fairfirst Insurance Limited (“Company”) is a private limited Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Access Towers II (14th Floor), No. 278/4, Union Place, Colombo-02.

Principal activities and nature of operations

The Company is primarily involved in the Non-Life insurance business.

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

Parent entity and ultimate parent entity

The Company’s parent undertaking and controlling entity is Fairfax Asia Limited which is incorporated in Barbados, and a fully owned subsidiary of Fairfax Financial Holdings incorporated in Canada.

Number of employees

The staff strength of the Company as at 31 December 2025 is 787 (2024 – 788).

2 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No.7 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000.

These financial statements include the following components:

- Income statement and Statement of comprehensive income providing the information on the financial performance of the Company for the year under review;
- Statement of financial position providing the information on the financial position of the Company as at the year-end;
- Statement of changes in equity depicting all changes in shareholders’ funds during the year under review of the Company;
- Statement of cash flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of the Company to utilise those cash flows; and
- Notes to the financial statements comprising accounting policies and other explanatory information. Details of the Company’s accounting policies, including changes during the year, are included in Note 5.

Responsibility for financial statements

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

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FAIRFIRST INSURANCE LIMITED

Notes to the financial statements (contd)

2 Basis of preparation (contd)

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.

Materiality and aggregation

Each item which is similar in nature is presented separately 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 on ‘Presentation of financial statements'.

Going concern

The Directors have made an assessment of the Company’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Basis of measurement

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

Items	Measurement basis	Note No.
Non-derivative financial instruments at fair value through profit or loss	Fair value	5.20.6
Available for sale financial assets	Fair value	5.20.7
Net defined benefit assets / (liabilities)	Actuarially valued and recognised at a present value basis	5.30.3

No adjustments have been made for inflationary factors affecting the financial statements.

3 Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees (LKR), which is the Company’s functional and presentation currency. All amounts presented in rupees have been rounded to the nearest rupees thousand (Rs’000), except when otherwise indicated.

4 Use of judgments and estimates

In preparing these financial statements, management has made judgments, 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.

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FAIRFIRST INSURANCE LIMITED

Notes to the financial statements (contd)

4 Use of judgments and estimates (contd)

Information about assumptions and estimation uncertainties that have a risk of material adjustment are included as follows.

	Disclosure reference	
Critical accounting estimates / judgments	**Accounting policy**	**Notes to the financial statements**
Insurance contract liabilities	5.28	31
Measurement of defined benefit obligations: Key actuarial assumptions	5.30.3	34
Recognition of deferred tax assets	5.17.2	27
Deferred acquisition cost	5.21.1	26
Determination of the fair value of financial instruments	5.20.6	38
Liability adequacy test	5.28.5	31.3
Goodwill - Impairment test	5.25	21.1

5 Significant accounting policies

5.1 Foreign currency

Transactions in foreign currencies are translated into the respective functional currency of the Company at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that 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 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 spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the available-for-sale equity instruments are recognised in Other comprehensive income.

Statement of income and statement of profit or loss and other comprehensive income

5.2 Gross Written Premiums (GWP)

Gross written premiums comprise the total premiums received / receivable for the whole period of cover provided by contracts entered into or renewed during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross written premium.

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FAIRFIRST INSURANCE LIMITED

Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.3 Unearned Premium Reserve (UPR)

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. UPR represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24 basis except for the marine and title policies which are computed on a 60-40 basis. The proportion attributable to subsequent period is deferred as a provision for unearned premiums.

5.4 Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered during the period, and are generally recognised on the date on which the policy incepts.

5.5 Unearned reinsurance premiums

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are calculated on the 1/24 basis except for the marine policies which are computed on a 60-40 basis.

5.6 Unexpired risk

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

5.7 Acquisition costs

Acquisition costs comprise of commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

5.8 Reinsurance commission income

Reinsurance commission income on outwards reinsurance contracts are recognised as revenue when receivable subsequent to initial recognition, reinsurance commission income on outward reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

5.9 Gross claims expense

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

Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct cost of setting those claims. The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends.

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

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FAIRFIRST INSURANCE LIMITED

Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.10 Reinsurance claims recoveries

Reinsurance claims recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. This includes reinsurance exposure of IBNR as well.

5.11 Investment income

Interest income

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

Dividend income

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

5.12 Realised gains and losses

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

5.13 Fair value gains and losses

Fair value gains and losses recorded in the income statement on investments include fair value gains on financial assets at fair value through profit or loss.

5.14 Other income

Other income comprises fees charged for policy administration services, disposal gains on property, plant and equipment, gains on foreign currency translations, and miscellaneous income. Gains on foreign currency translations are recognised on a net basis.

Expenses and taxation

5.15 Expenditure recognition

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.

5.16 Finance cost

Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

FAIRFIRST INSURANCE LIMITED

Notes to the financial statements (contd)

5 Significant accounting policies (contd)

Expenses and taxation (contd)

5.17 Income tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in items recognised directly in equity or in income statement and statement of profit or loss and other comprehensive income.

5.17.1 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.

5.17.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised 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 nor 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.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

5.17.3 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 judgments about future events. New information may become available that causes the Company to change its judgment 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.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.17.4 Crop Insurance Levy (CIL)

The Crop Insurance Levy was introduced under the provisions of the 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.

5.17.5 Withholding tax on dividends

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

5.17.6 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, 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, the taxation authority is included as a part of receivables or payables in the statement of financial position.

5.18 Earnings Per Share (EPS)

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

5.19 Insurance and investment contracts

5.19.1 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 risk and no significant insurance risk.

Interest rate financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.19 Insurance and investment contracts (contd)

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

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

5.19.2 Impact of unrealised gains and losses on available for sale assets on liabilities from insurance
Where unrealised gains or losses arise on available- for-sale assets, the adjustment to the liabilities arising from insurance contracts and investment contracts with DPF is equal to the effect that the realisation of those gains or losses at the end of the reporting period would have had on those liabilities (and related assets) and is recognised directly in other comprehensive income.

5.20 Financial assets and liabilities

5.20.1 Non derivative financial assets

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

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

Depending on the intention and ability to hold the invested assets, the Company classifies its non-derivative financial assets into following categories;

- Financial assets at fair value through profit or loss (FVTPL)
- Held to maturity (HTM)
- Loans and receivables (L&R) and
- Available for sale (AFS) financial assets as appropriate.

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

Subsequent measurement

(a) Fair value through profit or loss (FVTPL)
A financial asset is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s investment strategy. Attributable transaction costs are recognised in income statement as incurred.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.20 Financial assets and liabilities (contd)

5.20.1 Non derivative financial assets (contd)

Subsequent measurement (contd)
Financial assets at fair value through profit and loss investments are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

Financial assets designated at fair value through profit or loss comprises of quoted equity instruments unless otherwise have been classified as available-for-sale.

(b) Held to maturity financial assets (HTM)
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 finance income in the income statement. The losses arising from impairment are recognised as finance cost in the income statement.

Held to maturity financial assets comprise of debt securities and treasury bonds.

(c) Loans and receivables (L&R)
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of investments in unquoted debentures, commercial papers, reverse repos', policy loans and other loans, reinsurance receivables, premium receivables, cash and cash equivalents.

Cash and cash equivalent
Cash and cash equivalents comprise cash balances, and call deposits with original maturities of three months or less. Bank overdrafts are included in the statement of financial position under liabilities.

For the purpose of the cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Premiums receivable

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

Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognised in the income statement.

Premium receivables are derecognised when de-recognition criteria for financial assets, as described in Note 5.20.3 have been met.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.20 Financial assets and liabilities (contd)

5.20.1 Non derivative financial assets (contd)

(d) Available for sale financial assets (AFS)

Available-for-sale financial assets are financial assets that are designated as available for-sale and that are not classified in any of the previous categories. 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 income.

Statement of profit or loss and other comprehensive income and presented within equity in the available for sale reserve. When an investment is derecognised, the cumulative gain or loss in income statement and statement of profit or loss and Other comprehensive income is transferred to the income statement.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Company evaluates its available for sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity.

There classification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity. Available for sale financial assets comprise of long term quoted and unquoted equity investments, investments in reverse repos' and investments in treasury bills and bonds.

5.20.2 Non derivative financial liabilities

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 plus 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 interest bearing borrowings, reinsurance payables, other liabilities and bank overdrafts.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

FAIRFIRST INSURANCE LIMITED

Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.20 Financial assets and liabilities (contd)

5.20.2 Non derivative financial liabilities (contd)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as follows.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition of insurance payables

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

5.20.3 De-recognition

The Company de-recognises a financial asset when:

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

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

On de-recognition 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;

(i) The consideration received (including any new asset obtained less any new liability assumed) and
(ii) Any cumulative gain or loss that had been recognised in Income Statement and Statement of profit or loss and other comprehensive income is recognised in profit or loss.

The Company de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

5.20.4 Offsetting of financial instruments

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

5.20.5 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.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.20 Financial assets and liabilities (contd)

5.20.6 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Determination of fair value

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

5.20.7 Impairment

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 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.

(a) Impairment losses on financial assets carried at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity 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 for 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 loans and receivables or held-to-maturity 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.

5.21 Deferred expenses

5.21.1 Deferred Acquisition Costs (DAC)

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.21 Deferred expenses

5.21.1 Deferred Acquisition Costs (DAC) (contd)

DAC is amortised over the period in which the related revenues are earned. The re-insurers share of deferred acquisition costs is amortised in the same manner as the unearned premium reserve is amortised.

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. DAC is reviewed for recoverability based on the profitability of the underlying insurance contracts and when the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement.

DAC is derecognised when the related contracts are either settled or disposed.

5.22 Deferred revenue

5.22.1 Reinsurance commissions – Unearned Commission Reserve (UCR)

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

5.23 Property, plant and equipment

5.23.1 Recognition and measurement

The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on ‘Property, Plant and Equipment’ in accounting for its owned assets which are held for and use in the provision of services, for rental to others 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 & equipment that qualifies for recognition as an asset is initially measured at its cost. Items of property, plant and equipment are measured at cost less accumulated depreciation and 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.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.23 Property, plant and equipment

5.23.1 Recognition and measurement (contd)

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 operating income" in the income statement.

5.23.2 Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in income statement as incurred.

5.23.3 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.

5.23.4 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 and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

Asset class	Expected useful life
Office furniture	5 years
Furniture and fittings	5 years
Computer equipment	5/10 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. The residual values of assets that are not insignificant are reassessed annually.

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and 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.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 19.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.23 Property, plant and equipment

5.23.5 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.

5.24 Leases

The Company as a lessee

5.24.1 Recognition and measurement

Leases are recognised as right-of-use assets and corresponding liabilities as at the date at which the leased assets are available for use by the Company.

The right-of-use assets are presented separately in the statement of financial position.

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Each lease payment is allocated between the liability and interest cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is re-measured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

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

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

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.24 Leases (contd)

The Company as a lessee (contd)

5.24.1 Recognition and measurement (contd)

Subsequently, the right-of-use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for re-measurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation periods for the right-of-use assets are as follows:

- right of use for the buildings 2-5 years; and
- right of use for the motor vehicles 5 years.

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

5.24.2 Lease activities

The Company in general leases properties such as Office Buildings, Vehicles which contains a wide range of different terms and conditions. Lease agreements do not impose any covenants, but lease assets may not be used as security for borrowing purposes.

5.24.3 Termination and extension option

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (extension option) or not terminated (termination option). The assessment of whether the Company is reasonably certain to exercise an extension option, or not to exercise a termination option is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Company.

The management has applied judgment that:

- For the office building the extension option was not included as it is not reasonably certain that the Company will continue the lease beyond the 5 year period; and
- For the office vehicles the extension option was not included as the alternative assets are easily available and there are no economic incentives to continue beyond the basic period of 5 years.

5.25 Intangible assets

Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated 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.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.25 Intangible assets (contd)

Software (contd)

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.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is five to twenty five years.

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

Intangibles arising from business combination

Intangible assets arising from business combination are recognised separately from Goodwill irrespective of whether the asset had been recognised by the acquiree before the business combination.

Fair value as at the acquisition date is deemed to be the cost of the intangible assets arising in business combination.

Intangible assets, other than goodwill arising in a business combination are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets arising in a business combination, other than goodwill are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of intangibles are stated below:

Intangible asset	**Estimated Useful Life Years**
Customer relationship	10

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

5.26 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and infinite intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.26 Impairment of non-financial assets (contd)

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.

5.27 Equity movements

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.

Share issue costs

Share issue related expenses are charged against the retained earnings in the equity statement.

5.28 Insurance contract liabilities

5.28.1 Insurance liabilities

Insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and incurred but not reported, and incurred and not enough reported - IBNR/ IBNER) and the provision for unearned premium and the provision for premium deficiency.

5.28.2 Claims payable Including IBNR

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

5.28.3 Provision for unearned premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Provision for unearned premium is calculated on a 1/ 24 basis except for marine / cargo class which is subject to 60 / 40 basis.

At each reporting date, the Company reviews its unexpired risk and the liability adequacy tested to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

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

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5 Significant accounting policies (contd)

5.28 Insurance contract liabilities (contd)

5.28.4 Title insurance reserve

Title insurance reserve is maintained by the Company to pay potential claims arising from the title insurance policies. Title insurance policies are normally issued for a long period such as 5 years or more. Thus, no profit is recognised until validity of the policy expires.

5.28.5 Liability Adequacy Test (LAT)

At the end of each reporting period the Company reviews its unexpired risk and a liability adequacy test is performed as laid out in SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions. If the assessments show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency shall be recognised in the income statement by setting up a provision for liability adequacy. Insurance liability adequacy is decided by an independent external actuary.

5.29 Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balance due from reinsurance companies. These assets consist of short-term balance due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. 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 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 liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

5.30 Employee benefits

5.30.1 Short-term employee benefits

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.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.30 Employee benefits (contd)

5.30.2 Defined contribution plans

A defined contribution plan is a postemployment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statement of comprehensive income in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan and which are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Employees' provident fund

All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary to 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 at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the ETF Board of Sri Lanka.

5.30.3 Defined benefit plans

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.

With the adoption of LKAS 19 - "Employee Benefits", which became effective from 1 January 2013, the re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in 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.

5.31 Provisions and contingencies (other than insurance provisions)

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 as finance cost.

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.

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Notes to the financial statements (contd)

5 Significant accounting policies (contd)

5.32 Capital commitments

Capital commitments of the Company are disclosed in the Note 40 to the financial statements.

5.33 Events occurring after the reporting date

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 post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

5.34 Cash flow statements

The cash flow statement has been prepared using the indirect method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, "Cash Flow Statements."

Interest and dividend received are classified as operating cash flows. Cash and cash equivalents comprise 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. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

6 New standards and amendments

6.1 New standards and amendments issued but not effective or early adopted in 2025

The following standards had been issued by IASB and also adopted by CA Sri Lanka, but not mandatory for annual reporting periods ending 31 December 2025. Further, the Company has not early adopted these new standard.

a) SLFRS 17, 'Insurance contracts'

SLFRS 17 was issued in May 2017 as replacement for SLFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of :

i) discounted probability-weighted cash flows
ii) an explicit risk adjustment, and
iii) a Contractual Service Margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

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

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

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

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Notes to the financial statements (contd)

6 New accounting standards (contd)

6.1 New standards and amendments issued but not effective or early adopted in 2025 (contd)

a) SLFRS 17, 'Insurance contracts'
The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying SLFRS 17 to investors and others.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of SLFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of SLFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of SLFRS 9. The classification can be applied on an instrument-by-instrument basis.

This standard will be effective from 01 January 2026 in Sri Lanka.

b) SLFRS 9 Financial Instruments
SLFRS 9 replaces the multiple classification and measurement models in LKAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

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

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

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

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

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

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

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

Further changes introduced to the classification and measurement rules and also introduced a new impairment model to SLFRS 9.

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Notes to the financial statements (contd)

6 New accounting standards (contd)

6.1 New standards and amendments issued but not effective or early adopted in 2025 (contd)

b) SLFRS 9 Financial Instruments (contd)

Disclosures on qualifying for the temporary exemptions
Based on the amendments to SLFRS 4 'Insurance Contracts', the Company is permitted to apply the temporary exemption for the adoption of SLFRS 9 as the Company meets the eligibility criteria as follows;

1 The Company has not applied SLFRS 9 before; and
2 The Company's activities are predominantly connected with insurance as the ratio of its liabilities connected with insurance - including investment contracts measured at fair value through profit or loss - compared with total liabilities is greater than 80% but less than 90% and the Company does not engage in significant activity unconnected with insurance. Accordingly, the Company qualifies for a pure insurance company.

As at 31 December

	2025 Rs. ' 000	2024 Rs. ' 000
Insurance contract liabilities (Net of reinsurance receivable)	6,655,563	5,067,064
Reinsurance payable	954,516	2,050,275
Deferred revenue	609,695	771,386
Liabilities connected with insurance	8,219,774	7,888,725
Total liabilities (Net of reinsurance receivable)	**10,138,531**	**9,483,319**
Predominance ratio	**81%**	**83%**

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

Instrument	Current classification	2025		2024	
		Carrying value under LKAS 39	Fair value	Carrying value under LKAS 39	Fair value
		Rs'000	Rs'000	Rs'000	Rs'000
Treasury bonds	HTM	12,236,296	14,320,369	10,845,117	13,292,056
Reverse repo	L&R	552,825	552,825	1,064,111	1,064,111
Debentures	L&R	483,765	491,871	648,378	656,723

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

Instrument	Current classification	2025		2024	
		Carrying value under LKAS 39	Fair value	Carrying value under LKAS 39	Fair value
		Rs'000	Rs'000	Rs'000	Rs'000
Quoted equity	AFS	738,062	738,062	672,737	672,737
Treasury bonds	AFS	1,133,574	1,133,574	910,875	910,875
Unquoted equity	AFS	625	625	625	625

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Notes to the financial statements (contd)

6 New accounting standards (contd)

6.1 New standards and amendments issued but not effective or early adopted in 2025 (contd)

b) SLFRS 9 Financial Instruments (contd)

i. Classification - Financial assets

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

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

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

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

Business model assessment

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

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

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Notes to the financial statements (contd)

6 New accounting standards (contd)

6.1 New standards and amendments issued but not effective or early adopted in 2025 (contd)

b) SLFRS 9 Financial Instruments (contd)

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

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 be required considerable judgement over how changes in economic factors affect Expected Credit Loss (ECLs), 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.

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

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.

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

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

The Company does not expect significant impact of the financial statement due to adoption of these standards.

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Notes to the financial statements (contd)

6 New accounting standards (contd)

6.1 New standards and amendments issued but not effective or early adopted in 2025 (contd)

c) Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments
These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These amendments further clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

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

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

d) SLFRS 18 Presentation and Disclosures in Financial statements

SLFRS 18 introduces new requirements to:
- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply SLFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. SLFRS 18 requires retrospective application with specific transition provisions.

7 Gross written premium

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks in order to pay customer claims / benefits if the event insured against occurs / specified term is completed. GWP is accounted on an accrual basis.

	Year ended 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Motor	6,038,424	4,702,984
Accident and liability	2,343,271	2,472,408
Property and engineering	2,764,536	3,646,891
Marine	1,145,257	1,047,897
	12,291,488	**11,870,180**

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Notes to the financial statements

8 Premium ceded to reinsurers

Premium ceded to reinsurers represents the premium paid by the Company to its reinsurers in order to manage its underwriting risks. This is accounted on an accrual basis.

	Year ended 31 December	
	2025	2024
	Rs. ' 000	Rs. ' 000
Motor	412,359	1,171,079
Accident and liability	1,397,237	1,355,750
Property and engineering	2,446,472	3,143,036
Marine	899,913	844,820
	5,155,981	**6,514,685**

With effect from 1 January 2023, the Company adopted a prudent approach to account for 100% premium cession relating to SRCC/T premiums, while recognising 40% inward commission. Subsequent developments confirmed that the above treatment is effective from 1 January 2024. Accordingly, the Company has reversed the SRCC/T premium and the related inward commission recognised in respect of the 2023 financial year in the current financial year.

9 Net earned premium

This represents the net earned premium for the financial year subsequent to deduction of reinsurance and net change in unearned premiums.

	Notes	Year ended 31 December	
		2025	2024
		Rs. ' 000	Rs. ' 000
Gross written premium	7	12,291,488	11,870,180
Premium ceded to reinsurers	8	(5,155,981)	(6,514,685)
Total net written premium		**7,135,507**	**5,355,495**
Change in reserve for unearned premium	9.1	(544,540)	520,513
Change in reserve for unearned reinsurance premium	9.2	(627,183)	75,348
Net change in reserve for unearned premium		**(1,171,723)**	**595,861**
Total net earned premium		**5,963,784**	**5,951,356**

9.1 The change represents the GWP portion transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

9.2 The change represents the reinsurance portion transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

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Notes to the financial statements

10 Net investment income

	Notes	Year ended 31 December 2025 Rs. ' 000	Year ended 31 December 2024 Rs. ' 000
Dividend income	10.1	38,782	16,402
Interest income	10.2	2,306,920	2,193,231
Investment related expenses		(2,262)	(2,129)
Total net investment income		**2,343,440**	**2,207,504**

10.1 Dividend income

	2025 Rs. ' 000	2024 Rs. ' 000
Available for sale financial assets		
Equity shares	38,782	16,402
	38,782	**16,402**

10.2 Interest income

	2025 Rs. ' 000	2024 Rs. ' 000
Held to maturity financial assets		
- Treasury bonds	1,972,466	1,871,152
	1,972,466	**1,871,152**
Available for sale financial assets		
- Treasury bonds	172,626	149,035
.	**172,626**	**149,035**
Loans and receivables		
- Quoted debentures	65,644	98,546
- Reverse REPO	94,677	72,229
- Fixed and savings deposits	1,507	1,913
- Interest income on loans given to staff	-	356
	161,828	**173,044**
Total interest income for the year	**2,306,920**	**2,193,231**

11 Net realised gains

	Year ended 31 December 2025 Rs. ' 000	Year ended 31 December 2024 Rs. ' 000
Available for sale financial assets		
Realised gains		
- Quoted shares	6,879	-
Total net realised gains	**6,879**	**-**

12 Other operating income

	Year ended 31 December 2025 Rs. ' 000	Year ended 31 December 2024 Rs. ' 000
Policy administration fee	182,421	172,747
Gain/(loss) on foreign currency translation	18,965	(38,968)
Miscellaneous (expense)/income	(8,011)	792
Total other income	**193,375**	**134,571**

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Notes to the financial statements

13 Net benefits and claims

Net claims incurred reflect the total amount of claims and claims related expenses incurred during the year, net of amounts due from reinsurers. Since claims expenses are based on the information available as at a particular date, the charge for the year includes any over or under provisioning with regard to the previous years claims. A provision is also made in respect of claims incurred by policyholders but not informed to insurers as at the reporting date. Such claims are commonly referred to as Incurred But Not Reported (IBNR) claims, and is computed based on internationally accepted actuarial principles.

	Notes	Year ended 31 December 2025 Rs. ' 000	Year ended 31 December 2024 Rs. ' 000
Gross benefits and claims paid		4,889,397	3,966,560
Claims ceded to reinsurers		(1,648,094)	(1,132,536)
Net insurance benefits and claims paid	13.1	**3,241,303**	**2,834,024**
Gross change in liabilities		7,267,158	1,222,901
Change in liabilities ceded to reinsurers		(6,725,561)	(1,332,965)
Total net benefits and claims	13.2	**3,782,900**	**2,723,960**

13.1 Net insurance benefits and claims paid

Rs. ' 000	Year ended 31 December 2025			Year ended 31 December 2024		
	Gross claims paid	**Claims recovered from reinsurers**	**Net claims paid**	**Gross claims paid**	**Claims recovered from reinsurers**	**Net claims paid**
Property and engineering	952,563	(666,365)	286,198	426,625	(350,062)	76,563
Motor	2,549,540	(98,441)	2,451,099	2,575,754	(385,991)	2,189,763
Marine	513,347	(392,545)	120,802	359,615	(312,292)	47,323
Accident and liability	902,677	(490,743)	411,934	631,486	(84,191)	547,295
	4,918,127	**(1,648,094)**	**3,270,033**	**3,993,480**	**(1,132,536)**	**2,860,944**
Recoveries from sale of salvage	(28,730)	-	(28,730)	(26,920)	-	(26,920)
	4,889,397	**(1,648,094)**	**3,241,303**	**3,966,560**	**(1,132,536)**	**2,834,024**

13.2 Total net benefits and claims

	Year ended 31 December 2025 Rs. ' 000	Year ended 31 December 2024 Rs. ' 000
Gross claims incurred	12,156,555	5,189,461
Reinsurance recoveries	(8,373,655)	(2,465,501)
	3,782,900	**2,723,960**

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Notes to the financial statements

14 Underwriting and net acquisition costs (net of reinsurance commission)

	Year ended 31 December	
	2025	2024
	Rs. ' 000	Rs. ' 000
Acquisition cost	1,840,397	1,738,470
Net change in reserve for deferred acquisition cost (DAC)	(63,930)	39,290
	1,776,467	**1,777,760**
Reinsurance commission income	1,155,889	1,461,245
Net change in reserve for unearned commission (UCR)	161,691	(157,263)
	1,317,580	**1,303,982**
Total underwriting and net acquisition costs	**458,887**	**473,778**

15 Other operating and administrative expenses

	Note	Year ended 31 December	
		2025	2024
		Rs. ' 000	Rs. ' 000
Employee benefits expenses	15.1	1,206,160	1,246,111
Administration and establishment expenses		1,227,005	1,336,837
Selling expenses		43,207	18,737
Total other operating and administrative expenses		**2,476,372**	**2,601,685**

15.1 Employee benefits expenses

	2025	2024
Staff remuneration	942,088	981,073
Defined contribution plan cost - EPF	111,801	109,892
Defined contribution plan cost - ETF	27,950	27,473
Defined benefit plan cost	47,364	47,533
Staff welfare	60,195	56,723
Training expenses	8,993	10,023
Other costs	7,769	13,394
	1,206,160	**1,246,111**

16 Profit before tax

Following expenses have been charged in arriving profit before tax of the year.

	Year ended 31 December	
	2025	2024
	Rs. ' 000	Rs. ' 000
Auditors remuneration		
Statutory audit services	6,322	5,800
Non audit related services	701	643
Depreciation (Excluding depreciation of right-of-use-assets)	81,514	83,974
Depreciation of right-of-use-assets	177,388	158,012
Amortisation	82,084	91,050
Defined contribution plan cost - EPF	111,801	109,892
Defined contribution plan cost - ETF	27,950	27,473
Defined benefit plan cost	47,364	47,533
Directors emoluments	31,186	47,555

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Notes to the financial statements

17 Income tax expense

17.1 Amount recognised in profit or loss

	Year ended 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Current tax expense		
Current tax expense for the year	404,473	629,250
Change to estimate for prior years	1,316	(23,457)
	405,789	605,793
Deferred tax expense		
Recognition of deferred tax assets	15,913	(11,433)
Recognition of deferred tax liabilities	10,926	(2,818)
Net deferred tax expense	26,839	(14,251)
Income tax expense	**432,628**	**591,542**
Reconciliation between current tax expenses and the accounting profit:		
Profit before tax	1,413,423	2,124,373
Tax calculated at the effective tax rate of 30%	424,027	637,312
Tax effect of expenses not deductible for tax purposes	166,800	175,358
Tax effect of allowable expenses for income tax purposes	(159,515)	(197,671)
Tax effect of changing estimates in prior year	1,316	(23,457)
Tax charge	**432,628**	**591,542**

17.2 Amount recognised in other comprehensive income

Available for sale investment securities	(27,474)	(75,032)
Remeasurement of defined benefit liability	21,467	4,996
	(6,007)	**(70,036)**

18 Earnings per share

18.1 Basic earnings per share

The calculation of basic earnings per share was based on the following profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding as at the reporting date.

	Year ended 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Profit for the period attributable to the owners of the Company	980,795	1,532,831
Weighted average number of ordinary shares	140,000	140,000
Basic earnings per share (Rs.)	**7.01**	**10.95**

18.2 Diluted earnings per share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earning per share as shown in Note 18.1.

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Notes to the financial statements

19 Property, plant and equipment

Rs. '000	Office equipment	Furniture and fittings	Computer equipment	Motor vehicle	Total 2025	Total 2024
Cost						
Balance as at 1 January	240,671	454,723	772,999	47,993	1,516,386	1,463,178
Additions during the year	24,394	35,149	13,116	4,200	76,859	64,020
Disposals during the year	(10,728)	(10,127)	(10,061)	-	(30,916)	(10,812)
Balance as at 31 December	**254,337**	**479,745**	**776,054**	**52,193**	**1,562,329**	**1,516,386**
Accumulated depreciation and impairment losses						
Balance as at 1 January	216,276	390,940	645,619	20,631	1,273,466	1,200,298
Depreciation for the year	11,745	21,233	38,856	9,680	81,514	83,974
Disposals during the year	(10,728)	(10,121)	(9,971)	-	(30,820)	(10,806)
Balance as at 31 December	**217,293**	**402,052**	**674,504**	**30,311**	**1,324,160**	**1,273,466**
Carrying value						
As at 31 December	**37,044**	**77,693**	**101,550**	**21,882**	**238,169**	**242,920**

19.1 Title restriction on Property, plant and equipment

The Company does not have any properties with restricted title as at the reporting date.

19.2 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.76 Mn. Cash payments amounting to Rs. 76 Mn were made during the year for purchase of property, plant and equipment.

19.3 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year.

19.4 Impairment of Property, plant and equipment

The Board of Directors assessed if there are impairment indicators relating to property, plant and equipment as at 31 December 2025. Based on the assessment, no impairment indicators were identified in respect of property, plant and equipment.

19.5 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	**2024**
	Rs. ' 000	**Rs. ' 000**
Computer equipment	531,585	460,089
Office equipment	172,122	165,357
Furniture and fittings	328,204	315,393
Total	**1,031,911**	**940,839**

19.6 Property, plant and equipment pledged as security

None of the property, plant and equipment have been pledged as securities as at the reporting date.

19.7 Temporarily idle Property, plant and equipment

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

19.8 Compensation from third parties for items of Property, plant and equipment

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

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Notes to the financial statements

20 Right-of-use assets

Rs. '000	Building	Motor vehicles	Total 2025	Total 2024
Cost				
Balance as at 1 January	1,015,978	46,968	1,062,946	977,219
Additions during the year	474,934	-	474,934	98,460
Disposals during the year	-	-	-	(12,733)
Balance as at 31 December	**1,490,912**	**46,968**	**1,537,880**	**1,062,946**
Accumulated depreciation and impairment losses				
Balance as at 1 January	829,278	17,936	847,214	693,877
Depreciation for the year	171,382	6,006	177,388	158,012
Disposals during the year	-	-	-	(4,675)
Balance as at 31 December	**1,000,660**	**23,942**	**1,024,602**	**847,214**
Carrying value				
As at 31 December	**490,252**	**23,026**	**513,278**	**215,732**

20.1 Lease liabilities

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Balance as at 1 January	188,787	275,266
Leases obtained during the year	422,954	78,775
Lease repayments	(128,961)	(157,751)
Lease terminations during the year	-	(7,503)
Balance as at 31 December	**482,780**	**188,787**

The total cash outflow for leases in 2025 was Rs. 229 Mn (2024: 229 Mn) which includes advance payments and repayment of principal payments for leases.

20.2 Amounts relating to leases recognised in the statement of income

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Depreciation charge for the right-of-use assets by class of assets		
Building	171,382	154,753
Motor vehicle	6,006	3,259
Total depreciation charge	**177,388**	**158,012**
Interest expense on lease liabilities	34,910	36,599
Expense relating to short-term leases	8,557	20,915
Expense relating to leases of low-value assets that are not short-term leases	2,658	325
Total expenses related to leases	**223,513**	**215,851**

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Notes to the financial statements

21 Intangible assets

Reconciliation of carrying amounts

Rs. 000'	Goodwill	Customer Relation-ships	Software	Capital WIP	Total 2025	Total 2024
Cost						
Balance as at 1 January	360,508	230,343	1,270,089	82,285	1,943,225	1,787,543
Additions	-	-	150,775	1,424	152,199	155,682
Balance as at 31 December	**360,508**	**230,343**	**1,420,864**	**83,709**	**2,095,424**	**1,943,225**
Accumulated amortisation and impairment losses						
Balance as at 1 January	-	184,273	512,888	-	697,161	606,111
Amortisation	-	23,034	59,050	-	82,084	91,050
Balance as at 31 December	**-**	**207,307**	**571,938**	**-**	**779,245**	**697,161**
Carrying amount as 31 December	**360,508**	**23,036**	**848,926**	**83,709**	**1,316,179**	**1,246,064**

21.1 Goodwill

Goodwill of Rs. 361 Mn represents excess of the purchase consideration paid, accounted for using Acquisition Method prescribed by SLFRS 3-Business Combination, in the acquisition of Fairfirst Insurance Limited (Formerly known as Asian Alliance General Insurance Limited) as at 3 October 2016. Subsequently, Fairfirst Insurance Limited (Formerly known as Asian Alliance General Insurance Limited) was amalgamated with Union Assurance General Limited with effect from 28 February 2017 and the respective Goodwill is carried forwarded to amalgamated financial statements.

The Company tests whether goodwill has suffered any impairment on an annual basis. For the 2025 and 2024 reporting period, the recoverable amount of the cash generating unit (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculation uses cash flow projections based on financial budgets approved by Directors covering a five-year period assuming a 3% YOY increase in insurance related income/expense and 2% increase in other expense.

Cash flows beyond the five-year period are factored in through a terminal value calculation using 5th year cash flows and a growth rate of 3%. This growth rates is consistent with industry forecasts and other macro economic variables.

A discount rate of 11.8% was used in the value-in-use calculation, which is consistent with the risk adjusted long term bond yields of the economy.

21.2 Customer relationship

Customer relationship represents the exclusive right to access Softlogic Group for the purpose of selling insurance products to the Softlogic Group for a period of 10 years from the date of acquisition. The access has been granted via the agreement dated 24 June 2016.

21.3 Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment loss of 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.

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Notes to the financial statements

21 Intangible assets (contd)

21.4 Fully amortised intangible assets in use

Intangible assets include fully amortised intangible assets which are in use of normal business activities having gross carrying amounts of Rs. 366 Mn.

22 Financial investments

The following provides details of how insurance funds have been invested. The majority of the Company's investments, i.e. 92% are in Government securities. Corporate debt securities (which comprise of quoted and unquoted debentures) and Equities account for a further 3% and 5% of investments respectively.

The Company's financial instruments are summarised by the following categories:

	Notes	As at 31 December 2025 Carrying value Rs. ' 000	As at 31 December 2025 Fair value Rs. ' 000	As at 31 December 2024 Carrying value Rs. ' 000	As at 31 December 2024 Fair value Rs. ' 000
Held to maturity financial assets (HTM)	22.1	12,236,296	14,320,369	10,845,117	13,292,056
Loans and receivables (L&R)	22.2	1,036,590	1,044,696	1,712,489	1,720,834
Available for sale financial assets (AFS)	22.3	1,872,261	1,872,261	1,584,237	1,584,237
Total financial investments		**15,145,147**	**17,237,326**	**14,141,843**	**16,597,127**

Related party balance of Rs 405 mn (2024: Rs 890 mn) included in "Financial Investments", is disclosed in Note 37 "Related party disclosures".

22.1 Held to maturity financial assets (HTM)

	As at 31 December 2025 Rs. ' 000	As at 31 December 2024 Rs. ' 000
Treasury bonds	12,236,296	10,845,117
	12,236,296	**10,845,117**

22.2 Loans and receivables (L&R)

	As at 31 December 2025 Rs. ' 000	As at 31 December 2024 Rs. ' 000
Quoted debentures	483,765	648,378
Reverse repurchase agreements	552,825	1,064,111
	1,036,590	**1,712,489**

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Notes to the financial statements

22 Financial investments (contd)

22.3 Available for sale financial assets (AFS)

	Notes	As at 31 December 2025 Rs. ' 000	2024 Rs. ' 000
Equity securities - listed	22.3.1	738,062	672,737
Equity securities - unlisted	22.3.2	625	625
Treasury bonds		1,133,574	910,875
		1,872,261	**1,584,237**

22.3.1. Equity securities - listed (AFS)

	As at 31 December 2025		As at 31 December 2024	
	No of shares	Rs. '000	No of shares	Rs. '000
John Keells Holdings PLC	12,653,310	274,577	12,653,310	285,965
Chevron Lubricants Lanka PLC	1,000,000	184,000	1,000,000	160,000
Ceylon Tobacco Company PLC	60,000	103,530	60,000	83,835
Sampath Bank PLC	300,000	43,950	300,000	35,475
Commercial Bank of Ceylon PLC	204,479	41,049	250,000	36,188
Nations Trust Bank PLC	152,149	47,623	200,000	37,300
National Development Bank PLC	306,785	43,333	300,000	33,975
Total AFS listed equity securities	**14,676,723**	**738,062**	**14,763,310**	**672,737**

22.3.2. Equity securities - unlisted (AFS)

	As at 31 December 2025		As at 31 December 2024	
	No of shares	Rs. '000	No of shares	Rs. '000
Fitch Rating Lanka Limited	62,500	625	62,500	625
Total AFS unlisted equity securities	**62,500**	**625**	**62,500**	**625**

Unlisted equity security classified at AFS is designated in this category upon initial recognition. At the reporting date there were no AFS assets that were overdue but not impaired.

23 Reinsurance receivable

	As at 31 December 2025 Rs. ' 000	2024 Rs. ' 000
Reinsurance receivable on outstanding claims (Inclusive of IBNR)	11,348,893	4,367,003
Reinsurance receivable on settled claims	743,119	790,069
	12,092,012	5,157,072
Impairment of reinsurance receivables	(7,123)	(7,123)
Total reinsurance receivables	**12,084,889**	**5,149,949**

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Notes to the financial statements

23 Reinsurance receivable (contd)

23.1 Reinsurance receivables include amounts due from related parties totalling Rs. 1,018 Mn (2024: reinsurance payable due to a related party of Rs. 81 Mn)

23.2 Fair value of reinsurance receivables

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

23.3 Impairment of reinsurance receivables

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, there were no impaired loss recorded during current year for reinsurance receivables, except as disclosed below;

The ageing of reinsurance receivables on settled claims is as follows;

	As at 31 December	
	2025	2024
	Rs. ' 000	Rs. ' 000
Less than 60 days	518,523	341,792
More than 60 days	224,596	448,277
	743,119	**790,069**

Movements in the provision for impairment of reinsurance receivables are as follows;

Balance as at 1 January	(7,123)	(7,123)
Balance as at 31 December	**(7,123)**	**(7,123)**

23.4 Reinsurance receivable past due but not impaired (on paid claims)

As at 31 December 2025, reinsurance receivable of Rs. 217 Mn (2024: 441 Mn) were past due but not impaired. These relate to parties where there were no recent history of default.

23.5 Collateral details

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

23.6 Reinsurance receivable on outstanding claims

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

23.7 Risk management

For risk management initiatives relating to reinsurance please refer Note 38 to the financial statements.

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Notes to the financial statements

24 Premium receivable

	Note	As at 31 December 2025 Rs. ' 000	As at 31 December 2024 Rs. ' 000
Premium receivables		2,503,419	2,493,718
Less - Impairment of premium receivables	24.1	(14,350)	(14,350)
		2,489,069	**2,479,368**

24.1 Impairment of premium receivables

	As at 31 December 2025 Rs. ' 000	As at 31 December 2024 Rs. ' 000
Balance as at 1 January	14,350	14,350
Balance as at 31 December	**14,350**	**14,350**

Impairment losses on premium receivables are individually determined and indicate the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognized in the Income statement.

24.2 Fair value of premium receivables

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

24.3 Collateral details

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

24.4 Risk management initiatives relating to premium receivables

For risk management initiatives relating to premium receivables please refer Note 38 to the financial statements.

25 Receivables and other assets

	Notes	As at 31 December 2025 Rs. ' 000	As at 31 December 2024 Rs. ' 000
Financial assets			
Staff loans	25.1	29,281	50,075
Refundable deposits		94,678	86,076
		123,959	**136,151**
Non financial assets			
Prepayments		45,594	61,525
Other receivables		170,587	106,362
		216,181	**167,887**
Total receivables and other assets		**340,140**	**304,038**

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Notes to the financial statements

25 Receivables and other assets (contd)

25.1 Staff loans

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Balance as at 1 January	50,075	65,916
Movement during the year	(21,620)	(17,042)
Fair value adjustment during the year	826	1,201
Balance as at 31 December	**29,281**	**50,075**

25.1.1 Fair Value of the staff loans

The fair value of the staff loans are computed using a discount rate which is equivalent to the average weighted lending rate plus appropriate risk margin.

25.2 Refer Note 38 to the financial statements for risk management initiatives relating to other financial assets.

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

26 Deferred Acquisition Cost (DAC)

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Balance as at 1 January	637,902	677,192
Acquisition cost incurred during the year	1,840,397	1,738,470
Amortisation for the year	(1,776,467)	(1,777,760)
Balance as at 31 December	**701,832**	**637,902**

FAIRFIRST INSURANCE LIMITED

Notes to the financial statements

27 Deferred tax

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Deferred tax assets	25,600	47,520
Deferred tax liabilities	(40,233)	(29,307)
Net deferred tax (liabilities)/assets	**(14,633)**	**18,213**

27.1.1 Deferred tax asset

Balance at the beginning of the year	47,520	106,123
Recognised during the year - recognised in profit or loss	(15,913)	11,433
Reversed during the year - recognised in other comprehensive income	(6,007)	(70,036)
Balance at the end of the year	**25,600**	**47,520**

27.1.2 Deferred tax liabilities

Balance at the beginning of the year	29,307	32,125
Recognised during the year - recognised in profit or loss	10,926	(2,818)
Balance at the end of the year	**40,233**	**29,307**

Deferred tax assets and liabilities are recognised at the tax rate of 30% (2024: 30%).

27.1.3 Analysis of recognised deferred tax assets / liabilities

	As at 31 December		As at 31 December	
	2025		**2024**	
Rs. ' 000	**Temporary difference**	**Tax effect**	**Temporary difference**	**Tax effect**
Deferred tax asset				
Retirement benefit obligations	306,438	91,931	231,398	69,419
Staff bonus	70,000	21,000	126,525	37,959
Available for sale reserve	(291,104)	(87,331)	(199,526)	(59,858)
	85,334	**25,600**	**158,397**	**47,520**
Deferred tax liabilities				
Property, plant and equipment	134,110	40,233	97,690	29,307
	134,110	**40,233**	**97,690**	**29,307**
Net recognised deferred tax asset	**(48,776)**	**(14,633)**	**60,707**	**18,213**

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Notes to the financial statements

28 Cash and cash equivalents

	As at 31 December 2025 Rs. ' 000	As at 31 December 2024 Rs. ' 000
Cash and cash equivalents		
Cash at bank	647,997	427,795
Cash in hand	1,792	1,785
Total cash and cash equivalents	**649,789**	**429,580**
Bank overdrafts		
Bank overdraft	(176,205)	(19,024)
	473,584	**410,556**

Related party balance of Rs 371 mn (2024: Rs 299 mn) included in "Cash and cash equivalents", is disclosed in Note 37 "Related party disclosures".

28.1 Fair value of cash and cash equivalents

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

29 Stated capital

	As at 31 December 2025 Number of shares	As at 31 December 2025 Rs. '000	As at 31 December 2024 Number of shares	As at 31 December 2024 Rs. '000
Balance as at 1 January	140,000,000	3,131,949	140,000,000	3,131,949
Balance as at 31 December	**140,000,000**	**3,131,949**	**140,000,000**	**3,131,949**

The Company has issued and fully paid 140,000,000 ordinary shares.

30 Reserves

	Notes	As at 31 December 2025 Rs. ' 000	As at 31 December 2024 Rs. ' 000
Reserve for available for sale financial instruments	30.1	195,047	130,941
Reserves on retirement benefit obligation	30.2	(77,752)	(27,663)
Total reserves		**117,295**	**103,278**

30.1 Reserve for available for sale financial instruments

	2025 Rs. ' 000	2024 Rs. ' 000
Balance as at 1 January	130,941	(44,134)
Unrealised gain on Available for sale assets - gross	91,580	250,107
Related tax	(27,474)	(75,032)
Balance as at 31 December	**195,047**	**130,941**

30.2 Reserves on retirement benefit obligation

	2025 Rs. ' 000	2024 Rs. ' 000
Balance as at 1 January	(27,663)	(16,006)
Actuarial loss on retirement benefit obligation - gross	(71,556)	(16,653)
Related tax	21,467	4,996
Balance as at 31 December	**(77,752)**	**(27,663)**

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Notes to the financial statements

31 Insurance contract liabilities

	Notes	As at 31 December 2025 Rs. '000	As at 31 December 2024 Rs. '000
Outstanding claims provision (Gross)	31.1	14,866,659	7,467,993
Provision for unearned premiums (Net)	31.2	3,137,797	1,966,074
		18,004,456	**9,434,067**

Movement in insurance contract liabilities

The Company enters into reinsurance agreements in order to mitigate insurance risks as outlined in Note 38 Financial risk review. Although positions are managed on a net basis by management, insurance disclosures have been made on both gross and net basis in order to provide a comprehensive set of disclosures.

Rs. ' 000	Notes	As at 31 December 2025			As at 31 December 2024		
		Insurance contract liabilities	Reinsurance	Net	Insurance contract liabilities	Reinsurance	Net
Provision for reported claims		10,674,499	9,417,371	1,257,128	4,060,387	3,047,979	1,012,408
Incurred But Not Reported (IBNR)		4,192,160	1,931,522	2,260,638	3,407,606	1,319,024	2,088,582
Outstanding claims provision	31.1	**14,866,659**	**11,348,893**	**3,517,766**	**7,467,993**	**4,367,003**	**3,100,990**
Provision for unearned premiums	31.2	5,681,685	2,543,888	3,137,797	5,137,145	3,171,071	1,966,074
Total		**20,548,344**	**13,892,781**	**6,655,563**	**12,605,138**	**7,538,074**	**5,067,064**

31.1 Outstanding claims provision

The movement in the outstanding claims provision is as follows:

	As at 31 December 2025 Rs. ' 000	As at 31 December 2024 Rs. ' 000
Provision for reported claims		
Balance as at 1 January	4,060,387	3,034,976
Increase in claims liability	6,614,112	1,025,411
Balance as at 31 December	**10,674,499**	**4,060,387**
Incurred But not reported (IBNR)		
Balance as at 1 January	3,407,606	3,255,805
Increase in IBNR	784,554	151,801
Balance as at 31 December	**4,192,160**	**3,407,606**
	14,866,659	**7,467,993**

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31 Insurance contract liabilities (contd)

31.1 Outstanding claims provision (contd)

31.1.1 Key assumptions for valuation of liabilities

i The claim liability valuation methods which have been considered in estimating the best estimate liability are based on the chain ladder method on paid and incurred claims data, the expected loss ratio method and the Bornhuetter-Ferguson method using paid and incurred claims data.

ii Loss Development Factors: The age-to-age factors for the chain-ladder method have been calculated using volume weighted averages of recent years. The data has been extrapolated by fitting statistical curves chosen depending on the quality of the curve fit.

iii Method selection: Having used a range of projection methods to arrive at the ultimate claim liability for the different lines of business, the final method has been selected based on respective merits and demerits of each of the methods and their suitability and applicability to a year that has exhibited a given level of development.

iv Ultimate Loss Ratios: The final ultimate loss ratio for the various accident years have been computed by applying weightings to the results from the various methodologies.

v Large claims – Large losses have been excluded from the analysis as these were typically fully developed and do not require an element of additional reserves to be created.

vi Expense Rates: For the claim liability, indirect claims handling provision has been made to allow for the salaries and other overhead costs related to claims department and for premium liability, the same assumption for provision of expenses has been kept, with an additional load to allow for policy administration expenses.

vii Various net to gross ratios based on premium and claims data have been compared to estimate gross liabilities.

viii The premium liabilities estimate has been calculated using the unearned premium reserve. Expected loss ratios is applied on the unearned premium reserve to obtain the best estimate of unexpired risk reserve while adding an allowance for future expenses.

ix Provision for adverse deviation: As prescribed by Insurance Regulatory Commission of Sri Lanka in the Regulation of Insurance Industry Act, No. 43 of 2000, revised on 15 December 2015.

x Discounting: A risk-free interest rate curve provided by Insurance Regulatory Commission of Sri Lanka has been used for discounting liability cashflows.

xi Reinsurance and recoveries – Have considered changes in the reinsurance arrangements for the latest financial year.

31.1.2 Development claim tables (gross)

The ultimate value of claims are derived based upon the historical development of claims reported of the Company. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. The Company has elected to present its claims development on an accident year basis as this is consistent with how the business is managed.

Notes to the financial statements

31 Insurance contract liabilities (contd)

31.1.2 Development claim tables (gross)

Current estimate of ultimate claims

Acc. Year	1	2	3	4	5	6	7	8	9	10	11
1999	226,937	255,945	268,343	271,727	270,006	282,047	333,121	335,269	306,790	315,067	766,140
2000	297,105	364,263	382,239	383,860	379,867	387,530	420,587	429,081	411,565	418,078	413,956
2001	339,749	419,723	425,717	422,883	417,499	427,029	464,053	465,319	449,357	453,966	429,973
2002	425,846	412,418	415,010	411,741	407,632	419,672	471,000	470,565	452,675	453,317	451,893
2003	818,013	800,763	776,501	778,402	775,646	789,306	825,338	826,235	808,815	809,159	770,027
2004	796,383	733,767	706,776	709,160	709,720	716,999	746,218	726,136	725,782	704,067	703,797
2005	908,446	896,416	898,693	939,518	942,080	963,534	1,079,366	1,081,251	1,074,397	1,073,517	1,312,346
2006	1,367,337	1,378,917	1,396,668	1,407,573	1,408,281	1,466,395	1,463,171	1,457,920	1,456,010	1,455,697	1,451,386
2007	1,652,006	1,659,029	1,687,681	1,696,318	1,693,190	1,697,532	1,692,844	1,697,709	1,697,610	1,693,206	1,691,274
2008	1,870,879	1,931,705	1,961,755	1,966,567	1,963,998	1,952,846	1,945,269	1,959,564	1,964,921	1,969,678	1,960,697
2009	2,078,165	1,987,858	2,123,766	2,030,558	2,022,573	2,028,289	2,026,566	2,031,783	2,043,031	2,044,272	2,030,904
2010	2,467,225	2,378,578	2,324,741	2,302,792	2,300,192	2,305,753	2,303,075	2,307,251	2,312,333	2,306,457	2,326,584
2011	2,788,748	2,708,610	2,675,329	2,693,989	2,690,200	2,692,451	2,741,172	2,741,175	2,728,421	2,727,507	2,734,888
2012	3,307,441	3,203,167	3,167,083	3,170,953	3,181,354	3,187,173	3,185,758	3,178,697	3,179,547	3,177,237	3,214,412
2013	4,212,020	4,082,683	4,069,176	4,018,478	4,017,197	4,017,644	3,997,439	3,997,784	3,993,521	3,996,588	4,006,284
2014	4,522,607	4,339,013	4,324,050	4,334,333	4,338,965	4,317,831	4,319,244	4,315,317	4,319,650	4,318,280	4,317,395
2015	5,284,621	5,270,471	5,085,212	5,051,668	5,014,221	5,030,291	5,016,915	5,021,674	5,019,660	5,022,888	5,021,744
2016	11,852,194	11,735,194	11,203,575	11,159,605	11,182,880	11,152,733	11,149,524	11,146,329	11,157,364	11,155,291	
2017	7,869,551	7,385,754	6,585,940	6,589,008	6,547,609	6,556,957	6,555,989	6,572,821	6,580,035		
2018	8,132,731	6,738,614	6,730,575	6,664,829	6,684,638	6,686,230	6,714,477	6,734,506			
2019	8,235,680	7,336,169	6,853,855	6,491,501	6,482,252	6,515,108	6,490,398				
2020	7,847,740	6,776,028	6,121,385	5,858,676	5,862,257	5,853,614					
2021	7,484,680	6,729,827	6,171,090	6,131,084	6,098,739						
2022	9,154,136	7,754,265	7,373,142	7,251,833							
2023	7,823,457	6,690,569	6,038,697								
2024	6,575,665	5,731,900									
2025	13,942,245										

Ultimate Claims	13,942,245	5,731,900	6,038,697	7,251,833	6,098,739	5,853,614	6,490,398	6,734,506	6,580,035	11,155,291	33,603,701	**109,480,959**

Cumulative payments to date

AY/DY	1	2	3	4	5	6	7	8	9	10	11
1999	286,378	403,226	415,085	418,714	419,438	420,134	422,958	440,977	442,072	444,037	766,140
2000	248,122	380,175	387,340	388,557	385,586	387,284	390,934	403,181	405,326	406,266	413,956
2001	284,046	396,998	412,332	414,358	417,012	417,706	419,186	422,248	423,830	424,030	429,789
2002	288,487	406,206	414,920	419,263	421,043	424,091	446,726	448,452	451,543	451,560	451,893
2003	621,799	763,826	780,957	792,842	799,301	805,453	805,994	806,004	807,483	807,483	770,027
2004	580,771	698,553	707,932	714,261	720,589	720,985	721,808	721,869	721,968	703,459	703,797
2005	697,861	922,127	957,054	1,051,591	1,061,980	1,065,012	1,066,981	1,069,840	1,070,678	1,073,076	1,312,346
2006	1,069,300	1,404,296	1,426,088	1,433,218	1,441,735	1,448,632	1,450,608	1,451,351	1,451,354	1,451,354	1,451,386
2007	1,296,608	1,611,418	1,628,081	1,642,610	1,665,129	1,677,773	1,682,149	1,686,147	1,687,274	1,687,417	1,689,258
2008	1,510,705	1,894,179	1,910,976	1,925,664	1,936,816	1,940,923	1,945,103	1,949,014	1,952,828	1,956,642	1,960,697
2009	1,623,950	1,914,382	1,931,981	1,983,919	1,997,967	2,011,645	2,013,643	2,020,305	2,024,733	2,025,084	2,030,904
2010	1,883,572	2,210,823	2,240,622	2,259,286	2,272,616	2,276,873	2,281,918	2,289,558	2,290,745	2,291,251	2,308,839
2011	2,138,858	2,551,863	2,618,653	2,635,808	2,652,900	2,663,472	2,675,463	2,676,567	2,677,072	2,677,643	2,687,755
2012	2,434,531	3,036,242	3,081,974	3,113,533	3,130,240	3,145,852	3,151,338	3,152,199	3,152,667	3,156,877	3,184,299
2013	3,277,369	3,869,470	3,945,979	3,962,365	3,979,417	3,984,846	3,987,266	3,988,348	3,988,576	3,989,013	3,991,351
2014	3,356,168	4,136,098	4,208,056	4,238,529	4,276,074	4,284,895	4,290,064	4,291,192	4,294,636	4,296,452	4,303,241
2015	3,663,982	4,893,792	4,922,915	4,942,837	4,957,738	4,989,527	4,990,364	4,996,458	4,997,460	4,999,821	5,000,894
2016	5,887,972	9,524,668	11,007,796	11,033,879	11,054,694	11,056,973	11,063,504	11,070,266	11,072,428	11,078,539	
2017	5,353,019	6,304,036	6,440,298	6,465,574	6,475,458	6,491,026	6,500,706	6,506,457	6,517,033		
2018	5,605,174	6,519,225	6,542,681	6,563,334	6,593,763	6,613,431	6,633,713	6,647,021			
2019	5,214,623	6,242,835	6,289,996	6,317,776	6,335,492	6,349,353	6,396,935				
2020	4,618,215	5,463,803	5,668,182	5,685,140	5,704,780	5,729,268					
2021	4,644,402	5,683,322	5,812,424	5,832,425	5,856,831						
2022	5,288,379	6,274,550	6,365,944	6,777,643							
2023	4,257,556	5,166,220	5,313,704								
2024	2,642,884	3,472,559									
2025	3,368,194										

Cumulative payments to date	3,368,194	3,472,559	5,313,704	6,777,643	5,856,831	5,729,268	6,396,935	6,647,021	6,517,033	11,078,539	33,456,574	**94,614,300**
Total gross claims provision	10,574,051	2,259,341	724,993	474,190	241,908	124,346	93,462	87,486	63,002	76,752	147,127	**14,866,659**

31.1.3 Valuation of IBNR

The incurred but not reported claims reserve has been actuarially computed by Ms Sipika Tandon Mathur, FIA, for and on behalf of Willis Towers Watson India Private Limited. The valuation of IBNR was certified on 22 January 2026 for the above purpose.

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Notes to the financial statements

31 Insurance contract liabilities (contd)

31.2 Provision for unearned premiums

The reserve for net unearned premium indicates the amount of premium which is attributable to policies written as at 31 December 2025, but covering periods after 31 December 2025.

Rs. ' 000	Notes	As at 31 December 2025			As at 31 December 2024		
		Insurance Contract Liabilities	Reinsurance	Net	Insurance Contract Liabilities	Reinsurance	Net
Balance as at 1 January		5,137,145	3,171,071	1,966,074	5,657,658	3,095,723	2,561,935
Premiums written in the year	7 & 8	12,291,488	5,155,981	7,135,507	11,870,180	6,514,685	5,355,495
Premiums earned during the year		(11,746,948)	(5,783,164)	(5,963,784)	(12,390,693)	(6,439,337)	(5,951,356)
Balance as at 31 December		**5,681,685**	**2,543,888**	**3,137,797**	**5,137,145**	**3,171,071**	**1,966,074**

31.3 Liability adequacy test (LAT)

A Liability Adequacy Test ("LAT") for insurance contract liability was carried out by Ms Sipika Tandon Mathur, FIA, for and on behalf of Willis Towers Watson India Private Limited as at 31 December 2025 as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the Consultant Actuary's report, the Company adequately satisfies the LAT as at 31 December 2025. No additional provision was required against the LAT as at 31 December 2025.

31.4 Technical reserves

	As at 31 December	
	2025	2024
	Rs. ' 000	Rs. ' 000
Insurance contract liabilities	18,004,456	9,434,067
Deferred acquisition cost (net of deferred revenue)	(92,137)	133,484
Reinsurance receivable on outstanding claims (exclusive of IBNR)	(9,417,371)	(3,047,979)
	8,494,948	**6,519,572**

32 Reinsurance payables

	As at 31 December	
	2025	2024
	Rs. ' 000	Rs. ' 000
Balance as at 1 January		
Arising during the year	2,050,275	2,776,742
Utilised during the year	5,155,981	6,514,685
	(6,251,740)	(7,241,152)
	954,516	**2,050,275**

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

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Notes to the financial statements

33 Deferred revenue

This represents the income relating to acquisition of reinsurance contracts and are released to income as the insurance contract expires.

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Balance as at 1 January	771,386	614,122
Commission income	1,155,889	1,461,245
Recognised during the year	(1,317,580)	(1,303,981)
	609,695	**771,386**

34 Employee benefits

The Company had 788 employees (full-time equivalents) as of 31 December 2025. Personnel and other related costs incurred for the year ended 31 December 2025 was Rs. 1,206 Mn (2024 - Rs. 1,246 Mn) which include staff remuneration of Rs. 883 Mn (2024 - Rs. 981 Mn).

34.1 Defined contribution plans

Following contributions have been made for Employee Provident Fund and Employee Trust Fund during the year.

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Employees' Provident fund (EPF)		
Employer's contribution (12%)	111,801	109,892
Employee's contribution (8%)	74,534	73,261
Employees' trust fund (ETF)		
Employer's contribution (3%)	27,950	27,473

34.2 Movement in present value of gratuity

Balance as at 1 January	231,399	219,266
Included in profit or loss:		
Interest cost	25,454	27,408
Current Service Cost	21,910	20,125
	47,364	47,533
Benefits paid		
Benefits paid	(43,881)	(52,053)
	(43,881)	(52,053)
Included in other comprehensive income:		
Actuarial loss	71,556	16,653
Present value obligation as at 31 December	**306,438**	**231,399**

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Notes to the financial statements

34 Employee benefits (contd)

34.3 Principal actuarial assumptions used	**As at 31 December 2025**	**2024**
Discount rate	10%	11%
Salary increase	5%	5%
Retirement age	60 years	60 years

Assumptions regarding future mortality are based on published statistics and mortality tables. The actuarial valuations regarding above were carried out by Mr.K.Arumugam (AIA) for and on behalf of Actuarial and Management Consultants (Pvt) Ltd .The valuation report was certified on 28 January 2026 for the above purpose.

34.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

			As at 31 December		**As at 31 December**	
Rs. ' 000	**2025**	**2024**	**2025**		**2024**	
			Increase	**Decrease**	**Increase**	**Decrease**
Discount rate	1%	1%	(12,631)	13,778	(12,669)	14,126
Future salary growth	1%	1%	15,021	(13,969)	15,365	(13,950)

34.5 Maturity analysis of the payments

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Within next 12 months	56,284	27,846
Between 1 to 2 years	43,664	27,877
Between 2 to 5 years	93,369	56,798
Between 5 to 10 years	79,681	69,699
Beyond 10 years	33,440	49,179
	306,438	**231,399**

35 Other liabilities

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Other financial liabilities		
Agency commission payable	283,300	396,730
Unidentified deposits	266,213	241,164
Other liabilities and accruals	235,937	189,854
	785,450	827,748
Other non financial liabilities		
Government levies	32,188	28,639
Other staff related provisions	3,913	1,615
	36,101	30,254
	821,551	**858,002**

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

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Notes to the financial statements

36 Current tax liabilities

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Balance as at 1 January	300,114	323,034
Provision for the year	405,789	605,793
Payments made / set off during the year against tax credits	(608,123)	(628,713)
Balance as at 31 December	**97,780**	**300,114**

37 Related party disclosures

37.1 Parent and ultimate controlling party

The Company’s immediate ultimate controlling party is Fairfax Asia Limited.

37.2 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 its ultimate parent company Fairfax Asia Limited (including Executive and Non-Executive Directors).

37.2.1 Compensation of KMPs

	As at 31 December	
	2025	**2024**
	Rs. ' 000	**Rs. ' 000**
Short term employment benefits	31,186	47,555
	31,186	**47,555**

The short term employment benefits include fees and emoluments paid to directors and key management personnel. Where applicable such 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 directors and no ex-gratia payments were made to directors during the year. Further, the Company does not provide any non-cash benefit to the KMPs.

The Directors of the Company and their immediate relatives do not have substantial shareholdings in the Company as at 31 December 2025.

37.2.2`

Transactions, arrangements and agreements involving KMPs, and their close family members (CFMs)

The Directors of the Company are also Directors of the following companies as set out below and transaction in Note 37.3 have been carried out with such companies.

Company	Name of director	Position	Relationship
Bank of Ceylon	S T Ratwatte	Director	Common directorship
Capital Alliance PLC	D P De Mel	Director	Common directorship

FAIRFIRST INSURANCE LIMITED

Notes to the financial statements

37 Related party disclosures (contd)

37.3 Transactions with related parties

Details of related party transactions are reported below.

Company	Relationship	Nature of the transaction	Transactions during the year		Balance as at	
			2025 Rs'000	**2024 Rs'000**	**2025 Rs'000**	**2024 Rs'000**
Fairfax Asia Limited	Parent	Management Fee / Corporate overhead contribution	(841)	19,601	4,804	5,645
		Settlements	-	(34,321)		
Fairfax Financial Holdings	Ultimate parent	Recharge of SLFRS 17 project cost	-	494	-	793
		Settlements	(793)	(2,908)		
		ESOP Contribution	8,494	8,420	13,138	9,180
		Settlement	(4,536)	(7,416)		
Hamblin Watsa Investment Counsel Ltd	Wholly owned subsidiary of ultimate parent	Software fee	2,829	2,775	1,428	681
		Settlement	(2,082)	(2,862)		
					19,370	**16,299**
Related party balance included in Financial Investments (Note 22)						
John Keells Holdings PLC	Associate of ultimate parent company	Net movement in investment in equity shares	(11,388)	18,405	**274,577**	**285,965**
Bank of Ceylon	Common directorship	Net movement in repurchase agreements during the year	(117,611)	(733,703)	**130,025**	**230,038**
		Interest Received	17,598	13,351		
Capital Alliance PLC	Common directorship	Net movement in repurchase agreements during the year	(408,214)	357,900	**-**	**374,307**
		Interest Received	33,906	16,407		
Related party balance included in Cash and cash equivalents (Note 28)						
Bank of Ceylon	Common directorship	Net financial transactions during the year	71,580	(290,102)	**370,626**	**299,046**

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Notes to the financial statements

37 Related party disclosures (contd)

37.3 Transactions with related parties (contd)

Company	Relationship	Nature of the transaction	Transactions during the 2025 Rs'000	Transactions during the 2024 Rs'000	Balance as at 2025 Rs'000	Balance as at 2024 Rs'000
Related party balance included in Reinsurance receivable (Note 23)						
Wentworth Insurance	Wholly owned subsidiary of ultimate parent	Reinsurance premium ceded	254,179	469,995	**174,444**	**(81,032)**
		Reinsurance commission income	(65,989)	(141,478)		
		Reinsurance recovery	(295,249)	(164,168)		
		Settlements	(148,417)	(136,300)		
Singapore Re Corporation	Subsidiary of parent	Reinsurance premium ceded		48,422	**843,913**	**-**
		Reinsurance recovery		843,913		
		Settlements		(48,422)		

Union Assurance PLC held 22% of equity stake of Fairfirst Insurance Limited. In September 2025, Fairfax Asia Limited, the parent of Fairfirst Insurance Limited, purchased the 22% equity stake held by Union Assurance PLC. There have been no transactions with Union Assurance PLC during the current financial year. No balances are outstanding as at 31 December 2025.

All related party balances are unsecured, interest free and payable / receivable on demand.

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Notes to the financial statements

38 Financial and underwriting risk review

This note presents information about Company's exposure to financial and underwriting risks and management of capital.

38.1 Business risk

Business risk is the insurance risk that the Company is exposed to as a result of the insurance contracts undertaken. The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty regarding the amount of the resulting claim. Therefore, the objective 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. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements.

38.1.1 Insurance contracts

Following table summarises the outstanding claims position as at 31 December:

Rs. ' 000	As at 31 December 2025		
	Gross Claim	**Reinsurance**	**Net**
Provision for reported claims	10,674,499	9,417,371	1,257,128
Incurred But Not Reported (IBNR)	4,192,160	1,931,522	2,260,638
Total	**14,866,659**	**11,348,893**	**3,517,766**

Rs. ' 000	As at 31 December 2024		
	Gross Claim	**Reinsurance**	**Net**
Provision for reported claims	4,060,387	3,047,979	1,012,408
Incurred But Not Reported (IBNR)	3,407,606	1,319,024	2,088,582
Total	**7,467,993**	**4,367,003**	**3,100,990**

38.1.2 Estimation for claim reserve

The table below shows the sensitivity of net profit before tax (PBT) and the sensitivity of net assets (NA) as a result of adverse development in the net loss ratio by one percentage point. Such an increase could arise from either higher frequency of the occurrence of the insured events or from an increase in the severity of resulting claims or from a combination of frequency and severity.

The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the presentation of the sensitivity analysis in the table below, each additional percentage point increase in the loss ratio would lead to a linear impact on net profit before tax and net assets.

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Notes to the financial statements

38 Financial and underwriting risk review (contd)

38.1.2 Estimation for claim reserve (contd)

Sensitivity of PBT and net assets due to increase in net claim ratio.

	As at 31 December	
	2025	2024
	Rs. ' 000	Rs. ' 000
(+) 1% in claims ratio		
Net impact to PBT	(59,638)	(59,514)
Impact to Net Assets	(41,747)	(41,660)

38.1.3 Re insurance risk

As at 31 December 2025 reinsurance receivables amounts to Rs.12,084 Mn (2024 - Rs.5,149 Mn) mainly consisting of receivable on claims outstanding amounting to Rs. 9,417Mn (2024 - Rs. 4,367Mn) and reinsurance share on claims paid amounting to Rs.743 Mn (2024 - Rs.790 Mn).

As at 31 December 2025, 96% of our reinsurance receivables were due from reinsurers with a credit rating of “A-” or "B" and from the National Insurance Trust Fund (NITF).There were no collateral against reinsurance receivables as at reporting date. The ratings of reinsurer's and their related rating agencies are as follows:

Reinsurers	Rating	Rating agency
AIG MEA Ltd	A	Standard & Poor's
Active capital reinsurance ltd	A	A.M. Best
AIA General Insurance Lanka Ltd.	AA	Standard & Poor's
Allied World Assurance Company, Ltd	A+	A.M. Best
Asian Reinsurance Corporation	B++	A.M. Best
Assicurazioni Generali S.p.A.	A+	A.M. Best
China Reinsurance (Group) Corporation - Singapore Branch	A	A.M. Best
Emirates Insurance Company PJSC	A-	A.M. Best
First Capital Inurance Limited	A+	A.M. Best
Hannover Re	A+	A.M. Best
Hanoi Reinsurance Joint Stock Corporation	B++	A.M. Best
Oman Reinsurance Company SAOG	BBB	Standard & Poor's
Royal & Sun Alliance Reinsurance Limited	A	A.M. Best
Singapore Reinsurance Corporation Limited	A	A.M. Best
Sompo Japan Insurance Inc	A+	A.M. Best
Taiping Reinsurance Brokers Limited	A	A.M. Best
Wentworth Insurance Company	A	A.M. Best
Ms First Capital Insurance Limited	A-	A.M. Best
General Insurance Corporation Of India	BBB+	A.M. Best
Kuwait Reinsurance Company K.S.C.P.	A-	A.M. Best
Abu Dhabi National Insurance Company PJSC.	A	A.M. Best
Echo Reinsurance Limited	A-	Standard & Poor's
National Insurance Fund	Government security	Not Applicable

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Notes to the financial statements

38 Financial and underwriting risk review (contd)

38.1.4 Concentration risk

Concentration risk within the insurance business based on the Gross written premium is as follows:

Rs. ' 000	For the year ended 2025			
Class	**Gross written premium**	**Reinsurance**	**Net written premium**	**%**
Motor	6,038,424	412,359	5,626,065	79%
Property and engineering	2,764,536	2,446,472	318,064	4%
Marine	1,145,257	899,913	245,344	3%
Accident and liability	2,343,271	1,397,237	946,034	13%
	12,291,488	**5,155,981**	**7,135,507**	
Motor / non motor composition				
Motor	6,038,424	412,359	5,626,065	79%
Non motor	6,253,064	4,743,622	1,509,442	21%
	12,291,488	**5,155,981**	**7,135,507**	

Rs. ' 000	For the year ended 2024			
Class	**Gross written premium**	**Reinsurance**	**Net written premium**	**%**
Motor	4,702,984	1,171,079	3,531,905	66%
Property and engineering	3,646,891	3,143,036	503,855	9%
Marine	1,047,897	844,820	203,077	4%
Accident and liability	2,472,408	1,355,750	1,116,658	22%
	11,870,180	**6,514,685**	**5,355,495**	
Motor / non motor composition				
Motor	4,702,984	1,171,079	3,531,905	66%
Non motor	7,167,196	5,343,606	1,823,590	34%
	11,870,180	**6,514,685**	**5,355,495**	

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Notes to the financial statements

38 Financial and underwriting risk review (contd)

38.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's deposits at banks and investments in debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).The Company is exposed to credit risk on securities issued by third parties. The debt security investments are broadly categorised into investments in government securities and investments in corporate debt securities.

38.2.1 Credit quality analysis

The tables below set out information about the credit quality of financial investments (Cash and cash equivalent, government securities and corporate debt securities) and the allowance for impairment loss held by the Company against the assets.

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**	**Cash and cash equivalents**	**Total**	**(%)**
Maximum exposure to credit risk							
Carrying amount							
AAA	-	-	-	-	214,829	214,829	1%
AA+ to AA -	-	256,290		-	401,430	657,720	4%
A+ to A-	-	127,204		-	10,886	138,090	1%
BBB+ to BB	-	100,274		-	14,521	114,795	1%
Government guaranteed	12,236,296	552,822	1,133,574	-	-	13,922,692	88%
Not rated	-	-	738,687	-	8,123	746,810	5%
Total	**12,236,296**	**1,036,590**	**1,872,261**	**-**	**649,789**	**15,794,936**	
Allowance for impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Neither past due nor impaired							
AAA	-	-	-	-	214,829	214,829	1%
AA+ to AA -	-	256,290	-	-	401,430	657,720	4%
A+ to A-	-	127,204	-	-	10,886	138,090	1%
BBB+ to BB	-	100,274	-	-	14,521	114,795	1%
Government guaranteed	12,236,296	552,825	1,133,574	-	-	13,922,695	88%
Not rated	-	-	738,687	-	8,123	746,810	5%
Total	**12,236,296**	**1,036,593**	**1,872,261**	**-**	**649,789**	**15,794,939**	
Past due but not impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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Notes to the financial statements

38 Financial and underwriting risk review (contd)

38.2.1 Credit quality analysis (contd)

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**	**Cash and cash equivalents**	**Total**	**(%)**
Maximum exposure to credit risk							
Carrying amount							
AAA	-	-	-	-	15,091	15,091	0%
AA+ to AA -	-	-	-	-	-	-	0%
A+ to A-	-	340,804	-	-	374,907	715,711	5%
BBB+ to BB	-	307,575	-	-	37,220	344,795	2%
Government guaranteed	10,845,117	1,064,111	910,875	-	-	12,820,103	88%
Not rated	-	-	673,362	-	2,362	675,724	5%
Total	**10,845,117**	**1,712,490**	**1,584,237**	**-**	**429,580**	**14,571,424**	
Allowance for impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Neither past due nor impaired							
AAA	-	-	-	-	15,091	**15,091**	0%
AA+ to AA -	-	-	-	-	-	**-**	0%
A+ to A-	-	340,804	-	-	374,907	**715,711**	5%
BBB+ to BB	-	307,575	-	-	37,220	**344,795**	2%
Government guaranteed	10,845,117	1,064,111	910,875	-	-	**12,820,103**	88%
Not rated	-	-	673,362	-	2,362	**675,724**	5%
Total	**10,845,117**	**1,712,490**	**1,584,237**	**-**	**429,580**	**14,571,424**	
Past due but not impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The following table provides information relating to credit risk exposure of other financial assets:

	As at 31 December 2025			**As at 31 December 2024**		
Rs'000	**Other financial assets**	**Reinsurance receivable**	**Premium receivable**	**Other financial assets**	**Reinsurance receivable**	**Premium receivable**
Maximum exposure to credit risk	**123,959**	**10,153,367**	**2,489,069**	**136,151**	**3,830,924**	**2,479,368**
0-60 days	123,959	6,602,185	1,807,856	136,151	2,495,478	1,893,515
61-90 days	-	259,047	326,771	-	97,740	174,887
91-180 days	-	527,918	259,501	-	199,187	386,030
181 days +	-	2,771,340	109,291	-	1,045,642	39,286
Impaired	-	(7,123)	(14,350)	-	(7,123)	(14,350)
Total	**123,959**	**10,153,367**	**2,489,069**	**136,151**	**3,830,924**	**2,479,368**

Credit risk relating to reinsurance receivable

There were no collateral against reinsurance receivables as at reporting date.

Credit risk of reinsurance receivables by rating class have been illustrated below in order to ensure that Company has significant control over managing them.

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Notes to the financial statements

38 Financial and underwriting risk review (contd)

Credit risk relating to reinsurance receivable (contd)

Rs.Mn	As at 31 December 2025 On paid claims	On reserve	Total	%	As at 31 December 2024 On paid claims	On reserve	Total	%
AA	41,241	27,335	**68,576**	0.7%	-	11,128	**11,128**	0.3%
A +	106,087	1,746,376	**1,852,463**	18.2%	80,977	629,975	**710,952**	18.6%
A	258,247	314,025	**572,272**	5.6%	121,998	2,943	**124,941**	3.3%
A -	33,944	2,256,209	**2,290,153**	22.6%	48,322	870,184	**918,506**	24.0%
AA-	-	28,720	**28,720**	0.3%	187	11,505	**11,692**	0.3%
BBB	199	-	**199**	0.0%	-	-	**-**	0.0%
BBB +	1,304	428,359	**429,663**	4.2%	102,375	72,010	**174,385**	4.6%
BBB-	2,140	62,558	**64,698**	0.6%	21,014	4,454	**25,468**	0.7%
B+	-	87,153	**87,153**	0.9%	35,052	428	**35,480**	0.9%
NITF	252,000	3,581,009	**3,833,009**	37.8%	345,980	1,111,853	**1,457,833**	38.1%
Unrated *	40,834	885,627	**926,461**	9.1%	27,041	333,499	**360,540**	9.4%
Total	**735,996**	**9,417,371**	**10,153,367**		**782,945**	**3,047,979**	**3,830,924**	
IBNR	-	1,931,522	**1,931,522**		-	1,319,024	**1,319,024**	
Total RI Receivable	**735,996**	**11,348,893**	**12,084,889**		**782,945**	**4,367,003**	**5,149,949**	

Credit risk relating to premiums receivable

Rs'000	As at 31 December 2025 Upto 30 Days	31-60 Days	Above 60 Days	Total	As at 31 December 2024 Upto 30 Days	31-60 Days	Above 60 Days	Total
Total Receivables	1,109,637	698,219	681,213	**2,489,069**	906,255	987,260	585,853	**2,479,368**

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Notes to the financial statements

38 Financial and underwriting risk review (contd)

Credit risk relating to cash and cash equivalents

The Company held cash and cash equivalents of Rs. 650 Mn at 31 December 2025 (2024 - Rs 430 Mn). The cash and cash equivalents are held with banks and financial institutional counterparties, which are rated BB or better. The amount include for cash in hand of Rs 1.8 Mn, that do not carry credit risk.

38.2.2 Collateral of debt securities

Reverse repo investments which fall under government securities are 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. As at the balance sheet date, Company holds treasury bonds with a total face value amounting to Rs. 550 Mn as collateral for reverse repo investments amounting to Rs. 553 Mn.

38.2.3 Concentrations of credit risk

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk. The Company monitors concentrations of credit risk by sector and instruments. An analysis of concentrations of credit risk from financial investments is shown below.

By instrument:

	As at 31 December		As at 31 December	
	2025		2024	
	Rs. ' 000	%	Rs. ' 000	%
Government securities and related institutions	13,922,694	97%	12,820,103	95%
Corporate debt and others	483,765	3%	648,378	5%
Total	**14,406,459**		**13,468,481**	

38.3 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.

38.3.1 Maturity analysis of financial assets and financial liabilities

The table below summarises the maturity profiles of non derivative financial assets and financial liabilities. For reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premium reserve, deferred acquisition expenses and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations. Assets are disclosed on a discounted cash flow basis and the financial liabilities are disclosed on an undiscounted cash flow basis. The discounting impact of liabilities maturing less than one year has been ignored.

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Notes to the financial statements

38 Financial and underwriting risk review (contd)

38.3.1 Maturity analysis for financial assets and financial liabilities (contd)

As at 31 December 2025						
	Carrying amount	**Up to one year**	**1 - 5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Financial assets						
Held to maturity	12,236,296	-	8,079,646	4,156,650	-	**12,236,296**
Loans and receivables	1,036,590	780,128	256,462	-	-	**1,036,590**
Available for sale	1,872,261	-	-	1,133,574	738,687	**1,872,261**
Reinsurance receivable on settled claims	735,996	743,119	(7,123)	-	-	**735,996**
Premiums receivable	2,489,069	2,503,419	(14,350)	-	-	**2,489,069**
Other financial assets (classified under loans and receivables)	123,959	123,959	-	-	-	**123,959**
Cash and cash equivalents	647,997	647,997	-	-	-	**647,997**
Total	**19,142,168**	**4,798,622**	**8,314,635**	**5,290,223**	**738,687**	**19,142,168**
Financial liabilities						
Reinsurance payable	(954,516)	(954,516)	-	-	-	**(954,516)**
Other financial liabilities (classified under Financial liabilities at amortised cost)	(785,450)	(785,450)	-	-	-	**(785,450)**
Lease liability	(550,108)	(550,108)	-	-	-	**(550,108)**
Amount due to related parties	(19,370)	(19,370)	-	-	-	**(19,370)**
Bank overdraft	(176,205)	(176,205)	-	-	-	**(176,205)**
Total	**(2,485,649)**	**(2,485,649)**	-	-	-	**(2,485,649)**

As at 31 December 2024						
	Carrying amount	**Up to one year**	**1 - 5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Financial assets						
Held to maturity	10,845,117	-	6,550,129	4,294,988	-	**10,845,117**
Loans and receivables	1,712,489	1,228,693	483,796	-	-	**1,712,489**
Available for sale	1,584,237	-	260,411	650,464	673,362	**1,584,237**
Reinsurance receivable on settled claims	782,946	790,069	(7,123)	-	-	**782,946**
Premiums receivable	2,479,368	2,493,718	(14,350)	-	-	**2,479,368**
Other financial assets (classified under loans and receivables)	136,151	136,151	-	-	-	**136,151**
Cash and cash equivalents	427,795	427,795	-	-	-	**427,795**
Total	**17,968,103**	**5,076,426**	**7,272,863**	**4,945,452**	**673,362**	**17,968,103**
Financial liabilities						
Reinsurance payable	(2,050,275)	(2,050,275)	-	-	-	**(2,050,275)**
Other financial liabilities (classified under Financial liabilities at amortised cost)	(827,748)	(827,748)	-	-	-	**(827,748)**
Lease liability	(227,039)	(227,039)	-	-	-	**(227,039)**
Amount due to related parties	(16,299)	(16,299)	-	-	-	**(16,299)**
Bank overdraft	(19,024)	(19,024)	-	-	-	**(19,024)**
Total	**(3,140,385)**	**(3,140,385)**	-	-	-	**(3,140,385)**

Financial assets pledged as collateral

There were no financial assets pledged as collateral during the year ended 31 December 2025.

38.4 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 main three categories namely;

i. Equity price risk
ii. Currency risk
iii. Interest rate risk

The table below sets out the allocation of assets and liabilities subject to market risk.

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Notes to the financial statements

38 Financial and underwriting risk review (Contd)

38.4.1 Exposure to interest rate risk

The following is a summary of the Company's interest bearing financial assets and liabilities based on it's interest rate re-pricing timeline:

Rs'000	As at 31 December 2025					
	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Held to maturity	12,236,296	-	-	-	8,079,646	4,156,650
Loans and receivables	1,036,590	637,031	-	143,097	256,462	-
Available for sale	1,133,574	-	-	-	-	1,133,574
Cash and cash equivalents	647,997	647,997	-	-	-	-
Bank overdraft	176,205	176,205	-	-	-	-

Rs'000	As at 31 December 2024					
	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Held to maturity	10,845,117	-	-	-	6,550,129	4,294,988
Loans and receivables	1,712,489	1,228,693	-	-	483,796	-
Available for sale	910,875	-	-	-	260,411	650,464
Cash and cash equivalents	427,795	427,795	-	-	-	-
Bank overdraft	19,024	19,024	-	-	-	-

Sensitivity analysis

The table below shows the estimated impact on profitability and equity due to fluctuation of interest rates on the fixed rate available for sale financial assets.

Sensitivity of Profit before tax and equity to changes in interest rates.

As at 31 December 2025					
Change in variables	Impact on profit before tax	Impact on equity			
Rs'000		Up to one year	1 - 5 years	Over 5 years	Total
(+) 500 basis points	(219,202)	-	-	(219,202)	**(219,202)**
(-) 500 basis points	347,312	-	-	347,312	**347,312**

As at 31 December 2024					
Change in variables	Impact on profit before tax	Impact on equity			
Rs'000		Up to one year	1 - 5 years	Over 5 years	Total
(+) 500 basis points	(199,753)	-	(39,945)	(159,808)	**(199,753)**
(-)500 basis points	311,075	-	49,675	261,400	**311,075**

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Notes to the financial statements

38 Financial and underwriting risk review (contd)

The Company's investment portfolio is analysed based on the types of interest rates are as follow:

Instruments Rs'000	As at 31 December 2025 Fixed interest rate	Variable interest rate	Non-interest bearing	As at 31 December 2024 Fixed interest rate	Variable interest rate	Non-interest bearing
Government securities	13,922,694	-	-	12,820,103	-	-
Corporate debts	483,765	-	-	648,378	-	-
Equity instruments	-	-	738,687	-	-	673,362
Total	**14,406,459**	**-**	**738,687**	**13,468,481**	**-**	**673,362**

38.4.2 Exposure to currency risks

As at the reporting date, net currency exposures representing the Company's equity were as follows.

Foreign currency exposures other than in respect of foreign operations.

Foreign currency deposits '000	As at 31 December 2025 Amount in foreign currency	LKR amount	As at 31 December 2024 Amount in foreign currency	LKR amount
USD deposits	6,984	2,162,293	2,495	133,260
EUR deposits	97	35,347	23	6,875
Payable to related party (USD)	63	19,370	55	16,299

Sensitivity analysis

The table below shows the estimated impact on profitability when the domestic currency strengthens by 1 Sri Lankan rupee against foreign currencies.

Rs. ' 000	As at 31 December 2025 Rs. ' 000	2024 Rs. ' 000
USD deposits (+/-)	4,889	318
EUR deposits (+/-)	68	16
Payable to related party (+/-)	44	39

38.4.3 Exposure to equity price risks

The risk exposure to listed equity securities as at 31 December 2025 is as follows:

	As at 31 December 2025 Rs. ' 000	2024 Rs. ' 000
Total equity	738,062	672,737

Sensitivity analysis

The table below shows the estimated impact from a 10 percent decline in the stock markets, on the portfolio as at 31 December 2025.

Sensitivity of PBT to decline in equity prices.

	As at 31 December 2025 Rs. ' 000	2024 Rs. ' 000
10% decline in stock markets	(73,806)	(67,274)
Net impact on net assets	**(73,806)**	**(67,274)**

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Notes to the financial statements

39 Determination of fair values

This note explains the methodology for valuing our financial assets and liabilities and provides an analysis of these according to a 'fair value hierarchy', determined by the market observability of valuation inputs.

39.1 Valuation models

The company measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 20 for financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

39.2 Valuation framework

The Company has an established control framework with respect to the measurement of fair values. The Company has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements carried out by the treasury division, which include :

- Verification of observable pricing;
- Re-performance of model valuations;
- Quarterly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3.

When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS.

39.3 Fair value hierarchy

Assets and liabilities recorded at fair value in the statement of financial position are measured and classified in accordance with a fair value hierarchy consisting of three ''levels'' based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

Level 1

Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. 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 asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length 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 less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

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Notes to the financial statements

39 Determination of fair values (contd)

39.3 Fair value hierarchy (contd)

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 valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

39.4 Valuation methodologies of financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Rs. ' 000	Notes	As at 31 December 2025 Fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Available for sale financial assets:					
Debt securities					
Treasury bonds	22.3	-	1,133,574	-	1,133,574
Equity securities	22.3	738,062	-	625	738,687
		738,062	**1,133,574**	**625**	**1,872,261**

Rs. ' 000	Notes	As at 31 December 2024 Fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Available for sale financial assets:					
Debt securities					
Treasury bonds	22.3	-	910,875	-	910,875
Equity securities	22.3	672,737	-	625	673,362
		672,737	**910,875**	**625**	**1,584,237**

39.5 Determination of fair value

Instrument	Valuation technique	Fair value hierarchy
Treasury bonds	Using market yield	Level 2

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 available for sale portfolio.

39.5.1 Fair value of unquoted equities

Fair value has not been disclosed for unquoted shares (classified as AFS) as their fair value could not be reliably measured. Unquoted equities are valued using level 3 input.

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Notes to the financial statements

39 Determination of fair values (contd)

39.5.2 Debentures

The fair values of listed debentures are calculated based on published market prices. The fair value of unlisted variable rate debentures equals carrying value due to inability to reliably predict future cash flows. Unlisted fixed rate corporate debts are based on discounted cash flow method using current market yields of treasury bonds or treasury bills for similar maturity plus a risk premium determined based on the credit rating of the instrument. Debentures are valued using level 2 inputs.

39.5.3 Treasury bonds

The fair values of treasury bonds are estimated based on broker / dealer price quotation and based on current market yields. Treasury bonds are valued using level 2 inputs.

39.5.4 Reverse repos

The fair values of money market placements and reverse repurchase agreements with remaining maturity of less than one year also approximate their carrying amounts due to the relatively short maturity of the financial instruments. Reverse repos are valued using level 2 inputs.

40 Commitments

There were no significant capital commitments as at the reporting date.

41 Capital Adequacy

Company is required to comply with Risk Based Capital (RBC) rules introduced by the Insurance Regulatory Commission of Sri Lanka. In compliance with RBC rules, Company's Capital Adequacy Ratio (CAR) is above the minimum requirement imposed by the regulator and does not foresee any concerns relating to solvency for the period under review.

42 Events after the reporting date

There have been no material events occurring after the reporting date which require disclosure or adjustment in the financial statements.

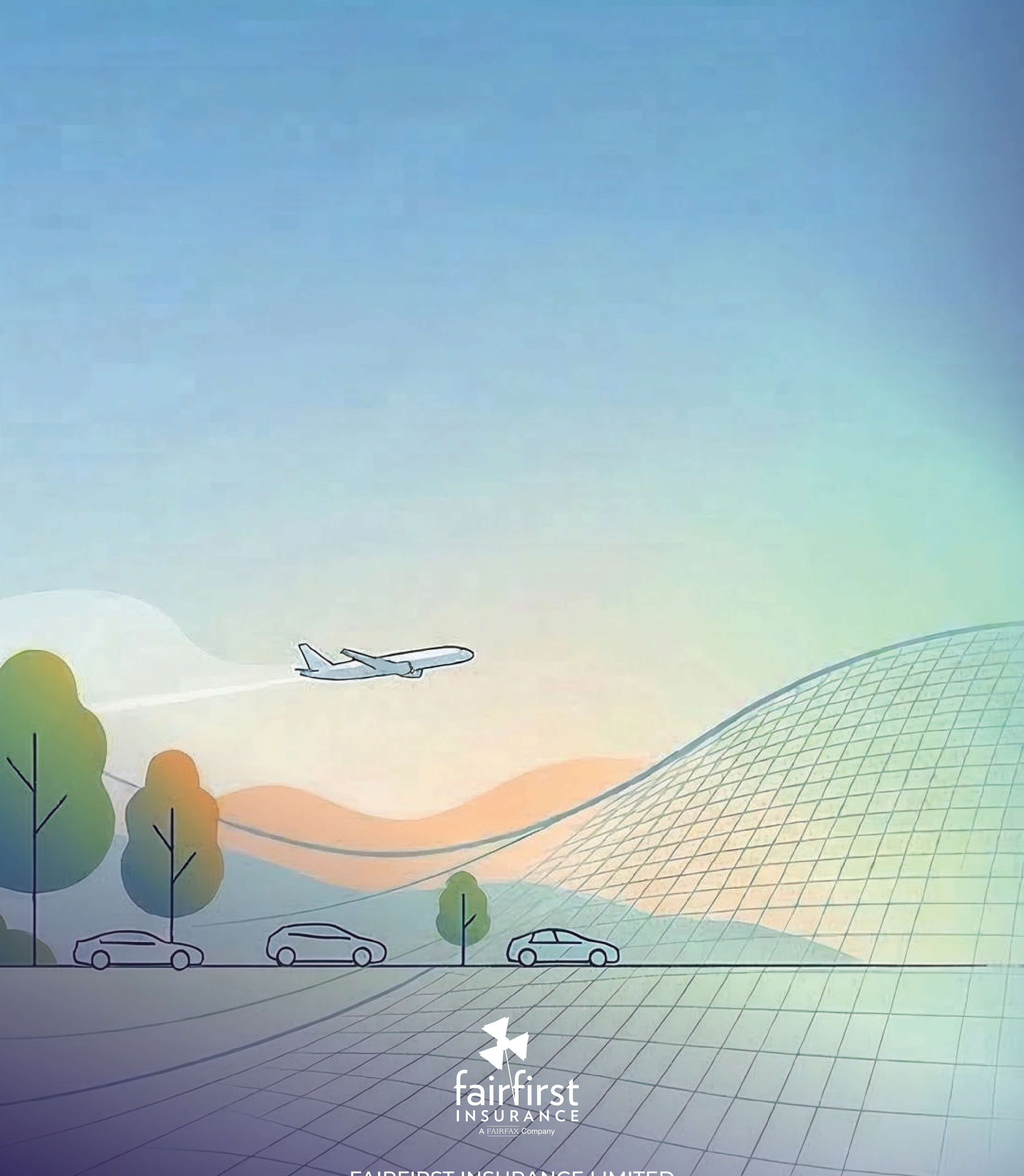
43 Contingencies

There are number of litigations outstanding against the Company that are raised in the ordinary course of business.

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

44 Director's responsibility

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements.



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