ANNUAL REPORT
2025

LOLC GENERAL INSURANCE



ANNUAL REPORT 2025

About us

As a key subsidiary of the renowned LOLC Group, the Company has rapidly evolved into one of the nation's most progressive and trusted insurers. This growth is driven by strategic ambition, deep customer insight, and operational agility, enabling the company to redefine the landscape of general insurance in Sri Lanka.

Over the past fourteen years, the Company has established a strong national footprint with more than 60 branches, supported by a diversified multi-channel distribution network and the strategic advantages of the Group ecosystem. During this period, LOLC General Insurance became one of the fastest insurers in the country to surpass Rs. 13 billion in Gross Written Premium (GWP), reflecting the strength of its franchise and sustained market relevance.

Demonstrating consistent, disciplined, and strategic growth, the Company advanced from 7th position in 2019 to 4th position in 2025 in terms of GWP. This notable upward trajectory within a comparatively short period reflects the trust of customers, the dedication of employees, the confidence of shareholders, and the continued support of all stakeholders.

In 2025, the Company recorded 20% growth in GWP, outperforming industry trends and increasing market share to 9%. This performance highlights the effectiveness of its strategic direction, prudent underwriting discipline, digital transformation and ability to respond swiftly to evolving market dynamics. The Company is also recognised as the third-largest motor insurer in Sri Lanka, underscoring its competitive strength in one of the industry's most significant segments.

This leadership position is further reinforced by the Company's strong claims performance during periods of economic volatility and catastrophic events, including the recent Cyclon Ditwah. During this period, LOLC General Insurance continued to demonstrate operational resilience and financial stability. The Company admitted claims exceeding LKR 6 billion during the Cyclon Ditwah period alone, emerging as one of the fastest claim-settling insurers in the market. This performance reflects its robust claims management capabilities, customer-centric approach, and unwavering commitment to providing timely support to policyholders, thereby setting industry benchmarks in claims settlement. The company's commitment to service excellence, innovation, and robust risk governance has earned recognition both locally and internationally. At the 5th Emerging Asia Insurance Awards organised by the Indian Chamber of Commerce, LOLC General Insurance received multiple accolades, including Best General Insurance Company in Sri Lanka, Best Customer Oriented Company, and Best Risk Management Strategy.

The Company serves both retail and corporate customers across conventional and Takaful segments, offering a comprehensive portfolio comprising motor, fire and engineering, marine, and miscellaneous insurance solutions. These offerings are delivered through an integrated platform that includes branch operations, direct sales teams, brokers, corporate partnerships, and Bancassurance channels.

Supported by internationally reputed reinsurers approved by the Insurance Regulatory Commission of Sri Lanka and listed on the Colombo Stock Exchange, the Company upholds high standards of governance, transparency, and financial discipline.

Guided by its core values of Trust and Confidence, Integrity, Empathy, Diversity, and Service Excellence, LOLC General Insurance remains committed to creating sustainable value for shareholders, protecting customers, empowering communities, and delivering long-term growth for all stakeholders, while advancing its vision to become the insurer of choice.

Table of Contents

Performance Highlights	05
Directors' Profiles	06 - 08
Financial Review	09 - 12
SLFRS Sustainability Disclosure Report	13 - 20
Corporate Governance Report	21 - 33
Risk Management Report	34 - 35
Directors' Report	36 - 41
Directors' Responsibility for Financial Reporting	42 - 43
Executive Chairman's and Chief Financial Officer's Responsibility Statement	44
Report of the Related Party Transactions Review Committee	45
Report of the Remuneration Committee	46
Report of the Nomination and Governance Committee	47
Report of the Audit Committee	48
LAT Certification by the Actuary	51
Independent Auditor's Report	52 - 55
Statement of Financial Position	56
Statement of Profit or Loss	57
Statement of Comprehensive Income	58
Statement of Changes in Equity	59
Statement of Cash Flows	60
Notes to the Financial Statements	61-111
Shareholders Information	112-113
Quarterly Analysis	114
Ten Year Summary - Statements of Financial Position	115
Ten Year Summary - Statements of Profit or Loss	116
Notes	117
Notice of Annual General Meeting	118-119
Form of Proxy	120-121
Registration of Shareholder Details for online participation	122
Form of Request	123
Stakeholder Feedback Form	124
Corporate Information	125

Performance Highlights

	Measurement Unit	2025	2024	Change % Y-O-Y
FINANCIAL PERFORMANCE				
Total Income	Rs. Mn	10,500	11,108	(5.5)
Gross written premium	Rs. Mn	13,371	11,102	20
Net earned premium	Rs. Mn	7,998	8,697	(8)
Total benefits, losses and expenses	Rs. Mn	10,653	10,696	(0.4)
Total other income	Rs. Mn	2,501	2,411	4
Profit before income tax (PBT)	Rs. Mn	(104)	478	(121.8)
Profit after income tax (PAT)	Rs. Mn	(86)	350	(124.6)
Net claims ratio	%	84	71	(18)
Net expense ratio	%	50	52	3.8
Net combined ratio	%	134	123	(8.9)
Return on equity (ROE) *	%	(1.27)	5	(125)
FINANCIAL POSITION AND STABILITY				
Total assets	Rs. Mn	31,080	22,206	40
Investment securities	Rs. Mn	16,377	14,607	12
Total liabilities	Rs. Mn	24,385	15,330	59
Insurance contract liabilities	Rs. Mn	19,634	11,669	68
Equity	Rs. Mn	6,696	6,876	(3)
INVESTOR RATIOS				
Market value per share (Closing)	Rs.	8	7	14
No. of shares in issue	Mn	1,200	1,200	0
Market capitalisation	Rs. Mn	9,600	8,400	14
Earnings per share	Rs.	(0.07)	0.29	(124)
Net asset value per share	Rs.	5.58	5.73	(3)
Price/Earnings ratio**	Times	(114)	24	(573)
STATUTORY RATIOS				
Capital Adequacy Ratio (CAR) (%)	%	149	216	(31)
Total Available Capital (TAC)	Rs.'000	5,275,304	6,144,865	(14.2)

*ROE = PAT/Average equity X 100

**The Price/Earnings Ratio for the year 2025 is not meaningful due to the net loss incurred during the year.

Directors' Profiles

K A K P Gunawardena
Attorney at law
Executive Chairman/ Principal Officer

Mr Gunawardena Joined LOLC in 2004 and counts over 36 years of experience as a Lawyer and a senior corporate personality. He has held a number of important positions in the State, including the office of State Counsel attached to the Attorney General's Department, the Office of Director – Legal and Enforcement of the Securities and Exchange Commission of Sri Lanka and the Insurance Board of Sri Lanka and was involved in setting up the Consumer Affairs Authority as its first Director General.

He serves on the Boards of a number of local and overseas subsidiaries within the LOLC Group, as listed below:

Non - Executive Chairman

- LOLC Corporate Services (Pvt) Ltd
- Gal Oya Holdings (Pvt) Ltd

Non - Executive Director

- LOLC Life Assurance Ltd (AWEF 29.09.2025)
- Diriya Investments (Pvt) Ltd
- Browns Engineering and Construction (Pvt) Ltd
- LOLC Securities Ltd
- LOMO Services Limited
- Ceylon Real Estate Holdings (Pvt) Ltd
- Colombo Marina Development (Pvt) Ltd
- Marina Hotel Holdings (Pvt) Ltd
- Maturata Plantations Ltd
- Grey Reach Investment Ltd
- Browns Holdings Ltd
- Iconic Trust (Pvt) Ltd
- NPH Investment (Pvt) Ltd
- Bodufaru Beach Resorts (Pvt) Ltd

Mrs. V G S Sunjeevani Kotakadeniya
Non-Executive Director

Mrs. Sunjeevani Kotakadeniya was appointed to the Board on 30th June 2019. She served as the Chief Financial Officer of the LOLC Group, overseeing the Group's local and international businesses' finance functions from January 2005 to June 2025.

She is a senior finance professional with over three decades of experience in financial management and has extensive experience in strategic development, mergers and acquisitions, investment portfolio management, project management, IT and administration disciplines holding senior positions in Financial Services, Insurance, Leisure, Construction, Trading, Renewable Energy, Plantations and Manufacturing sectors. Sunjeevani is a catalyst in business restructuring, and process re-engineering driven change management.

Her professional qualifications include; FCMA (UK), CGMA (USA),MBA [University of Colombo]

She also serves on the Boards of the following Companies:

Director

- Maturata Plantations Ltd
- Browns Metal & Sands (Pvt) Ltd
- Browns Hotels and Resorts Limited
- BI Commodities and Logistics (Pvt) Ltd
- Serendib Microinsurance PLC – Cambodia
- Hapugastenne Plantations PLC
- Udapussellawa Plantations PLC
- NPH Investments Pvt Ltd

Indrajith Wijesiriwardana
Independent Director

Mr. Indrajith Wijesiriwardana is an international expert in Banking and Financial Services including credit guarantees and insurance with three decades of global experience from over thirty countries, working primarily with international financing agencies, governments and financial institutions. His key areas of experience include Microfinance and SME Finance (MSME) and Capacity Building addressing demand and supply side challenges and improving access to finance. Mr Wijesiriwardana is skilled and experienced in policy development, strategy and business design, developing inclusive financial systems, enterprise risk management, institutional transformations and product design and process improvements. He is also involved in Human Resource development in the financial sectors, internationally.

He holds a Master of Business Administration (MBA) from the Post Graduate Institute of Management, the University of Sri Jayewardenepura, Colombo and a Master of Arts (MA) in Economics degree from the University of Colombo. He is also a Fellow Chartered Management Accountant (FCMA) of the Chartered Institute of Management Accountants (UK), a Chartered Global Management Accountant (CGMA) from Association of International Professional Accountants , and Technical Specialist (SIRM) of the Institute of Risk Management, UK. He has received skills training in Sustainable Finance, relating to Climate Change, Gender issues and Renewable Energy

Mr. Indrajith Wijesiriwardana is an Independent Board member of LOLC (Cambodia) Plc since 1st January 2015 and Serendib Microfinance Plc Cambodia.

Directors' Profiles

H A Karunaratne
Senior Independent Director

Mr H A Karunaratne was attached to the Central Bank of Sri Lanka from 1986 and retired as a Deputy Governor -Financial System Stability in December 2020. He was appointed to the Board of LOLC General Insurance PLC on 20th October 2023.

He is currently serving as a Member of the, Investments Committee of Capital Alliance Investments Limited as well .

His academic qualifications include a BSc Business Administration – Second Class Upper Division and a MA in Economics from the Ohio University, USA. He is also a Fellow Member of the Institute of Chartered Accountants, Sri Lanka, and completed number of modules of the Capital Market Financial Advisory Services Examination, Singapore and held Representative's Licence issued by the Monetary Authority, Singapore while working in capital markets in Singapore.

W R A Dharmaratne
Independent Director

Apart from two years spent overseas in Postgraduate studies, Mr. W R A Dharmaratne has an unbroken service record at the Central Bank of Sri Lanka ('CBSL') from 1990. While at the CBSL he worked in several Important departments including Economic Research, Currency, Management Audit, Human Resources and Financial Sector Research.

Mr. Dharmaratne holds an MA in Economics from the University of Essex, UK, a BA in Development Studies (Special) Statistics from the University of Sri Jayawardenapura, a Postgraduate Diploma in Economic Development from the University of Colombo and a Postgraduate Diploma in Computer Technology from the University of Colombo. He was appointed to the Board of the Company on 30th June 2019.

Mrs K U Amarasinghe
Non-Executive Director

Mrs. Kalsha Amarasinghe holds an Honours Degree in Economics and has an outstanding vision for investments.

Mrs. Amarasinghe serves on the following Boards.

Director

- LOLC Holdings PLC
- Palm Garden Hotels PLC
- Eden Hotel Lanka PLC
- Brown & Co. PLC
- Browns Investments PLC
- Browns Holdings Ltd
- Green Paradise (Pvt) Ltd
- Serendib Hotels PLC
- Hotel Sigiriya PLC
- P L Resorts Ltd
- Three Tips Ella (Pvt) Ltd

Directors' Profiles

Mr. D R Samaraweera
Non - Executive Director

Mr. Dulip Rasika Samaraweera brings over two decades of experience in the financial services sector, with expertise spanning financial management, strategic planning, process improvement, investments, and acquisitions. He holds a Bachelor of Science degree in Physical Sciences from the University of Sri Jayewardenepura, Sri Lanka.

He commenced his career in 2004 as an Investment Researcher prior to joining the LOLC Group in 2007 where he gained much experience serving in a variety of positions before taking up a senior management position tasked with the global business expansion of the LOLC Group, primarily in banking and financial services.

Mr. Samaraweera currently serves on the Boards of multiple companies within the LOLC Group, covering a diverse portfolio of industries across the Group's international footprint. He holds board positions in deposit-taking regulated financial institutions, non-deposit taking regulated financial institutions as well as non-financial services companies, and investment holding companies of the LOLC Group.

Dr. A A C S L Aluthgama
Non - Executive Director

Dr. Chandana L. Aluthgama brings over 33 years of extensive experience in the insurance industry to his role as Non-Executive Director of LOLC General Insurance PLC. He also serves as Executive Director and Principal Officer of LOLC Life Assurance Ltd. Prior to joining LOLC Insurance, he held the position of Group Chief Executive Officer at Sri Lanka Insurance Corporation Life Ltd and General Ltd, where he successfully led major initiatives including the statutory segregation of life and general insurance operations in 2024, business restructuring, and the establishment of a performance driven culture.

Dr. Aluthgama began his career in 1992 at CTC Eagle Insurance Co Ltd. and has since held several senior positions at prestigious organisations, including Eagle Insurance PLC (a member of the Zurich Financial Services Group) and HNB Assurance PLC. He also served as the Chief Business Officer and Principal Officer of HNB General Insurance Ltd. In addition to his corporate roles, he is the immediate past President of the Insurance Association of Sri Lanka and has held leadership positions in other local and international associations.

Academically, Dr. Aluthgama is a visiting lecturer for over two decades at the Postgraduate Management and Finance Faculty at the University of Colombo. He holds a Doctorate specializing in Business Strategy, Technology, and Psychology, a Master of Business Administration from the University of Colombo and a Bachelor of Commerce Special Degree from the University of Kelaniya. He is a Fellow and Chartered Manager of the Chartered Management Institute of the UK (CMgr FCMI) and a member of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF Fellow). He has presented research papers on insurance and bancassurance at both local and international conferences and has completed extensive training programs, including at Generali Insurance AG in Vienna, Austria, and NUS Business School in Singapore.

Financial Review

Demonstrating Resilience in a Year of Unprecedented Catastrophic Event

Overview

LOLC General Insurance PLC recorded a challenging financial performance for the year ended 31 December 2025, primarily driven by elevated reinsurance costs and higher net insurance claims resulting from the impact of Cyclone Ditwah. Despite strong top-line growth in gross written premium ("GWP"), profitability was adversely affected by increased catastrophe-related costs, which led to higher reserve movements and subdued underwriting margins.

The Company reported a loss after tax of Rs. 86.1 million for 2025, compared to a profit after tax of Rs. 350.3 million in 2024, while basic earnings per share declined to a negative Rs. 0.07 from a positive Rs. 0.29 in the previous year.

Financial Performance

Financial Performance	2025 Rs. Mn	2024 Rs. Mn	Growth %
Gross written premium	13,371	11,102	20
Premium ceded to reinsurers	(4,223)	(1,947)	(117)
Net written premium	9,148	9,155	0
Net change in reserves for unearned premium	(1,150)	(458)	(151)
Net earned premium	7,998	8,697	(8)
Total other income	2,501	2,411	4
Insurance claims and benefits (net)	(6,689)	(6,209)	(8)
Underwriting and net acquisition income/(cost)	233	(257)	191
Other operating and administrative expenses	(4,125)	(4,166)	1
Finance costs	(72)	(63)	(14)
Share of profit from equity accounted investee (Net of tax)	50	66	(24)
(Loss) / Profit before income tax expense	**(104)**	**477**	**(122)**
Income tax reversal/(expense)	18	(127)	114
(Loss) / Profit for the year	**(86)**	**350**	**(125)**

Gross Written Premium (GWP)

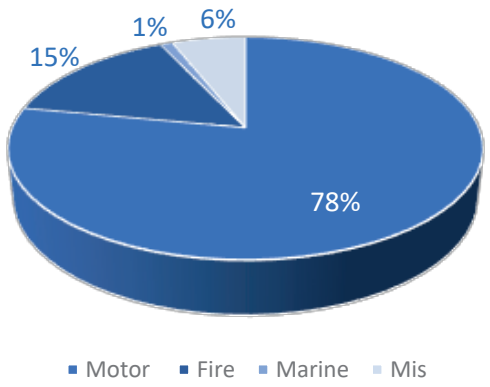
Gross written premium increased by 20% to Rs. 13.37 billion in 2025 from Rs. 11.10 billion in 2024.

The growth was driven by continued business expansion across both the motor and non-motor segments. The motor portfolio continued to be the largest contributor to overall premium generation, accounting for 78% of total premiums after recording a growth of 27% during the year under review, slightly above the industry growth rate of 26%.

The non-motor segment recorded a marginal growth of 2% during the year, slightly below the average industry growth rate of 3%, supported by increased market penetration and improved business retention.

Overall premium growth of 20% exceeded the industry average growth rate of 15%, reflecting the Company's strong market presence and successful business development initiatives. With the above-industry-average growth achieved in 2025, the Company secured the 4th position in the overall market while maintaining its 3rd place ranking in the motor portfolio within the Sri Lankan insurance industry.

Gross written premium composition



Reinsurance and Net Written Premium

Premium ceded to reinsurers increased significantly by 117% to Rs. 4.22 billion, compared to Rs. 1.95 billion in the previous year.

The substantial increase was mainly attributable to additional reinstatement premiums incurred following the impact of Cyclone Ditwah amounting to Rs. 651 million. The catastrophe event resulted in the exhaustion of certain layers of reinsurance protection, requiring the Company to reinstate coverage through additional premium payments to reinsurers. This led to a considerable increase in reinsurance expenditure during the year.

As a result, net written premium remained relatively unchanged at Rs. 9.15 billion compared to Rs. 9.15 billion in 2024, despite the strong growth in GWP.

Net change in reserves for unearned premium and Net Earned premium

Net change in reserves for unearned premium increased to Rs. 1.15 billion from Rs. 457.9 million in 2024.

This movement was influenced by changes relating to the treatment of SRCC and TC reinsurance premiums in the motor class of business. Effective 1 January 2024, the National Insurance Trust Fund ("NITF") increased the applicable SRCC and TC cession from 12% to 100%. Prior to the confirmation of the effective date following industry deliberations, provisions had been recognised in the 2023 financial year based on the previously regulated implementation date of 1 January 2023.

Financial Review

Following the formal confirmation of the effective date as 1 January 2024, the excess provision recognised in 2023 was reversed in 2024.

Consequently, the comparative year reflected an abnormally lower movement in unearned premium reserves ("UPR"), while 2025 reflects the normalised impact of the revised SRCC and T arrangement.

As a result, net earned premium declined by 8% to Rs. 8.00 billion from Rs. 8.70 billion in the previous year.

Although GWP recorded strong growth during the year, the increase in reinsurance costs together with the higher movement in unearned premium reserves resulted in lower recognition of net earned premium.

Investment and Other Income

Total other income increased by 4% to Rs. 2.50 billion, compared to Rs. 2.41 billion in 2024.

The Company's total other income comprised investment income, fee and commission income, and miscellaneous income.

Investment income represented 70% of total other income. A negative growth rate of 6% was recorded in investment income during the year under review compared to the previous year, declining to Rs. 1.74 billion, mainly due to a 37% reduction in interest income from available-for-sale financial assets.

The reduction was primarily attributable to a strategic shift in the investment portfolio away from government securities amid changing interest rate conditions. The decrease in the Treasury bond portfolio resulted in lower interest income generated from government debt instruments.

However, interest income from loans and receivables increased significantly by 65% to Rs. 682.0 million from Rs. 413.0 million in 2024. This increase was driven by the reallocation of the investment portfolio into corporate debentures, commercial papers, fixed deposits, and other interest-bearing instruments classified under loans and receivables.

The Company also recorded an unrealised gain of Rs. 108.0 million on financial assets classified at fair value through profit or loss ("FVTPL") following investments in unit trusts during 2025. No such investments were held during the previous year.In addition, realised gains on available-for-sale investment securities amounted to Rs. 51.8 million during the year, arising from the disposal of government debt securities. Fees and commission income increased by 46% to Rs. 655.5 million from Rs. 450.0 million in 2024. This increase was mainly attributable to growth in gross written premiums, together with higher policy fee income generated during the year.

Insurance Claims and Underwriting Performance

Net insurance claims and benefits increased by 8% to Rs. 6.69 billion from Rs. 6.21 billion in 2024.

The increase was largely driven by high-value non-motor claims resulting from Cyclone Ditwah, particularly claims exceeding the Company's catastrophe retention thresholds. The catastrophe event adversely impacted the overall claims ratio and underwriting profitability during the year.

Underwriting and net acquisition income improved significantly to a positive Rs. 233.4 million, compared to a cost of Rs. 256.7 million in the previous year. This improvement was mainly attributable to the recognition of 35% commission income from SRCC and TC premiums remitted to NITF. In the previous year, a reversal arising from the revised effective date of implementation had negatively impacted underwriting income.

Operating Expenses

Other operating and administrative expenses decreased marginally by 1% to Rs. 4.13 billion.

The reduction was achieved through disciplined cost management initiatives, strengthened budgetary controls, and prudent expense management practices implemented during the year.

Finance costs increased by 14% to Rs. 72.4 million, primarily due to interest accrued on mortgage-related borrowings obtained during 2025.

Share of Profit from Equity Accounted Investee

Share of profit from the equity-accounted investee decreased by 23% to Rs. 50.3 million.

The investment relates to the Company's interest in Serendib Microinsurance PLC. Although the ownership stake was reduced from 45% to 15% in 2024, the investment continues to be equity accounted for, as the Company retains significant influence through common directorships and participation in policy decisions.

Profitability

The Company recorded a loss before tax of Rs. 103.6 million compared to a profit before tax of Rs. 477.5 million in the previous year.

The decline in profitability was primarily attributable to:

- Significant increases in reinsurance costs following Cyclone Ditwah;
- Elevated net insurance claims arising from catastrophe-related losses;
- Lower net earned premium despite strong growth in gross written premium.

Accordingly, the Company reported a loss after tax of Rs. 86.1

Financial Review

million for the year compared to a profit after tax of Rs. 350.3 million in 2024.

Operating Ratios

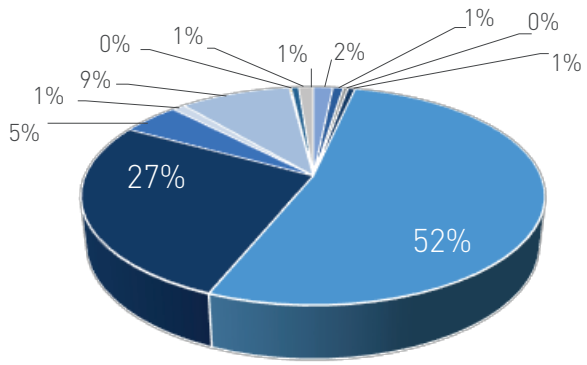
	2025	2024
Claim ratio	84%	71%
Expense ratio	50%	52%
Combined ratio	134%	123%

Amidst the challenging environment and unfavourable claims experience following the catastrophic event, Cyclone Ditwah, the Company's claims ratio increased to 84%. However, through efficient expense management strategies, the Company was able to reduce its expense ratio marginally by 2%, despite unfavourable inflationary pressures.

The combined ratio stood at 134%, mainly due to the higher claims ratio reported, and the Company recorded a loss after tax of Rs. 86.1 million.

Financial strength and stability

Assets composition

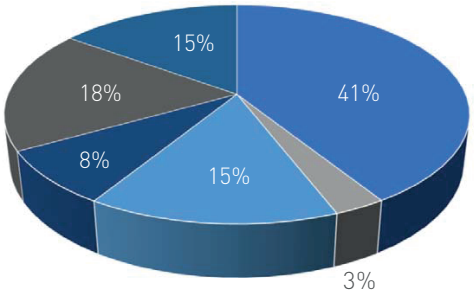


- Property and equipment
- Right-of-use assets
- Intangible assets
- Equity accounted investees
- Investment securities
- Reinsurance assets
- Reinsurance receivables
- Deferred acquisition costs
- Premiums receivable
- Amounts due from related parties
- Other assets
- Cash and bank balances

The Company's financial position remained strong, with total assets growing by 40% to Rs. 31,080 million. This growth was mainly driven by an increase in investment securities to Rs. 16.34 billion from Rs. 14.6 billion in the previous year, and premium receivables to Rs. 2.9 billion from Rs. 2.5 billion, as a result of business growth. Reinsurance assets and reinsurance receivables increased to Rs. 8.3 billion and Rs. 1.5 billion, respectively, in line with liabilities arising from Cyclone Ditwah.

The asset composition remained largely unchanged, except for the significant increase in reinsurance assets and reinsurance receivables, which rose to 27% and 5% of total assets from 14% and 3%, respectively. This reflects the impact of Cyclone Ditwah. Meanwhile, the composition of investment securities declined significantly to 52% from 66%, despite recording a 12% growth during the year.

Mix of Investment Securities



- Treasuary Bonds
- Repurchase agreements (less than 3 months)
- Term deposits
- Corporate debentures
- Commercial papers
- Unit trust

The Company's investment portfolio continued to be dominated by investments in government securities, including Treasury bonds and repurchase agreements, which accounted for 44% of the portfolio, despite a slight reduction compared to 2024. Corporate debentures (8%), term deposits (15%), commercial papers (18%), and unit trust investments (15%) were the other instruments comprising the Company's investment portfolio as at 31 December 2025.

The investment philosophy of LOLC balances risk and return within its investment strategy, while adhering to the investment guidelines and regulations prescribed under the Risk-Based Capital (RBC) regime of the Insurance Regulatory Commission of Sri Lanka.

Equity

The Company's strong equity position, comprising stated capital, retained earnings, and other reserves amounting to Rs. 6,695 million, has enabled it to support the Company's aggressive business growth strategy.

With the losses recorded during the financial year 2025, retained earnings deteriorated marginally by 2% compared to the previous year. The Available-for-Sale Reserve also declined by 21%, mainly due to the reduction in the available-for-sale asset portfolio in response to prevailing interest rate movements in the country.

Financial Review

Liabilities

Total liabilities of the company are depicted below in the table;

	2025 Rs. Mn	2024 Rs. Mn	Variance %
Insurance contract liabilities - Non-Life insurance	19,634	11,669	68%
Interest bearing loans and borrowings	306	136	125%
Retirement benefit obligations	74	62	19%
Lease liabilities	302	305	-1%
Reinsurance creditors	1,430	880	63%
Deferred reinsurance commission income	426	304	41%
Income tax liability	55	146	-62%
Deferred tax liability	138	200	-31%
Amounts due to related parties	169	220	-23%
Other liabilities	1,727	1,186	46%
Bank overdraft	124	222	-44%
Total	**24,385**	**15,330**	**59%**

Insurance contract liabilities, which include gross provisions for outstanding claims, incurred but not reported (IBNR) claims, and the provision for net unearned premiums, accounted for 81% of total liabilities and increased significantly by 68% as at year end, mainly due to Cyclone Ditwah.

To ensure compliance with the insurance provisions stipulated by the regulator, the Insurance Regulatory Commission of Sri Lanka (IRCSL), the Company obtained certification from an independent professional actuarial firm, NMG Financial Services Consulting Pte Ltd. (NMG), regarding the adequacy of provisioning for incurred but not reported (IBNR) claims as at 31 December 2025. The IBNR provision, together with case reserves, is expected to be adequate to meet future liabilities relating to claims obligations as at 31 December 2025.

At the end of each reporting period, insurance companies are required to perform a Liability Adequacy Test (LAT) in accordance with Sri Lanka Financial Reporting Standards (SLFRS) 4 – Insurance Contracts. The LAT is conducted to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). LOLC's consulting actuaries, NMG, have certified that the UPR maintained by the Company is adequate in relation to the unexpired risks of the Company as at 31 December 2025.

Liquidity and Cash Flow Management

The Company prudently manages its cash flows to meet both short-term and long-term requirements. Adequate funds are maintained in short-term investments to meet day-to-day cash flow needs such as claim payments, premium refunds, and overhead-related cash outflows.

With its digital business drive, the Company has enabled digital platforms for collecting premiums and processing claim payments, extending beyond conventional collection and payment mechanisms.

Cash Flows

	2025 Rs. Mn	2024 Rs. Mn
Net cash generated from/(used in) operating activities	631	(839)
Net cash (used in)/generated from investing activities	(2,249)	1,973
Net cash (used in)/generated from financing activities	88	(61)

Despite large claims payments arising from the catastrophic event, cash flows from operating activities showed a positive movement of 175%, supported by reinsurance inflows. Repo investments are classified as cash and cash equivalents due to their high liquidity.

Improvements to the collection process and credit policy resulted in a significant increase in cash inflows. This, in turn, strengthened the investment portfolio and enhanced value creation for shareholders.

Risk Based Capital

The Company has maintained its Capital Adequacy Ratio (CAR) well above the minimum required level of 120%, as prescribed by the Insurance Regulatory Commission of Sri Lanka, throughout the year under review. However, due to unfavourable impacts of cyclone Ditwah, capital adequacy ratio has temporary deteriorated to 149% which is below the 160% of supervisory limit prescribed by IRCSL. Total available capital has reduced to Rs. 5.2 Bn from Rs.6.1 Bn mainly due to the losses recorded for the financial year under review. Claim liabilities and reinsurance recoveries of cyclone Ditwah related claims have increased the Risk based capital requirement to Rs. 3.5 Bn from 2.8 Bn. Subsequently, the company has taken all possible measures to re-establish capital adequacy ratio above 160%.

The Company has also consistently maintained the approved assets in accordance with Determination 1 issued by the IRCSL.

	2025	2024
Total Available Capital (Rs.000")	5,275,304	6,144,865
Risk Based Capital Requirement (Rs.000")	3,533,971	2,846,567
Risk Based Capital Adequacy ratio (%)	149%	216%
Minimum Capital Adequacy ratio as prescribed by IRCSL	120%	120%

Outlook

Looking ahead, the Company remains focused on strengthening underwriting discipline, enhancing risk selection, optimising reinsurance structures, and maintaining prudent cost management practices. Continued diversification of the investment portfolio and sustained growth across core business segments are expected to support long-term resilience and profitability, despite evolving market and climatic challenges.

SLFRS Sustainability Disclosure Report

1. Basis of preparation

1.1. Compliance with SLFRS Sustainability Disclosure Standards

The sustainability report of LOLC General Insurance PLC has been prepared in accordance with the SLFRS S1 and S2 adopted by the Institute of Chartered Accountants of Sri Lanka. Transitional reliefs applied under the localized SLFRS Sustainability Disclosure Standards has been included in section 1.3 of this report.

Disclosure topics in the Sustainability Accounting Standards Board (SASB) standards have been referred to and considered when preparing this report including materially assessments.

1.2. Connectivity with financial statements (reporting period, reporting entity, and presentation currency)

The sustainability report has been prepared for the company and should be read in conjunction with the company's financial statements which are prepared in accordance with the Sri Lanka Accounting Standards. This report covers the financial year ended 31 December 2025 and is aligned with the reporting period of the related financial statements.

The company defines time horizons based on when the climate-related risks and opportunities could reasonably be expected to occur. As of the end of the reporting period the following time- horizons were identified which align with the timelines used for strategic decision-making:

- short term (0 to 12 months)
- medium term (1 to 5 years)
- long term (beyond 5 years)

The sustainability-related financial disclosures cover the same reporting entity as the financial statements. The reporting entity is LOLC General Insurance PLC. In preparing these sustainability-related financial disclosures, the company has assessed its own operations and its value chain.

The presentation currency of the sustainability-related financial disclosures is Sri Lankan Rupees (LKR), which aligns to the presentation currency used in the financial statements. Unless specified otherwise, all amounts are rounded to the nearest million.

1.3. First-time adoption of IFRS Sustainability Disclosure Standards and transition reliefs

The company is reporting under the SLFRS Sustainability Disclosure Standards for the first time for the annual reporting period ended 31 December 2025. It has applied the following standards for its annual reporting period commencing 1 January 2025:

- SLFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information'
- SLFRS S2 'Climate-related Disclosures'

As of 31 December 2025, there are no other SLFRS Sustainability Disclosure Standards issued by the CA Sri Lanka. The company has adopted for all available transitional reliefs allowed during the first year of adoption of the SLFRS S1 and S2 reporting framework as outlined below;

1. SLFRS S1 - Disclosure of information on only climate related risks and opportunities (CRROs): In the first annual reporting period in which an entity applies this Standard, the entity is permitted to disclose information on only CRROs (in accordance with SLFRS S2) and consequently, apply the requirements in this Standard only in so far as they relate to the disclosure of information on CRROs. As this is the Company's first reporting period under SLFRS Sustainability Disclosure Standards, the Company has applied available transitional reliefs relating to climate-related disclosures.

2. SLFRS S1 - Disclosure of comparative information in the first annual reporting period in which the entity applies this Standard, it is not required to disclose comparative information about its CRROs and in the second annual reporting period in which the entity applies this Standard, it is not required to disclose comparative information about its sustainability - related risks and opportunities (SRROs), other than its CRROs.

3. SLFRS S2 - Disclosure of quantitative information regarding anticipated financial effects of CRROs Entities are permitted to defer the disclosure of quantitative information regarding anticipated financial effects or a period of two years following the mandatory application of the standard.

4. SLFRS S2 - Disclosures on Climate resilience: A relief period of two years is granted to apply the requirements from the date of mandatory application to fully comply with climate resilience disclosure requirements.

SLFRS Sustainability Disclosure Report

As this is the Company's first reporting period under SLFRS Sustainability Disclosure Standards, the Company has applied available transitional reliefs relating to climate-related disclosures.

Certain quantitative climate-related metrics, including greenhouse gas emissions disclosures and aspects of value chain information, are still under development due to evolving data collection processes, system limitations and methodological considerations.

The Company continues to strengthen its internal capabilities, governance structures and reporting processes to support enhanced climate-related disclosures in future reporting periods.

2. Reporting Entity, Organisation Boundary and Value Chain

LOLC General Insurance PLC is one of Sri Lanka's fastest growing non-life insurers, offering an array of motor, fire and engineering, marine and miscellaneous insurance solutions to retail and corporate clients. The Company operates a network of 67 customer touch points throughout the island, leveraging on the footprint, brand and extensive customer reach as a key subsidiary of the renowned LOLC Group.Refer Note 1 to the Financial Statement on page 61 for further details relating to the corporate information.

For the purposes of sustainability related financial disclosures, the company has adopted the same reporting boundary as that used or its Financial reporting. In assessing these disclosures, due consideration has also been given to the company's broader value chain, including stakeholder relationships that influence or are affected by the company's operations.

The Company's value chain encompasses the key stakeholders, processes, and service providers involved in delivering non-life insurance solutions across Sri Lanka. Upstream participants include reinsurers, brokers, agents, technology providers, repair and assessment service providers, financial institutions, and regulators that support underwriting, policy servicing, and claims settlement activities. Downstream stakeholders include individual and corporate customers and communities benefiting from insurance protection and risk transfer solutions. Through this value chain, the Company contributes to economic resilience by enabling customers to recover from insured losses while promoting responsible risk management and sustainable business practices. The Company continuously engages with value chain partners to enhance operational efficiency, customer service standards, regulatory compliance, and climate resilience.

3. Significant Judgements and Uncertainties

The process of compiling sustainability and climate related disclosures has necessitated certain assumptions, estimates, and judgements in relation to the identification and assessment of climate related risks and opportunities, identifying material information to the report, and the selection of appropriate methodologies and data sources. Given the evolving nature of sustainability reporting standards, regulatory expectations, and the availability of reliable data, a degree of uncertainty may remain in these assessments. The most critical judgements made by the management includes identifying the sustainability-related risks and opportunities that could reasonably be expected to affect the company's prospects, as well as the material information related to those risks and opportunities and selecting matrixes for disclosures. The company will continue to refine its assumptions and methodologies as industry practices and guidance develop over time.

4. Sustainability Governance

As the company operates within the sustainability governance framework established by the Group and it is aligned with the Group's overall sustainability strategy and objectives. Oversight of sustainability-related and climate-related matters is provided through the Group Board Sustainability Committee, which offers strategic direction and guidance on environmental, social, and governance (ESG) matters across the Group's operations including oversight of sustainability and climate related risks and opportunities, responsibilities for governance, review and approval of sustainability disclosures, and alignment with S1 and S2 requirements. Within the group sustainability governance structure company represents the Insurance sector pillar.

At the company level, management is responsible for implementing the Group's sustainability policies, action plans, and reporting requirements in a manner appropriate to the company's operational context. Sustainability-related risks and opportunities, including climate-related matters, are monitored and integrated into operational and risk management processes in alignment with the Group's governance framework. All heads of departments are members of sustainability management committee of the LOLC General Insurance PLC headed by Chief operating officer and Head of HR act as the sustainability coordinator to represent the group level sustainability management committee. The Board of directors of LOLC General Insurance PLC is kept informed and obtain necessary approvals for all the processes carried out by company level sustainability management committee on periodic basis.

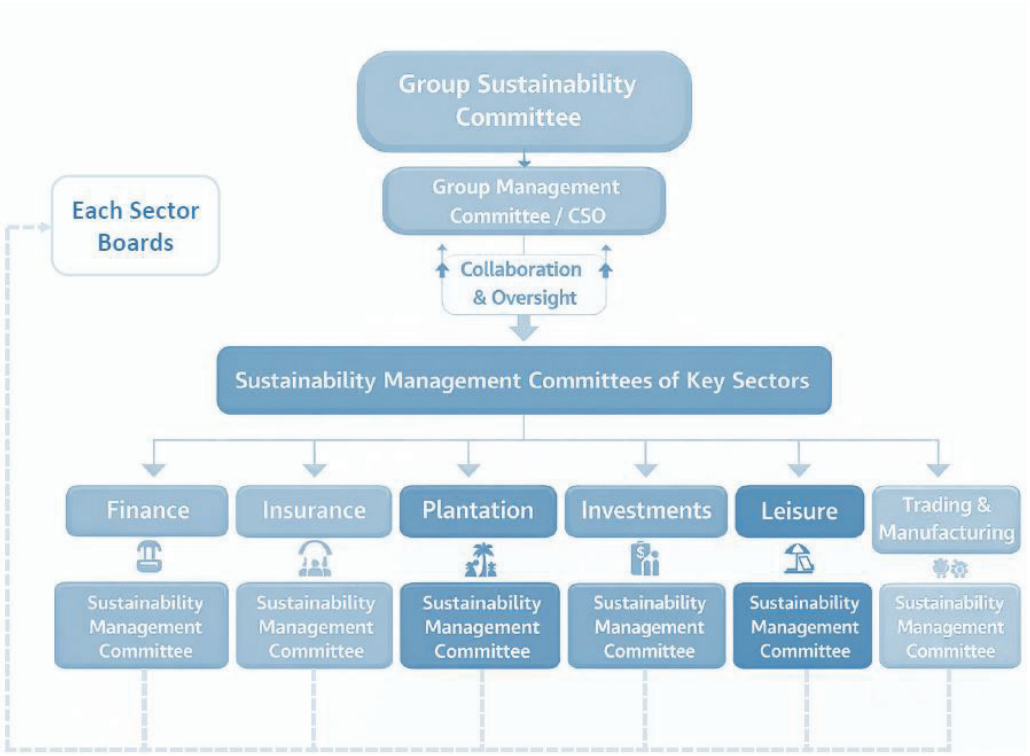
SLFRS Sustainability Disclosure Report

The Board and relevant management personnel of the company have participated in sustainability-related awareness and training programmes conducted by subject experts, including training on SLFRS S1 and SLFRS S2, to strengthen understanding of sustainability and climate-related disclosure requirements and their integration into business operations and decision-making.

Progress relating to sustainability initiatives and material sustainability-related and climate-related risks and opportunities is periodically reported to the Group's governance structures to support effective oversight, accountability, and continuous improvement in sustainability performance.

The Board of Directors of LOLC General Insurance PLC has oversight of the approach to sustainability issues, and it is supported by the Sustainability Management Committee within LOLC General Insurance PLC.

An overview of the Group's sustainability governance structure is set out below;



SLFRS Sustainability Disclosure Report

5. Risk Management

The processes and policies to identify and assess sustainability-related risks, including climate-related risks are discussed under basis of materiality section below. The risk assessment process incorporates both qualitative and quantitative factors, and considers the nature, likelihood and magnitude of potential risks.
Sustainability-related risks, including climate-related risks are identified through a materiality assessment alongside other risks for the Company. Once the sustainability-related risks and opportunities are identified, the Group follows a process to prioritise and monitor them.

The Sustainability Management Committee of LOLC General Insurance PLC which is categorised under the insurance sector within the sustainability governance structure is responsible for the operational management of sustainability- and climate-related risks and opportunities along with other sustainability matters. The Committee identifies, assesses, and monitors sustainability-related risks, ensures implementation of mitigation measures, and coordinates the integration of sustainability considerations into business processes and decision-making. The Group Sustainability Committee monitors the progress of the action items at each Group Sustainability Committee (BSC) meeting against the meeting minutes of the previous committee meeting and the established sustainability road map of the company. Identified risk and opportunities are listed below under the section risk and opportunities below.

6. Basis of Materiality

The Company determines the materiality of sustainability related financial disclosures by assessing the potential impact of environmental, social, and governance (ESG) factors on its business model, strategy, and financial performance. These assessments consider both the Company's internal operations and where possible and practical, the Company's broader value chain, including relationships with customers, suppliers, and other stakeholders. Accordingly, sustainability matters are considered material, subject to their ability to influence the company's financial position, performance, or future prospects.

7. Risk and opportunities and strategic response

7.1. Risk and responses

Climate Related Risk (CRR0) - Disruption of operations due to Extreme weather events		
Impact on Prospects	Description	Extreme weather events (acute risks), including riverine/rainfall floods, landslides and cyclones, can cause sudden disruptions to LOLC Insurance's operations by affecting branch accessibility, delaying transaction processing, and reducing customer engagement. Additionally, chronic climate risks, such as prolonged extreme heat, may gradually increase claims frequency and severity across key insurance products: heat-related health issues and travel disruptions for travel insurance, higher risk of property damage for fire insurance, and vehicle component failures or increased accident frequency for motor insurance. Together, these acute and chronic risks can impact underwriting, financial performance, and operational efficiency over both the short and long term.
	Physical / Transition Risk	Physical – Acute Risk and Chronic Risk
	Time Horizon	Short term to Long term
Business Model and Value Chain	Current effects on business model and value chain	Limited access to branches and insured locations disrupts customer services, leading to delays in policy issuance, premium collection, and claims settlement. Staff and resources are redirected to manage emergency claims resulting from extreme weather events, impacting normal operations and service efficiency. Increased claims across motor, travel, and fire insurance put pressure on underwriting and claims teams. Extreme heat contributes to a slow, cumulative increase in claims for travel (heat-related health issues), motor (vehicle component failures, and fire insurance (higher property/fire risk) and gradually reduce operational efficiency by affecting staff health, attendance, and productivity,

SLFRS Sustainability Disclosure Report

	Anticipated effects on business model and value chain	Higher operational disruptions and increased claims of exposure may require adjustments to insurance products, pricing, and service delivery if extreme weather events become more frequent or severe. Climate-related disruptions may affect customers' ability to pay premiums on time, especially for SMEs and individuals in vulnerable sectors, leading to policy lapses, delayed payments, or increased demand for flexible payment arrangements. Greater demand for climate-resilient insurance products, such as coverage for flood-prone areas or heat-related risks, and the need to integrate physical climate risks into underwriting and risk assessment.
	Where is it concentrated	Underwriting Risk Claim Risk Operational Risk
Strategy and Decision Making	Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets	Establish a strong business continuity framework and disaster recovery measures to maintain operations during severe weather events. Offer prompt assistance to policyholders impacted by climate-related events and revise underwriting and claims practices to address higher risk exposure. Incorporate climate risk into product design, risk management, and investment decisions, with clear targets monitored under governance oversight. Review operational workflows and staff scheduling to mitigate heat-related productivity impacts.
	How the Company is Resourcing and Planning to Resource Activities	Strengthen disaster preparedness and resilience infrastructure to ensure uninterrupted claims processing, policy administration, and customer service during extreme weather events. Provide regular training for leadership and operational teams to manage climate risks, integrate ESG considerations, and ensure timely claims settlement and continuous customer service. Use scenario analysis to forecast potential physical climate risks and incorporate the results into underwriting, investment, and insurance product pricing decisions. The company may proactively plan and allocate resources to strengthen resilience against extreme heat, including investments in climate-resilient branch infrastructure, robust ICT systems, and digital service platforms to ensure operational continuity.
Financial Effects	Current year financial effects to financial statements.	Higher claims expenses and increased underwriting costs due to extreme weather events and climate-focused risk assessments. Increased claims payouts and operational expenses, along with potential delays in premium collection, put pressure on liquidity and cash management. Emergency resource redeployment increases operational costs.
	Anticipated financial effect over short, medium and long term to financial statements.	Investments in digital infrastructure, emergency response capabilities, and climate-resilient product offerings may require upfront capital but reduce long-term operational risk. Extreme heat may gradually increase claims costs, particularly in motor (vehicle repairs, travel (health-related claims), and fire insurance (property claims).

SLFRS Sustainability Disclosure Report

Climate Related Risk (CRR0) - : Increase in climate-related regulation		
Impact on Prospects	Description	Evolving climate-related regulations may increase compliance requirements and operational costs for LOLC Insurance. This includes stricter reporting standards, disclosure obligation which could indirectly affect claims, underwriting, and investment portfolios. Failure to adapt may result in reputational, financial, and market risks.
	Physical / Transition Risk	Transition Risk
	Time Horizon	Short term to Long term
Business Model and Value Chain	Current effects on business model and value chain	LOLC Insurance PLC is subject to climate-related reporting, ESG disclosures, Emission management and reporting and compliance with the IRCSL Guidelines, as well as SLFRS S1 and S2 standards on sustainability-related financial disclosures Fire and travel lines see minimal current effect from regulation.
	Anticipated effects on business model and value chain	Anticipated regulatory changes, such as mandatory climate disclosures, carbon pricing, or stricter vehicle emissions standards, may require adjustments to policy pricing, product offerings, and underwriting criteria. Demand is expected to increase for insurance products aligned with low-carbon and climate-resilient portfolios.
	Where is it concentrated	Operational Risk Compliance Risk
Strategy and Decision Making	Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets	LOLC Insurance PLC proactively monitors emerging regulatory trends and climate-related disclosure obligations. ESG factors are being progressively integrated into risk assessments and underwriting decisions, while board oversight of climate-related matters is in the early stages of development.
	How the Company is Resourcing and Planning to Resource Activities	Insurance products and pricing are being updated to align with emerging climate regulations, while regulatory and carbon-related risks are incorporated into underwriting, claims, and investment decisions. Strategic initiatives may focus on developing climate-resilient insurance products, strengthening governance frameworks, and integrating ESG metrics into executive-level decisions, ensuring resilience, regulatory compliance, and stakeholder confidence.
Financial Effects	Current year financial effects to financial statements.	Current financial impact is minimal, mostly limited to internal reporting costs, data collection, and occasional consultancy.
	Anticipated financial effect over short, medium and long term to financial statements.	Compliance costs are likely to rise as sustainability regulations become more stringent

SLFRS Sustainability Disclosure Report

7.2. Transition Opportunity and responses		
Transitioning the portfolio toward climate-resilient and low-carbon insurance solutions		
Impact on Prospects	Description	Transitioning the portfolio toward climate-resilient and low-carbon insurance solutions enables LOLC Insurance PLC to respond to evolving market and regulatory expectations while capturing new growth opportunities. This includes developing products that address climate-related risks and support low-carbon activities, enhancing customer value, strengthening competitiveness, and contributing to long-term business sustainability.
	Physical / Transition Risk	Transition Opportunity
	Time Horizon	Short term to Long term
Business Model and Value Chain	Current effects on business model and value chain	LOLC General Insurance is successfully delivering its core insurance products (motor, fire, and travel) while progressively integrating climate and sustainability considerations into its offerings. Innovative products such as LOLC Suraki Piyasa and LOLC Business Insurance-My Solar demonstrate the Company's early leadership in ESG-aligned solutions, providing coverage for natural disasters and solar installations. The value chain currently reflects emerging integration of climate considerations, with products like Suraki Piyasa and My Solar Insurance demonstrating initial incorporation in product development and underwriting. The company has invested in green bonds and blue bonds as initiatives from investments However, broader adoption across investments, operations, and customer engagement remains limited, and sustainability is not yet fully embedded in overall business processes.
	Anticipated effects on business model and value chain	The business model is expected to transition towards a diversified, sustainability-driven portfolio, with increased revenue from climate-aligned products such as electric vehicle insurance, green building coverage, renewable energy insurance, and climate risk-based travel policies, alongside integration of ESG and climate risk into strategic decision-making, enhanced brand positioning, and greater reliance on data-driven underwriting and analytics The value chain is expected to reflect integration of climate and ESG considerations, including advanced risk-based underwriting, expanded climate-resilient product development, a shift towards low-carbon investments, embedding sustainability in operations, and stronger stakeholder engagement through transparent communication and strategic partnerships.
Strategy and Decision Making	Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets	LOLC Insurance is proactively developing specialized products such as My Solar and Sureki Piyasa to address evolving customer needs, particularly climate-related risks and renewable energy adoption. Decision-making at LOLC Insurance is guided by shifting market demand and environmental trends
	How the Company Resourcing and Planning to Resource Activities	Full integration of ESG and climate risk into enterprise-wide strategy and decision making, including capital allocation, product design, and portfolio management. Enhanced emphasis on data-driven underwriting, scenario analysis, and climate stress-testing to inform strategic choices. Strategic partnerships and reinsurance programs offer LOLC GI the opportunity to enhance risk transfer, strengthen climate resilience, and expand its portfolio of low-carbon, climate-aligned insurance solutions Employee and management training programs will support emerging climate risk literacy across business units.

SLFRS Sustainability Disclosure Report

Financial Effects	Current year financial effects to financial statements	The company may incur increased upfront costs related to product development, acquisition of climate data, system upgrades, and building internal ESG capabilities. In addition, uncertain market demand for sustainability-driven products may result in lower-than-expected uptake, limiting revenue generation in the short term. Short-term cash outflows for product development, ESG compliance systems, and training and Limited positive inflows from premium collections for new sustainable products.
	Anticipated financial effect over short, medium and long term to financial statements	Transitioning to climate-resilient and low-carbon products is expected to increase revenue and profitability over the medium to long term The statement of financial position will strengthen through higher portfolio value, enhanced reserves, and a more resilient capital base, while cash flows are anticipated to become sustainably positive.

8. Metrics

As a first-time adopter of SLFRS S1 and SLFRS S2, the Company has prioritized the disclosure of qualitative information and operationally available metrics relevant to its non-life insurance operations. The Company currently reports selected governance, operational, and climate-related metrics based on internally available information and will continue to enhance data collection processes, methodologies, and sustainability-related disclosures over time.

Further, the company recognises climate change as a significant emerging risk primarily through its underwriting portfolio rather than through direct operational emissions. Given the relatively limited operational carbon footprint associated with the Company's non-life insurance operations, Scope 1 and Scope 2 emissions were assessed as not material during the reporting period. Furthermore, as permitted under the transitional provisions applicable to first-time adopters of SLFRS S1 and SLFRS S2, the Company has elected not to disclose Scope 3 greenhouse gas emissions for the current year while enhancing internal processes and data availability for future reporting periods.

As part of its sustainability initiatives, the Company continues to advance its digitalisation roadmap through the introduction of digital policy issuance, digital payment mechanisms, and the increased digitalisation of operational processes. These initiatives are aimed at enhancing customer convenience and operational efficiency while reducing paper-based processes and supporting the Company's broader environmental sustainability objectives

Area	Metrics reporting	Quantification for 2025
Governance Metrics	Compliance with existing climate related regulations in Sri Lanka	Zero non - compliance
	Training on S1 and S2 related concepts	4 training sessions were conducted
Environmental Metrics	Electricity consumption	395,503 kWh
	Water consumption	10,343 l
Insurance operational Metrics	Weather-related claims	During the year 2025, a total of 154 motor insurance claims related to floods and other natural perils, which were not associated with Dithwa, were settled by the company. The total cost incurred for these claims amounted to approximately LKR 13 million.
	Catastrophe claims exposure	As at 31 December 2025, the gross claim exposure of cyclone Dithwa was calculated at LKR 6.3 billion. Of this amount, LKR 6.0 billion related to Non-Motor claims, comprising 894 claims, while LKR 300 million related to Motor claims, comprising 2,262 claims.
	Reinsurance coverage for catastrophe events	Under the Excess of Loss (XOL) arrangement, LOLC General Insurance has catastrophe cover up to LKR 6 billion. The Company's retention is limited to only LKR 100 million for claims up to this limit, while any amount exceeding LKR 6 billion is required to be borne by the Company. In relation to the Dithwa event, an additional reinstatement premium of LKR 651 million was payable to the reinsurers.

Corporate Governance Report

Corporate Governance refers to the structures and processes that are established for the direction and control of the organization. It concerns the stewardship provided by the Board, relationship between the Board of Directors, Shareholders, Management and Other Stakeholders.
A strong corporate culture and ethics are vital for the survival and profitability of an organization in a highly competitive market.

The Board approves the strategy and sets the corporate values and determines the risk appetite of the Company. It ensures that the Company operates within the regulatory framework and applicable laws and legislation and that appropriate internal controls are in place to comply with the regulations.

The Company is in compliance with the following Directions and Codes relating to Corporate Governance;

- Direction No. 17 on Corporate Governance issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) as revised by Direction No. 2 of 2022 dated 3rd February 2022, Direction No. 2 of 2022 dated 25th February 2022, and Direction No. 5 of 2021.
- The Code of Best Practice on Corporate Governance 2023
- Listing Rules issued by the Colombo Stock Exchange (CSE).

The Company's compliance with respect to the above Direction, Code and Rules are summarized in the table below.

Insurance Regulatory Commission of Sri Lanka (Directions issued under section 96 of RII Act)

Sec No.	Rules of the IRCSL	Level of compliance as of 31.12.2025	Description
A	Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance, 2023 (the Code), issued by the Securities and Exchange Commission of Sri Lanka jointly with the Institute of Chartered Accountants of Sri Lanka, with a view to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company, and further to promote corporate fairness, transparency and accountability	Complied with	The Company has adopted the Code of Best Practice on Corporate Governance, 2023
B.1	The Board of an insurer must comprise of a minimum of two Directors who are citizens of Sri Lanka and also residents of Sri Lanka;	Complied with	The Board comprises of 8 Directors, all of whom are citizens of Sri Lanka
B.2	The total period of service of a director of an insurer, other than an executive director, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such director	Complied with	None of the Directors Exceed 9 years
B.3.i	The age of a person who serves as director shall not exceed 75 years;	Complied with	All the Directors are within the required age limit.
B.4	The Board of an insurer must adhere to Section 9 of the Listing Rules of the Colombo Stock Exchange (or any amendments made thereto), pertaining to Corporate Governance	Complied with	Level of compliance is listed in the succeeding page
B.5	A person shall be disqualified to be a director of an insurer if such person is a director of more than twenty (20) companies inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies, not more than 10 companies shall be classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995	Complied with	None of the Directors have exceeded the specified number of Directorships on other Boards.
B. 6	Insurers are required to demonstrate compliance with this Direction by way of disclosure in their Annual Reports, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo Stock Exchange (or any amendments made thereto).	Complied with	This table of contents meets the requirement
B.7	The Insurer shall rectify its non-compliance in respect of items B 1 to 6 referred to above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months. Enforcement action will be taken thereafter against the insurer in terms of Circular # 41, for non-compliance	Complied with	The company is in compliance with B.1 to 6 referred to above.
B.8 a & b	The Company Secretary and the Insurer should provide a written confirmation to the IRCSL on non compliance of B.2, B.3.i and B.5 of Above	Agree to Comply	Would comply should the need arise

Corporate Governance Report Contd...

The extent of compliance required by the listing rules of the Colombo Stock Exchange as amended by Section 9 is as follows :-

Sec. No.	Rules of the Colombo Stock Exchange	Level of Compliance	Description
9.1.3	All Listed Entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.	Complied with.	The Company's commitment to the Corporate Governance Code of the CSE is detailed herein.
9.2	**Policies**		
9.2.1	Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; a) Policy on the matters relating to the Board of Directors b) Policy on board Committees c) Policy on Corporate Governance, Nominations and Re-election d) Policy on Remuneration e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's Listed Securities f) Policy on Risk management and Internal Control g) Policy on Relations with Shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability i) Policy on Control and Management of Company Assets and shareholder Investments j) Policy on Corporate Disclosures k) Policy on Whistleblowing l) Policy on Anti- Bribery and Corruption	Complied with.	All policies are now hosted in the Corporate Website https://www.lolcgeneral.com/investor-relations/
9.3	**Board Committees**		
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee	Complied with.	The Committees are already in place and are functioning effectively:
9.3.2.	The Company shall comply with the composition, responsibilities and disclosures required in respect of the above Board Committees as set out in the Rules	Complied with.	
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Complied with.	Mr K A K P Gunawardena serves as the Executive Chairman of the Company while Mr H A Karunaratne, Senior Independent Director serves as the Chairman of the Audit Committee, Remuneration Committee, Nominations and Governance Committee. Mr. I Wijesiriwardana serves as the Chairman of the Related Party Transactions Review Committee.

The extent of compliance required by the listing rules of the Colombo Stock Exchange as amended by Section 9 is as follows :-

Sec. No.	Rules of the Colombo Stock Exchange	Level of Compliance	Description
9.4	**Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders**		
9.4.1.	Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. a) The number of shares in respect of which proxy appointments have been validly made; b) The number of votes in favour of the resolution; c) The number of votes against the resolution; and d) The number of shares in respect of which the vote was directed to be abstained.	Complied with.	Records of all shareholder meetings are maintained by the Company Secretaries. Copies of these records would be made available to CSE/ SEC upon request.
9.4.2	**Communication and relations with shareholders and investors**		
(a)	Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity	Complied with.	In terms of Rule 9.2.1, a policy on Relations with Shareholders and Investors is in place and hosted on the website.
(b)	Listed Entities shall disclose the contact person for such communication.	Complied with.	The Group Investor Relations official, Mr. Dulip Samaraweera serves as the Investor Relations official of the Company
9.5	**Policy on matters relating to the Board of Directors**		
	Listed Entities to establish and maintain a formal policy governing matters relating to the Board of Directors.	Complied with.	√ In terms of Rule 9.2.1. a policy on Matters relating to the Board of Directors is in place and hosted on the website. √ The Company has a duly constituted Board as required by the rule. √ The Company has an Executive Chairman and has appointed a Senior Independent Director to comply with the rule.
9.6	**Chairperson and CEO**		
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director and the position of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed by such Entity in terms of Rule 9.6.3 below.	Complied with.	Following the reclassification of Directors on 14th October 2025 where the Non-Executive Chairman was re-classified as an Executive Chairman, a Senior Independent Director has been appointed in compliance with Section 9.6.3

The extent of compliance required by the listing rules of the Colombo Stock Exchange as amended by Section 9 is as follows :-

Sec. No.	Rules of the Colombo Stock Exchange	Level of Compliance	Description
9.6.3	**The Requirement for a SID**		
(a)	A Listed Entity shall appoint an Independent Director as the SID in the following instances: i. The positions of the Chairperson and CEO are held by the same individual. ii. The Chairperson is an Executive Director. iii. The Chairperson and CEO are Close Family Members or Related Parties	Complied with.	Mr. H A Karunaratne has been appointed as the SID subsequent to the re-classification of the Non-Executive Chairman, as the Executive Chairman
9.7	**Fitness of Directors and CEOs**		
9.7.1-9.7.4	The Listed Entities shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules:	Complied with.	All the Directors have submitted written declarations confirming that they are fit and proper to hold their respective positions in the Company.
9.8	**Board Composition**		
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	Complied with	The Board comprises 8 Directors
9.8.2	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors. The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher.	Complied with	the Board comprises 01 Senior Independent Director and Two Independent Directors out of the total number of 08 Directors
9.8.5	The Board of Directors of Listed Entities shall require: a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein. b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be` independent' in the Annual Report. c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof	Complied with Complied with Agree to comply should the need arise.	All Independent Directors have submitted annual declarations confirming their independence against the criteria specified in Appendix 9A Based on the Directors` Independence Declaration, the Board has determined that the following board members are considered Independent. √ H A Karunaratne √ W R A Dharmaratne √ I Wijesiriwardana

The extent of compliance required by the listing rules of the Colombo Stock Exchange as amended by Section 9 is as follows :-

Sec. No.	Rules of the Colombo Stock Exchange	Level of Compliance	Description
9.9.	**Alternate Directors**		
	If a Listed Entity provides for the appointment of Alternate Directors, it shall be required to comply with the following requirements and such requirements shall also be incorporated into the Articles of Association of the Entity: a) Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment. b) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive of the Listed Entity. c) If an Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence specified in these Rules and the Listed Entity shall satisfy the requirements relating to the minimum number of Independent Directors specified in these Rules. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an Independent Director before such appointment is made. d) The Listed Entity shall make an immediate Market Announcement regarding the appointment of an Alternate Director. e) The attendance of any Alternate Director at any meeting, including a Board Committee Meeting shall be counted for the purpose of quorum.	Complied with	No Alternate Directors have been appointed to the Board thus far. Agree to comply should the need arise.
9.10	**Disclosures relating to Directors**		
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1.	Complied with.	The maximum number of directorships a Board member is permitted to hold includes 10 Specified Business Entities (SBE) and 10 non-SBEs. This is specified in the Policy on Matters Relating to the Board of Directors which is hosted on the corporate website.
9.10.2.	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following; i. a brief resume of such Director; ii. his/her capacity of directorship; and, iii. Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.	Complied with.	All new appointments to the Board are immediately disclosed and disseminated to the market, in compliance with Rule 9.10.2 including a statement that such appointments have been reviewed by the Nominations and Governance Committee

Corporate Governance Report Contd...

The extent of compliance required by the listing rules of the Colombo Stock Exchange as amended by Section 9 is as follows :-

Sec. No.	Rules of the Colombo Stock Exchange	Level of Compliance	Description
9.10.4	**Listed Entities shall also disclose the following in relation to the Directors in the Annual Report:**		
	a) name, qualifications and brief profile; b) the nature of his/her expertise in relevant functional areas;	Complied with	Refer Directors' Profile on pages 06 to 08.
	(c) whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity;	Complied with	Refer Directors' Profile on pages 06 to 08.
	(d) whether Executive, Non-Executive and/or independent Director;	Complied with	Refer Directors' Profile on pages 06 to 08.
	(e) the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted Companies and whether such Director functions in an executive or non-executive capacity, provided that where he/she holds directorships in companies within a Group of which the Listed Entity is a part, their names (if not listed) need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies;	Complied with	Refer Directors' Profile on pages 06 to 08.
	(f) number of Board meetings of the Listed Entity attended during the year;	Complied with	Refer Directors' Profile on pages 06 to 08.
	(g) names of Board Committees in which the Director serves as Chairperson or a member;	Complied with	Refer Directors' Profile on pages 06 to 08.
	(h) Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member.; and,	Complied with	Please refer respective Committee Reports
	(i) The terms of reference and powers of the SID (where applicable).	Complied with	A board approved TOR for Board Members including SID is in place and reproduced in the Report of the Board of Directors
9.11	**Nominations and Governance Committee**		
	The Company shall have a Nominations and Governance Committee to maintain a formal procedure for the appointment of new Directors and re-election of directors to the Board together with written Terms of Reference.	Complied with	A Nominations and Governance Committee is in place together with a TOR
9.11.1	Listed Entities shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of the Rules.	Complied with	A Nominations and Governance Committee is in place. As of 31st December 2025, the Committee comprised 3 Non-Executive Directors of whom 2 are Independent.
9.11.2	Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.	Complied with	In terms of Rule 9.2.1. a policy for the appointment and re-election of Directors is in place and hosted on the website.
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Complied with	

Corporate Governance Report Contd...

The extent of compliance required by the listing rules of the Colombo Stock Exchange as amended by Section 9 is as follows :-

Sec. No.	Rules of the Colombo Stock Exchange	Level of Compliance	Description
9.11.4	Composition : (1) The members of the Nominations and Governance Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity. (2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors. The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity. (3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity.	Complied with	Please refer the Report of the Nominations and Governance Committee published in this report
9.12	**Remuneration Committee**		
9.12.1-9.12.4	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of the Rules.		Please refer the report of the Remuneration Committee for details.
9.12.6	Composition: 1) The members of the Remuneration Committee shall; a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent b) not comprise of Executive Directors of the Listed Entity 2) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.		Please refer Committee Report for details.
9.13	**Audit Committee**		
9.13.1 and 9.13.2	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules. The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Complied with	The Audit Committee has oversight of the Risk function, in addition.

Corporate Governance Report Contd...

The extent of compliance required by the listing rules of the Colombo Stock Exchange as amended by Section 9 is as follows :-

Sec. No.	Rules of the Colombo Stock Exchange	Level of Compliance	Description
9.13.3	Composition : 1) The members of the Audit Committee shall; a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. b) not comprise of Executive Directors of the Listed Entity. 2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors. 3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market. 4) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors. 5) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation. 6) The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee.	Complied with	As of 31st December 2025, the Committee comprised 3 Independent Non-Executive Directors. The Committee met 5 times during the financial year ended 31st December 2025 Mr H A Karunaratne -Senior Independent Director functions as the Audit Chair. Executive Chairman and Head of Finance attend the Audit Committee meetings by invitation Mr H A Karunaratne - Audit Chair is a Fellow Member of the Institute of Chartered Accountants, Sri Lanka.
9.13.4 & 9.13.5	Functions and Annual Report Disclosures of the Audit Committee.	Complied with	Please refer Committee Report on Page No.48.
9.14	**Related Party transaction Review Committee**		
9.14.1.	Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules.	Complied with	A Related Party Transactions Review Committee is in place.
9.14.2 & 9.14.3	**Composition & Functions:** The Related Party Transactions Review Committee shall comprise of a minimum of three (3) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.	Complied with	As of 31st December 2025 the Committee comprised 3 Non-Executive Directors of whom 2 are Independent and is chaired by Mr I Wijesiriwardana - Independent Director. The Committee functions in accordance with the recommended rules.

The extent of compliance required by the listing rules of the Colombo Stock Exchange as amended by Section 9 is as follows :-

Sec. No.	Rules of the Colombo Stock Exchange	Level of Compliance	Description
9.14	**General Requirements**		
9.14.4	1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors. 2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person. 3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction. 4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not be present while the matter is being considered at the meeting; and vote on the matter.	Complied with Complied with Noted for compliance should the need arise. Noted for compliance should the need arise.	The Committee met 4 times during the financial year ended 31st December 2025 with minutes accurately documented and communicated to the board during board meetings.
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Complied with	All related party transactions are reviewed prior to obtaining board approval and tabled at quarterly committee meetings, in addition. These Minutes are also noted by the board at the following board meeting.
9.14.6	**Shareholder Approval**		
	The Company shall obtain shareholders' approval by way of a Special Resolution for the Related Party Transactions as soon as the value of the transaction exceeds threshold limits as set out in the regulations	Agree to Comply	During the year under review, there were no such transactions, which required shareholder approval. Noted for compliance should the need arise.
9.17	**Additional Disclosures**		Please refer report of the Board of Directors on pages 36 to 41.

Corporate Governance Report Contd...

Institute of Chartered Accountants of Sri Lanka – The Code of Best Practice on Corporate Governance 2023

	The Code of Best Practice	Level of compliance	Description
Code A.1	The need for the Company to be headed by an effective Board, which should direct, lead and control the Company.	Complied with	The Company is headed by a dynamic and effective Board. Board responsibilities and other core functions are discussed in detail in this report.
Code A.1.1	The board should meet regularly. Board meetings should be held at least once in every quarter of a financial year in order to effectively execute the board's responsibilities.	Complied with	The Board met quarterly
Code A.1.7.	One third of directors can call for a resolution to be presented to the board where they feel it is in best interest to the company to do so	Agree to comply should the need arise	The need for such for such resolutions had not arisen in 2025
Code A.2	Chairman and CEO There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority so that no individual has unfettered power	Complied with	The CEO Position was in place till 14th October 2025 and there was a clear division between the two roles. Since 14th October 2025,the Company is headed by an Executive Chairman as the CEO position has been removed from the Articles of Association in accordance with instructions received from the Regulator.
Code A.3	Chairman's Role The Chairman Conducts Board proceedings in a proper manner.	Complied with	The Executive Chairman ensures effective participation of all Directors in the conduct of Board Meetings. The agenda for board meetings is developed in consultation with the Directors and the Company Secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management and compliance. The Chairman also ensures that the views of each Director on any issue under consideration are ascertained and also that the Board is in complete control of the affairs of the Company.
Code A.4	Financial Acumen The Board should ensure that the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	Complied with	The Board comprises of one Chartered Accountant who is the chair of the Audit Committee. The Board collectively possess a strong financial acumen and capability to assess the integrity of the Company's financial reporting systems and controls, continually review these systems and make changes to them as necessary
Code A.5	Board Balance	Complied with	As of 31st December 2025, the Board comprised of 8 Directors including 7 Non-Executive of which three are Independent.
Code A.5.4	Each non-executive director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria	Complied with	All Non-Executive Directors (including Independent) have submitted signed declarations confirming their independence/non-independence during 2025. These declarations were submitted to the Board.
Code A.5.6	Appointment of Alternate Directors.	Complied with	No Alternate Directors have been appointed thus far.

Institute of Chartered Accountants of Sri Lanka – The Code of Best Practice on Corporate Governance 2023

	The Code of Best Practice	Level of compliance	Description
Code A.5.7	In the event the chairman and CEO is the same person, or the chairman is not an independent director, or the chairman is the immediately preceding CEO or the chairman and CEO are close family members, the board should appoint one of the independent non-executive directors to be the "senior independent director" (SID).	Complied with	The Chairman of the Board is an Executive Director and accordingly, a Senior an Independent Director has been appointed in conformance.
Code A.6	Supply of Information The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties	Complied with	The Board receives a standard set of timely, accurate and reliable information regularly. These include both financial and non-financial data and the Board at any given time could request for additional information in order to clarify or make a reliable judgment and discharge its duties effectively.
Code A.7	Appointments to the Board There should be a formal and transparent procedure for the appointment of new Directors to the Board	Complied with	A Board Nominations and Governance Committee is in place with the mandate of bringing to the Board's attention any suitable outstanding nominations for consideration if and when the situation arises. Names of Chairman and members of the Nomination and Governance Committee and details of meetings are available on page 47.
Code A.8	Re-election All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	Complied with	The Non-Executive Directors are subject to re-election by shareholders at the first AGM after their appointment and to re-election thereafter at intervals namely once in 3 years.
Code A.9	Appraisal of Board Performance Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	Complied with	An annual self-appraisal has been carried out by the Board Members for 2025 and confirmed that they had discharged all duties and responsibilities in a satisfactory manner.
Code A.10	Disclosure of information in respect of Directors. Shareholders should be kept advised of relevant details in respect of Directors	Complied with	All relevant information is disclosed in the Annual Report
Code A.11	Appraisal of CEO The Board should be required, at least annually, to assess the performance of the CEO.	Complied with	The Board headed by the Senior Independent Director assesses the performance of the Executive Chairman annually in keeping with Board stipulated guidelines.
Code B	Directors Remuneration	Complied with	The Board has implemented a formal and transparent procedure for developing policies on remuneration and does so, as recommended by the Remuneration Committee.
Code C - C.2.7	Relations with shareholders and process of AGM	Complied with	The Board uses the AGM to communicate with shareholders and encourage their participation.

Institute of Chartered Accountants of Sri Lanka – The Code of Best Practice on Corporate Governance 2023

	The Code of Best Practice	Level of compliance	Description
C3	Major and Material Transactions To comply with the requirements under the Companies Act (Section 185), Securities and Exchange Commission (SEC) law and Colombo Stock Exchange (CSE) regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net asset base or in the case of a Company with subsidiaries, the consolidated group net asset base.	Complied with	No such material and major transactions were reported in 2025. However, a disclosure would be made/shareholder approval would be sought in the event of such an occurrence.
Code D	Financial Reporting The Board's responsibility to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects	Complied with	A statement of responsibility is being annually signed by all the Board Members in connection with the Company's financial position
D.2	Risk Management and Internal Control The Board should have a process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Complied with	The Board and the Board Audit Committee have overall oversight of the system of internal control and of monitoring its effectiveness, while the implementation of the internal control system is the responsibility of the Risk owners. The internal audit reviews the effectiveness and the reliability of internal controls. The detailed Risk Management Report is provided on pages No 34 to 35.
D.3	Audit Committee The Board should establish formal and transparent arrangements for selecting and applying accounting policies	Complied with	The Board has delegated their responsibility with regard to financial reporting, internal controls and maintaining appropriate relationships with External Auditors to the Board Audit Committee. Accounting policies are agreed between the Auditors and the Board Audit Committee.
D.4	Related Party Transactions Review Committee The board should establish a procedure to ensure that the company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.	Complied with	The Board has delegated the function to the Related Party Transactions Review Committee who ensures that all transactions are within the thresholds and are carried out in the normal course of business. All transactions are tabled at quarterly committee meetings and its minutes noted by the Board, in addition. It also ensures that the Company does not engage in transactions with related parties on more favourable terms than that accorded to third parties.

Corporate Governance Report Contd...

Institute of Chartered Accountants of Sri Lanka – The Code of Best Practice on Corporate Governance 2023

	The Code of Best Practice	Level of compliance	Description
D.5	Code of business conduct and ethics	Complied with	The Company has in place a Code of Business Conduct and Ethics for all staff.
D.6	Corporate Governance Disclosures Directors should disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance	Complied with	The Company is in compliance with the IRCSL Direction on Corporate Governance and the CSE Listing Rules on Corporate Governance. It is the Board's view that the Company is compliant with most of the provisions set down in the Corporate Governance Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) throughout the accounting period under review.

Compliance With Solvency Requirements And Regulations Governing Investments

The Company solvency requirements are governed by the RII Act No. 43 of 2000 and subsequent amendments thereto. These have been strictly adhered to during the year 2025 and the Company's Monthly Solvency Statement is submitted to the Board.

Compliance Status Of Requirements

During the year 2025, the Company was in compliance with the applicable rules and regulations issued by regulatory authorities and submitted to the Board at quarterly meetings.

Risk Management

LOLC General Insurance PLC adopts an enterprise-wide approach to risk management, driven by the Board of Directors, with accountability across all levels of the organisation. Risk is recognised as any potential event that may impede the achievement of organisational objectives, and is managed through an integrated Enterprise Risk Management (ERM) framework supported by robust governance, risk, and compliance structures. This framework ensures that risks are systematically identified, assessed, managed within the defined risk appetite, and owned by relevant process stakeholders in alignment with the organisation's strategic objectives.

The organisation's risk governance framework follows a hybrid approach, combining both top-down and bottom-up perspectives. Strategic direction and oversight are provided by the Board, with delegated authority to the Board Audit and Risk Committees. This structure ensures effective oversight of risk management activities while maintaining the independence of the Risk and Internal Audit functions, enabling timely and unbiased reporting of risk-related information to the Board.
In embedding a strong risk culture, the organisation adopts the Three Lines of Defence model. Management controls constitute the first line of defence, responsible for the identification and management of risks within day-to-day operations. The Risk and Compliance functions operate as the second line, providing independent oversight, monitoring, and guidance. Internal Audit serves as the third line of defence, offering independent assurance on the adequacy and effectiveness of internal controls and risk management practices. The activities of both the Risk and Internal Audit functions are guided by Board-approved plans, with progress reviewed on a quarterly basis by the Audit and Risk Committees to ensure that key controls relating to risk identification, assessment, mitigation, and reporting remain robust and effective.

Risk identification is undertaken through a structured three-tier process comprising risk and control self-assessments by process and business unit owners, independent reviews by the Risk function, and control-focused assessments by Internal Audit. While risk ownership resides with the respective process owners, the Risk function provides independent monitoring and reporting, and Internal Audit delivers assurance on the reliability and effectiveness of the overall control environment. Key risks are continuously monitored through established risk indicators, with any adverse movements or emerging risk trends reported to the Audit and Risk Committees on a quarterly basis, ensuring timely oversight and informed decision-making.

The principal risks faced by the organisation are categorised into several key areas, with corresponding mitigation strategies in place:

Underwriting Risk: The actuarial function regularly reviews product pricing and the underlying assumptions to ensure adequacy and sustainability. Risk assessment processes are well-defined, incorporating policy eligibility criteria and systematic evaluation of risk factors. Claims ratios are closely monitored to identify adverse trends and enable timely corrective action.

Market Risk: Investment decisions are undertaken by the Treasury function in consultation with Finance, with a focus on maintaining appropriate liquidity levels while optimising investment returns through prudent portfolio selection.

Credit Risk: Credit exposures arising from policyholders are carefully managed through established eligibility criteria, approval processes, and ongoing monitoring of outstanding balances.

Regulatory and Compliance Risk: The evolving regulatory landscape is continuously monitored to identify applicable requirements, with appropriate frameworks and controls in place to ensure compliance. Internal Audit incorporates regulatory compliance considerations into its review processes where relevant.

Reputational Risk: Customer feedback mechanisms and whistleblowing channels are in place to capture concerns and ensure that customer experiences are not adversely impacted. All complaints are systematically tracked and resolved in a timely manner.

Operational Risk: Internal processes, systems, and people-related activities are formalised and standardised to minimise the risk of errors, disruptions, and potential losses.

Fraud Risk: Robust controls and review mechanisms are embedded within claims and operational processes. The organisation maintains a zero-tolerance approach to fraud, with all suspected incidents thoroughly investigated and appropriate corrective and preventive actions implemented.

Technology Risk: Controls are established to safeguard the confidentiality, integrity, and availability of information processed through the organisation's information systems, ensuring resilience and data security.

Risk Management Contd...

The organisation adopts a structured and disciplined approach to provide reasonable assurance on the adequacy, reliability, and effectiveness of its internal control framework. This is supported by the continuous monitoring of key risk indicators and emerging risk, complemented by periodic analysis and reporting by the Risk function. Instances of non-compliance are addressed with due seriousness and may result in disciplinary action, depending on their severity. Comprehensive audit coverage further strengthens the control environment, while all employees are expected to uphold the highest standards of integrity, ethics, and professional conduct.

LOLC General Insurance PLC actively fosters a strong risk-aware culture that promotes the adoption of best practices and standards aligned with its core values and operating environment. Both the Risk and Internal Audit functions maintain robust internal quality assurance mechanisms to ensure their effectiveness and ongoing relevance. Continuous learning and professional development are encouraged through structured training initiatives, enabling the organisation to enhance staff capabilities and sustain the effective implementation of risk management practices. This commitment supports the organisation's ability to respond dynamically to evolving risks while creating long-term value for all stakeholders.

Directors' Report

Annual Report of the Board of Directors

The Board of Directors of L O L C General Insurance PLC takes pleasure in presenting their Report together with the Audited Financial Statements of the Company for the year ended 31st December 2025.

Principal Activity of the Company

The principal activity of the Company is the provision of General Insurance Business. More details of the Company's operational performance can be found in the Financial and Operational Highlights reports.

Directors

The Directors of the Company during the year under review were as follows:

- **K A K P Gunawardena**
  Executive Chairman
- **H A Karunaratne**
  Senior Independent Director
- **Mrs K U Amarasinghe**
  Non Executive Director
- **Mrs V G S S Kotakadeniya**
  Non Executive Director
- **A A C S L Aluthgama**
  Non Executive Director (a.w.e.f. 01.10.2025)
- **D R Samaraweera**
  Non Executive Director (a.w.e.f. 08.12.2025)
- **W R A Dharmaratne**
  Independent Director
- **I Wijesiriwardana**
  Independent Director

As recommended by the Nominations and Governance Committee, the following Directors were reclassified with effect from 14th October 2025 in compliance with the Listing Rules.

Name of Director	Previous Position	Present Position
Mr K A K P Gunawardena	Non-Executive Chairman	Executive Chairman
Mr H A Karunaratne	Independent Director	Senior Independent Director in compliance with Rule 9.6.3

Terms of Reference of SID

The Key Accountabilities of the SID, among others, are described below:

The Senior Independent Director should (in addition to the responsibilities of a Non-Executive Director, and the general responsibilities of a Director):

To Shareholders

1. Be available to shareholders if they have concerns which contact through the normal channels of Chair, of Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

2. Attend meetings with major shareholders and financial analysts to obtain an understanding of shareholders' views on governance and performance against strategy and support the Chair in ensuring the Board is aware of the views of stakeholders.

To the Chair

1. Act as a sounding board for the Chair on Board and shareholder matters.

2. Chair the Nominations and Governance when it is considering succession to the role of Chair of the Board.

3.* Lead an annual session of the Non-Executive Directors (excluding the Chair), to agree the Chair's objectives and appraise the Chair's performance and conduct the Chair's annual performance appraisal.

To the Board/Directors

1. Act as a trusted intermediary for Non-Executive Directors where this is needed to help them to challenge and contribute effectively.

2. Take the initiative in discussion with the Chair or other Board members if it seems that the Board is not functioning effectively.

3. Be the focal point for Board members for any concerns and intervene where appropriate to maintain Board and Company stability.

4. * Lead and annual session of the Independent Directors, or as deemed necessary to exclusively discuss entity-related matters.

The Senior Independent Director shall be entitled to a casting vote at the meetings specified above in 3 and 4*.

The profiles of the Directors are given on pages 06 to 08.

Fitness and Propriety and Declaration Of Independence

The Directors of the Company had declared that they were fit and proper to serve on the Board having met the Fit and Proper Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. The Directors had also declared their independence as mandated by the Rules.

Directors' interest in Contracts

In terms of Section 192 (2) of the Companies Act, the Directors have declared their interest in contracts in the Company and have refrained from voting on matters in which they were materially interested. Directors' interest in contracts with the Company are disclosed on pages 40 to 41 of the Annual report.

Directors' Report Contd...

Related Party Transactions are disclosed in the Notes to the Financial Statements

Interest Register

In compliance with the requirements of the Companies Act. No. 07 of 2007 an interest Register was maintained by the Company during the accounting period ended 31st December 2025.

Directors' Remuneration

The Company has a Board approved Remuneration Policy. This policy stipulates that remuneration should be linked to competence and contribution, while serving to incentivize and motivate. This policy has been taken into account when determining remuneration for both staff and directors.

Directors' Remuneration is disclosed in the Report of the Remuneration Committee.

Directors' interest in Shares

In compliance with Section 200 of the Companies Act. The directors have disclosed their relevant interest in shares of the Company as at 31.12.2025

K A K P Gunawardena	- Nil
H A Karunaratne	- Nil
Mrs K U Amarasinghe	- Nil
Mrs V G S S Kotakadeniya	- Nil
A A C S L Aluthgama	- Nil
D R Samaraweera	- Nil
W R A Dharmaratne	- Nil
I Wijesiriwardana	- Nil

Directors' interest are disclosed in the notes to the accounts in page 98.

RETIREMENT OF DIRECTORS

- in terms of Article 88(i) of the Articles of Association of the Company Mr. I Wijesiriwardana retires by rotation and offers himself for re-election.

- in terms of Article 88(i) of the Articles of Association of the Company Mrs. V G S S Kotakadeniya retires by rotation and offers herself for re-election.

- in terms of Article 95 of the Articles of Association of the Company Mr A A C S L Aluthgama retires and offers himself for re-election.

- in terms of Article 95 of the Articles of Association of the Company Mr D R Samaraweera retires and offers himself for re-election

- Mr. W R A Dharmaratne retires in terms of Section 210/211 of the Companies Act No. 7 of 2007 and offers himself for re-election.

The Board recommends their re-election subject to obtaining shareholder approval

BOARD SUB COMMITTEES

The Board had appointed the following sub committees :

- Audit Committee
- Remuneration Committee
- Related Party Transactions Review Committee
- Nomination and Governance Committee

These Committees assist the Board with its role of oversight of the Company's performance and compliance. Minutes of the meetings of these Committees are tabled at the following Board meeting, enabling the Board to benefit from the focused review of these Committees on the areas and issues within their purview.

CORPORATE GOVERNANCE

The Directors confirm that the Company complies with the Rules on Corporate Governance laid down by the Insurance Regulatory Commission of Sri Lanka and the Colombo Stock Exchange and has adopted the relevant rules on Corporate Governance issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

The Corporate Governance practices of the Company are given from pages 21 to 33 of the Annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity that contravenes any applicable law or regulation. There is no material noncompliance with laws or regulations and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Company has operations in.

INTERNAL CONTROL and RISK MANAGEMENT

The Board has reviewed the internal controls framework covering financial, operational, compliance and risk management which is conducted by the Internal Audit team, the results of which are reported to the Board Audit committee quarterly.

Through the Audit committee, the Directors have obtained a reasonable assurance of the effectiveness of such Internal Controls and adherence thereto.

RISK MANAGEMENT

The Company has put in place a process to identify, evaluate and manage any significant risks faced by the entity, where annual risk reviews are carried out by the Group's Enterprise Risk Unit. The principal risks and mitigating actions are reviewed by the Audit Committee on a quarterly basis. A detailed overview of the Risk Management process is outlined in the Risk Management Report on pages 34 to 35.

Directors Report Contd...

FINANCIAL RESULTS and APPROPRIATIONS

	2025 Rs. Mn	2024 Rs. Mn
Revenue	10,500	11,108
Profit / (Loss) Before Tax	(104)	478
Tax Expenses	18	(127)
Profit / (Loss) After Tax	(86.1)	350

GOING CONCERN

The Board having considered the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance code, have a reasonable expectation that the Company possess adequate resources to continue its operations for the foreseeable future and for this reason, the Company continues to adopt the "Going Concern basis" in preparing the Financial Statements.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs .The Directors are of the view that the financials have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007 and amendments/additions thereto, the Listing Rules of the Colombo Stock Exchange, and all relevant directions of the Insurance Regulatory Commission of Sri Lanka.

SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the financial statements and any changes thereof where applicable have been included in the Notes of the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The capital expenditure incurred by the Company during the year amounted to Rs. 274 million Details of Property, Plant and Equipment and their movement during the financial is disclosed under Note 3 to the Financial Statements.

TRANSACTIONS WITH RELATED PARTIES

The Directors have disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24. Related Party Transactions are disclosed in Note 33 to the Financial Statements. The Directors hereby confirm that to the best of their knowledge and information available to them, the Company has complied with the requirements of the rules relating to the related party transactions as contained in Section 9 of the listing Rules of the Colombo Stock Exchange.

STATUTORY PAYMENTS AND COMPLIANCE WITH LAWS AND REGULATIONS

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 as at the reporting date have been paid, or where relevant, provided for in the Financial Statements.

The Company has not engaged in any activity that contravenes any applicable law or regulation, and to the best of the knowledge of the Directors the Company has been in compliance with all prudential requirements, regulations and laws.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance sheet Date that would require adjustments to or disclosure in the Accounts other than those disclosed in Note 39 to the Financial Statements.

DETAILS OF MATERIAL ISSUES PERTAINING TO THE EMPLOYEES AND INDUSTRIAL RELATIONS OF THE ENTITY

During the year under review there were no material issues pertaining to Employees and Industrial Relations.

SUSTAINABILITY

The Company has taken specific steps, particularly in ensuring the conservation of the natural resources and environment and addressing material issues highlighted by its stakeholders. Every endeavour is made to minimise the adverse effect on the environment to ensure sustainable continuity of our natural resources.

CORPORATE DONATIONS

Donations made by the Company during the year under review amounted to Rs. 14 million.

REGISTRARS

Central Depository Systems (Pvt) Ltd of Ground Floor, M&M Centre, 341/5 Kotte Road, Rajagiriya functions as the Registrars of the Company.

AUDITORS

The Auditors, Deloitte Partners retire, and offer themselves for re-appointment. The Board recommends their re-appointment for the ensuing year subject to shareholder approval, at a fee to be decided upon by the Board. During the year under review, the Auditors were paid Rs. 4 million as audit fees. As far as the Directors are aware, the Auditors do not have any other relationship with the Company or any of its subsidiaries nor do they have any interest in contracts with the Company or any of its subsidiaries

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Financial Statements together with the Auditors Report and Notes thereon, found on pages 52 to 111 are in compliance with Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 of 2007.

RESPONSIBILITY STATEMENTS

The Executive Chairman's and Chief Financial Officer's responsibility statement appears on page 44 The Directors' responsibility statement appears on pages 42 to 43 for and on behalf of the Board

Directors Report Contd...

SHAREHOLDING STRUCTURE

The Stated Capital of the Company as at 31st December 2025 amounted to Rs. 800,000,000/- divided into 1,200,000,000 ordinary voting shares.

DECLARATION BY THE BOARD OF DIRECTORS IN TERMS OF RULE 9.17 OF THE LISTING RULES

The Directors declare that;

- as stated above under "Directors' Interest in Contracts", the Directors have declared all material interests in contracts with the Company and have refrained from voting on matters in which they were materially interested;

Internal Control and Risk Management

- the review of the internal controls framework covering financial, operational, compliance and risk management is conducted by the Internal Audit team, the results of which are reported to the Board Audit committee quarterly. Through the Audit committee, the Directors have obtained a reasonable assurance of the effectiveness of such Internal Controls and adherence thereto. The Risk Management review can be found on pages 34 to 35.

- any change to applicable laws, rules and regulations including the Listing Rules and applicable capital market provisions are disseminated to the Board by the Company Secretaries which are discussed by the Board to ensure awareness, conformity and compliance with such laws and regulations.

Compliance with laws and regulations

- the Company has not engaged in any activity that contravenes any applicable law or regulation. There is no material non-compliance with laws or regulations and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Company has operations in.

ACKNOWLEDGMENT OF THE CONTENT OF THE REPORT

As required by Section 168 (1) (K) of the Companies Act No. 7 of 2007, the Board of Directors hereby acknowledges the contents of this Report.

ANNUAL GENERAL MEETING

The notice of meeting is included in this Annual Report. If you are unable to be present at the Meeting, please complete and return the proxy form to the Company, as instructed thereon.



K A K P Gunawardena
Executive Chairman



H A Karunaratne
Senior Independent Director

29th May 2026

	25.02.2025	09.05.2025	25.02.2025	12.11.2025	23.12.2025
Revenue	√	√	√	√	√
K A K P Gunawardena	√	√	√	√	√
H A Karunaratne	√	√	√	√	√
Mrs. V G S S Kotakadeniya	√	√	√	√	√
Mrs. K U Amarasinghe	√	√	√	-	-
A A C S L Aluthgama (AWEF 01.10.2025)				√	√
D R Samaraweera (AWEF 08.12.2025)			√	√	√
W R A Dharmaratne	√	√	√	√	√
I Wijesiriwardana	√	√	√	√	√

DIRECTORS' DECLARATIONS

Name of the Director	Names of Board seats held in Listed and Unlisted companies	Designation
K A K P Gunawardena	LOLC Corporate Services Pvt Ltd Gal Oya Holdings (Pvt) Ltd Diriya Investments (Pvt) Ltd Browns Engineering and Construction (Pvt) Ltd LOLC Securities Ltd LOMO Services Limited (Amalgamated WEF 01.04.2026) Ceylon Real Estate Holdings (Pvt) Ltd Colombo Marina Development (Pvt) Ltd Marina Hotel Holdings (Pvt) Ltd Gal Oya Plantations Ltd Maturata Plantations Ltd Grey Reach Investment Ltd Browns Holdings Ltd Iconic Trust (Pvt) Ltd NPH Investment (Pvt) Ltd Bodufaru Beach Resorts (Pvt) Ltd LOLC Life Assurance Limited	Non Executive Chairman Non Executive Chairman Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director
Mrs. K U Amarasinghe	LOLC Holdings PLC Palm Garden Hotels PLC Eden Hotel Lanka PLC Brown & Co. PLC Browns Investments PLC Browns Holdings Limited Green Paradise (Pvt) Ltd Serendib Hotels PLC Hotel Sigiriya PLC Danya Capital (Pvt) Ltd Ultimate Sports (Pvt) Ltd P L Resorts (Pvt) Ltd Melana Capital (Pvt) Ltd Three Tips Ella (Pvt) Ltd	Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director
Mrs V G S S Kotakadeniya	Maturata Plantations Ltd Browns Metal & Sands (Pvt) Ltd Browns Hotels and Resorts Limited BI Commodities and Logistics (Pvt) Ltd Gurind Accor (Pvt) Ltd Serendib Microinsurance PLC, Cambodia Sierra Cables PLC Hapugastenne Plantations PLC Udapussellawa Plantations PLC	Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director
W R A Dharmaratne	None	
I Wijesiriwardana	UVADES Consulting Ltd LOLC Cambodia Plc Serendib Microinsurance Plc	Executive Director Non Executive Director Non Executive Director
H A Karunaratne	None	
A A C S L Aluthgama	LOLC Life Assurance Limited Insurance Association of Sri Lanka	Executive Director Director

Name of the Director	Names of Board seats held in Listed and Unlisted companies	Designation
D R Samaraweera	LOLC Myanmar Microfinance Company Limited	Director
	LOLC Cambodia PLC	Director
	LOLC Finance Philippines, Inc.	Director
	LOLC Bank Philippines Inc.	Director
	LOLC Kenya Micro Finance Bank Ltd	Director
	LOLC Savings & Loans Ghana Ltd	Director
	LOLC Micro Finance Bank	Non Executive Director
	LOLC El-Oula Microfinance Egypt	Director
	Yambukai Finance Private Limited	Director
	LOLC Tanzania Financial Services Limited	Director
	LOLC Finance Zambia Limited	Director
	LOLC Unguka Finance PLC	Director
	LOLC India Finance Private Limited	Director
	LOLC Philippines Corporation	Director
	LOLC International Private Limited	Director
	I Pay Ceylon (Pvt) Ltd	Director
	Leapstitch Technologies (Private) Limited	Director
	Leapstitch Apparel (Private) Limited	Director
	LOLC Life Assurance Ltd	Non Executive Director

Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the financial statements of the Company in accordance with the provisions of the Companies Act No. 07 of 2007 as amended ('Companies Act') is set out in this statement. The responsibilities of the External Auditors in relation to the financial statements are set out in the Independent Auditor's Report given on pages 52 to 55.

As per sections 150(1) and 151 of the Companies Act, (as amended) the Directors of the Company have a responsibility for ensuring that the Company keeps proper books of accounts of all the transactions and prepare financial statements that give a true and fair view of the state of affairs of the Company as at the financial reporting date and of the financial performance for the year and place the same before the Annual General Meeting.

The financial statements comprise the statement of financial position as at 31st December 2025, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes thereto. Accordingly, the Directors confirm that the financial statements of the Company give a true and fair view of:

1. The state of affairs of the Company as at 31st December 2025; and
2. The financial performance of the Company for the financial year then ended.

The financial statements for the year 2025, prepared and presented in this Annual Report agree with the underlying books of account and are in conformity with the requirements of the following:

- Sri Lanka Accounting Standards (SLFRSs and LKASs);
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Insurance Industry Act No. 43 of 2000 and amendments thereto;
- Statement of Recommended Practice (SoRP) issued by Insurance Regulatory Commission of Sri Lanka (IRCSL);
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors accepts responsibility for the integrity and objectivity of the financial statements presented in this Annual Report. The Directors confirm that in preparing these financial statements;

- The appropriate accounting policies have been selected and applied in a consistent manner, material departures, if any, have been disclosed and explained;
- All applicable accounting standards as relevant have been followed;
- Judgments and estimates have been made which are reasonable and prudent and;

The information required by and otherwise complies with the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto and the Listing Rules of the Colombo Stock Exchange (CSE) or requirements of any other regulatory authority are provided in full.

The Directors also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The financial statements of the Company have been certified by the Chief Financial Officer, the officer responsible for their preparation as required by section 150(1)(b) of the Companies Act. In addition, the financial statements of the Company have been signed by two Directors on page 56 as required by Section 150(1)(c) of the Companies Act and other regulatory requirements. In compliance with section 148(1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assist in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of financial statements, in accordance with the Companies Act and further enabling the financial statements to be readily and properly audited.

The financial statements for the year 2025 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act and Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and it has been under the regular review of the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the business in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records.

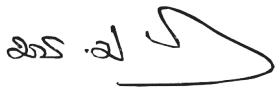
Directors' Responsibility for Financial Reporting Contd...

The Board of Directors also wish to confirm that as required under sections 166(1) and 167(1) of the Companies Act, they have prepared this Annual Report within the prescribed time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees, and the Government and other statutory bodies that were due in respect of the Company as at the financial reporting date have been paid or, where relevant provided for.



H. A. Karunaratne
Senior Independent Director

27th April 2026

Executive Chairman's and Chief Financial Officer's Responsibility Statement

The financial statements are prepared and presented in compliance with the following;

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Insurance Industry Act No. 43 of 2000 and amendments thereto;
- Statement of Recommended Practice (SoRP) issued by Insurance Regulatory Commission of Sri Lanka (IRCSL);
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

The formats used in the preparation of the financial statements and disclosures made comply with the specified formats prescribed in the SORP issued by IRCSL. The Company presents the financial results to its shareholders on a quarterly basis.

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, unless otherwise stated in the notes accompanying the financial statements.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to these financial statements were made on a prudent and reasonable basis in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The internal audit department conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

The Board Audit Committee of the Company meets periodically with the internal auditors and external auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the external auditors and the internal auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

The financial statements of the Company were audited by Messrs. Deloitte Partners and their report is given on pages 52 to 55 of this Annual Report.

We confirm that;

1. To the best of our knowledge, the financial statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Company during the period under review;
2. The Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements;
3. The Company has complied with all applicable laws, regulations and prudential requirements and there is no material noncompliance;
4. There are no material litigations that are pending against the Company other than those disclosed in Note 32 of the financial statements of this Annual Report;
5. All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at 31st December 2025 have been paid or where relevant provided for;
6. The Company has complied with all the legal and regulatory provisions of the Regulation of Insurance Industry act;
7. The Company has arranged treaty reinsurance with approved reinsurers as per IRCSL guidelines;
8. Reserving and solvency guidelines have been complied with and total reserves are backed by matching admissible assets;
9. The equity capital meets the set minimum capital requirement in accordance with the applicable regulations.



Executive Chairman



Head of Finance LOLC General Insurance PLC

Report of the Related Party Transactions Review Committee

Appointed by the Board on 21st June 2021, the Related Party Transactions Review (RPTR) Committee had been established in accordance with the Code of Best Practice on Corporate Governance (the Code) issued by the Institute of Chartered Accountants Sri Lanka (ICASL) and Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those rules. The Committee reports directly to the Board.

Composition

The Related Party Transactions Review ("RPTR") Committee comprises the following Directors :

- **I Wijesiriwardana**
  Non-Executive Independent Director
  Committee Chairman
- **W R A Dharmaratne**
  Non-Executive Independent Director
- **Mrs V G S S Kotakadeniya**
  Non-Executive Director

Policies and Procedures adopted

A Related Party Transaction (RPT) Policy consistent with the Company's business model has been approved by the Board, to ensure that all related party transactions are carried out in compliance with the provisions of the aforementioned regulations.

Activities of the Committee

The Committee has quarterly reviewed all recurrent and nonrecurrent RPTs of the Company. When reviewing facilities to RPTs, the Committee had considered the nature of the transaction, terms, conditions, value and the statement of compliance signed off by the key management personnel of the Company in order to determine whether the transaction proposed will be carried out in accordance with the policy adopted.

The Committee at its regular meetings reviewed all related party transactions and sought confirmation that such transactions had been carried out within the accepted regulatory framework. The Executive Chairman and the Head of Finance were invited to attend meetings to enable the Committee to obtain further clarification.

Where necessary, a disclosure on a related party transaction is made on the Colombo Stock Exchange. This is supported by relevant Board approval. However, the need to make disclosures on related party transactions did not arise during the year under review as all transactions were carried out at arm's length.

The Directors have disclosed transactions, if any, that could be classified as Related Party Transactions in terms of LKAS 24.

Meetings

The Committee met 4 times during the year. The attendance of members at meetings is stated in the following table :

	25.02.2025	09.05.2024	13.08.2025	12.11.2025
I Wijesiriwardana	√	√	-	√
Mrs V G S S Kotakadeniya	√	√	√	√
W R A Dharmaratne	√	√	√	√

As with the other committees, minutes of the Meetings are tabled at the Board meetings for transparency and better information flow.



I Wijesiriwardana
Committee Chairman

Report of the Remuneration Committee

Appointed by the Board on 21st June 2021, the Remuneration Committee had been established in accordance with the Code of Best Practice (the Code) issued by the Institute of Chartered Accountants Sri Lanka (ICASL) and Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance of the said rules. The Committee reports directly to the Board.

Composition
The Remuneration Committee during the period under review, which was reconstituted on 13th October 2025 comprised the following Directors :

- **H A Karunaratne**
  Committee Chairman (AWEF 13.10.2025)
- **I Wijesiriwardana**
  Committee Member
- **Mrs. V G S S Kotakadeniya**
  Committee Member (AWEF 13.10.2025)
- **W R A Dharmaratne**
  (up to 13th October 2025)
- **K A K P Gunawardena**
  (up to 13th October 2025)

The Committee operates within the terms of reference approved by the Board and assists the Board to ensure that the remuneration policies of the company align with its objectives.

The main responsibilities and duties of the committee are as follows:

- Reviewing of fees, remuneration and perquisites of the Directors, Executive Directors and key management personnel and make recommendations for board approval.
- Reviewing of policies in relation to the remuneration and perks of the Senior Management.
- Employ and retain a well-qualified and experienced workforce and reward performance through the compensation packages.

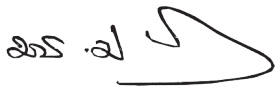
The non-executive independent Directors' remuneration was reviewed to ensure that they are recognized for their contribution to Board and Board sub - committee discussion and decision making during the year under review. However, no revision took place, in view of the political and economic instability prevalent in the country.

The total amount paid as directors' emoluments have been disclosed on page 98.

Meetings
The Committee met once during the year. The details of attendance of individual members are given at the bottom of this page.

As with the other committees, minutes of the Meetings are tabled at the Board meetings for transparency and better information flow.

	12.11.2025
H A Karunaratne (AWEF 13.10.2025)	√
I Wijesiriwardana	√
Mrs. V G S S Kotakadeniya	√
W R A Dharmaratne (up to 13.10.2025)	√
K A K P Gunawardena (up to 13.10.2025)	√



H A Karunaratne
Committee Chairman

Report of the Nomination and Governance Committee

The Nomination and Governance Committee comprises of 3 Non Executive Directors, a majority of whom are independent. The composition of the Committee is as follows :-

- **H A Karunaratne**
  Committee Chairman
- **I Wijesiriwardana**
  Committee Member
- **Mrs. V G S S Kotakadeniya**
  Committee Member

The main responsibilities and duties of the Committee, among others, include, the provision of advice and recommendations to the Board on the appointment of new Directors as well as assessing whether the incumbent Directors are fit and proper for re-election.

During the year under review, having assessed the fitness and propriety of the incumbent Directors, the Committee recommended the following Directors for re-election for the ensuing year.

a) **Mrs. V G S S Kotakadeniya**
(retirement by rotation in terms of Article 88(i))

b) **I Wijesiriwardana**
(retirement by rotation in terms of Article 88(i))

c) **A A C S L Aluthgama**
(Interim Appointment - Article 95)

d) **D R Samaraweera**
(Interim Appointment - Article 95)

e) **W R A Dharmaratne**
Independent Director
(retirement in terms of Section 210 of the Companies Act No. 7 of 2007) on receipt of Special Notice from a shareholder of the intention to pass a resolution at the forthcoming Annual General Meeting.

f) **Mr H A Karunaratne**
Senior Independent Director
(retirement in terms of TOR for SID)

Having reviewed the other Directorships of each Board member, the Committee was satisfied that they were compliant with Direction No. 2 of 2022 (revised) in terms of the period of service and age.

The Committee met once during the year.

however the following decisions were recommended by circulation

Subject	Date
Re-Election of Directors	14.03.2025
Recommendation to appoint Non - Excecutive Directors to the Board	09.09.2025
Re - Classification of Board members and Re-Constitution of Board Sub Committees	13.10.2025
Re- Classification of Directors	15.10.2025



H A Karunaratne
Committee Chairman

Report of the Audit Committee

The composition of the Audit Committee is as follows:-

- **H A Karunaratne**
  Senior Independent Director
  Committee Chairman

- **W R A Dharmaratne**
  Independent Director
  Committee Member

- **I Wijesiriwardana**
  Independent Director
  Committee Member

The Committee functions within the Terms of Reference approved by the Board of Directors.

In the fiscal year 2025, the Committee evaluated both the quarterly and year-end financial statements of the Company and endorsed them for board approval. During these meetings, the Committee was satisfied that the Company's systems allowed for the accurate and timely recording and reporting of information and that they adhered to all relevant legal and regulatory obligations. The Executive Chairman and the Head of Finance provided assurances to the Committee at these meetings that the Company's financial and operational procedures were in accordance with legal and regulatory standards.

External Audit
The Committee also met with the External Auditors, Deloitte Partners, to facilitate a dialogue on any areas of concern. This enabled the Committee to gain additional assurance that the financial statements and the notes thereto contained all necessary information. Through these meetings, the Committee was able to review the effectiveness of the external auditors. The Committee then made its recommendations to the Board on the suitability of the Auditors for re-appointment and on the audit fees to be paid.

Based on a declaration made by the Auditors, the Committee made a determination that Deloitte Partners were independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and that they have fulfilled all other ethical responsibilities in accordance with the Code of Ethics.

Internal Audit
The Company's internal audit and risk management functions are carried out by the Enterprise Risk management team. The Committee received and reviewed internal audit and risk management reports submitted by the ERM team quarterly which related to procedures and practices together with the Company's risk management processes including the adequacy of the overall control environment and controls in areas of significant risks as well as business continuity plans. By involving the Management in the discussions, the Committee sought to ensure that risk mitigation and operational efficiencies were balanced.

Having discussed the said reports, the Committee was satisfied that the Company's internal controls and risk management processes were adequate to mitigate potential risks.
The committee met five (5) times during the financial year ended 31st December 2025. The details of attendance of individual members are given at the bottom of this page.



H A Karunaratne
Committee Chairman

Audit Committee Meeting Attendance

	25.02.2025	09.04.2025	09.05.2025	13.08.2025	12.11.2025
H A Karunaratne (Committee Chairman)	√	√	√	√	√
W R A Dharmaratne	√	√	√	√	√
I Wijesiriwardana	√	√	√	√	√

LOLC GENERAL INSURANCE PLC

FINANCIAL STATEMENTS
31st December 2025

Financial Statements

LAT Certification by the Actuary 51

Independent Auditor's Report 52 - 55

Statement of Financial Position 56

Statement of Profit or Loss 57

Statement of Comprehensive Income 58

Statement of Changes in Equity 59

Statement of Cash Flows 60

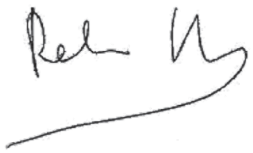
Notes to the Financial Statements 61 - 111

LAT Certification by the Actuary

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test ('LAT') as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve ('UPR'). I hereby certify that the UPR provision of LKR 6,010,813,406 set by the Company, net of reinsurance and DAC, is adequate at a 50th percentile in relation to the undiscounted unexpired risks of LOLC General Insurance PLC as at 31 December 2025, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

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

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



Roberto Malattia
Fellow of the Institute and Faculty of Actuaries (FIA)
For and on behalf of NMG Financial Services Consulting
27th March 2026

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109 North Bridge Road, #05-21, Singapore 179097

Independent Auditor's Report

Deloitte.

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TO THE SHAREHOLDERS OF LOLC GENERAL INSURANCE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LOLC General Insurance PLC (the Company) which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting 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.

Key Audit Matters

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

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

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The Company:

Key audit matter	How our audit addressed the Key audit matter
Valuation of Non-Life Insurance Contract Liabilities for Incurred But Not Reported (IBNR) Claims See notes 2.2 (a) and 15 of the financial statements for disclosures of related accounting policies, judgments, estimates, and balances. The carrying value of the insurance contract liabilities for IBNR claims, amounted to Rs. 1,250 million as at 31 December 2025. **This was a key audit matter due to:** • The degree of assumptions, judgements and estimation uncertainty associated with the actuarial valuation of Non-Life Insurance Contract Liabilities for IBNR Claims and Liability Adequacy Test carried out to determine the adequacy of the carrying value of Non -Life Insurance Contract Liabilities. Valuation of the insurance contract liabilities for IBNR Claims is dependent on the valuation methodology used, assumptions made, and the data inputs into the valuation model. Factors such as historical claims experience and business expectations based on previous claim experience, existing knowledge of risk events, the Company's ultimate loss ratio, and claims handling expenses directly impact the valuation of insurance contract liabilities for IBNR claims.	To assess the reasonableness of the Non-Life Insurance Contract Liabilities for IBNR Claims, our audit procedures included the following: • Assessed the competency, capability and objectivity of the management specialist engaged by the Company. • Obtained an understanding of, evaluated, and tested the processes and relevant controls in place for determining the insurance contract liabilities. • Checked the completeness and accuracy of the data used in the valuation of Non-Life Insurance Contract Liabilities for IBNR Claims by agreeing key information to source documents and accounting records. • Tested a selection of underlying data used in the IBNR Claims valuation to source documents, on a sample basis. • Involved our actuarial specialists to assist us in evaluating the reasonableness of the key judgements, assumptions, estimates and actuarial methodologies applied by management in determining the valuation of the insurance contract liabilities for IBNR Claims. With their support, we assessed whether these assumptions and methods were consistent with industry practices and data aligned with the entity's historical claims experience and future business expectations. • Assessed the adequacy of the disclosures made in notes to the financial statements.

Other Information

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

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

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

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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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.

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

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

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the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

As required by Section 47(2) of the Regulation of Insurance 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 6355.

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Chartered Accountants
Colombo

28 April 2026

Statement of Financial Position

As at 31 December 2025		2025	2024
Assets	**Note**	**Rs**	**Rs**
Property and equipment	3	507,180,789	315,170,027
Right-of-use assets	4	267,225,271	281,646,740
Intangible assets	5	123,957,010	13,457,996
Equity accounted investees	6	185,834,392	122,383,144
Investment securities	7	16,377,092,064	14,607,079,742
Reinsurance assets	15.1	8,317,635,499	3,102,100,444
Reinsurance receivables	8	1,489,165,847	591,059,923
Deferred acquisition costs	15.4	329,568,645	259,989,876
Premiums receivable	9	2,861,235,121	2,386,243,535
Amounts due from related parties	10	50,157,191	197,474
Other assets	11	193,163,941	199,035,635
Cash and bank balances	12.1	378,015,268	327,343,406
Total assets		**31,080,231,038**	**22,205,707,941**
Equity and liabilities			
Equity			
Stated capital	13	800,000,000	800,000,000
Retained earnings	14	5,424,494,845	5,513,554,183
AFS reserve	14	404,452,065	509,145,251
Other reserves	14	14,130,383	14,130,383
Foreign exchange reserve	14	52,461,761	39,268,526
Total ordinary shareholders' equity		**6,695,539,054**	**6,876,098,343**
Liabilities			
Insurance contract liabilities - Non-Life insurance	15	19,634,185,653	11,669,207,464
Interest bearing loans and borrowings	16	305,704,457	136,126,527
Retirement benefit obligations	17	74,089,921	62,113,840
Lease liabilities	4	301,334,392	304,568,226
Reinsurance creditors	18	1,429,677,071	880,136,564
Deferred reinsurance commission income	15.4	426,468,680	303,349,171
Income tax liability	30.4	55,306,580	146,356,601
Deferred tax liability	30.3	137,720,864	200,386,850
Amounts due to related parties	19	168,998,204	219,685,178
Other liabilities	20	1,726,870,228	1,185,624,449
Bank overdraft	12.2	124,335,935	222,054,728
Total liabilities		**24,384,691,984**	**15,329,609,598**
Total liabilities and equity		**31,080,231,038**	**22,205,707,941**

We certify that these Financial Statements have been presented in compliance with the requirements of the Companies Act, No. 07 of 2007.

Mrs. Maheshika Perera
Head of Finance - LOLC General Insurance PLC

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

Mr. K. A. K. P. Gunawardena
Chairman

Mr. H. A. Karunaratne
Director

The accounting policies and notes on pages 61 through 111 form an integral part of the Financial Statements.

27th April 2026
Rajagiriya (Greater Colombo)

Statement of Profit or Loss

Year ended 31 December 2025	Note	2025 Rs.	2024 Rs.
Gross written premium	21.1	**13,370,952,439**	**11,101,800,278**
Premium ceded to reinsurers	21.2	(4,222,891,230)	(1,947,255,215)
Net written premium		**9,148,061,209**	**9,154,545,063**
Net change in reserves for unearned premium		(1,149,619,721)	(457,860,875)
Net earned premium		**7,998,441,488**	**8,696,684,188**
Other income			
Investment income			
- Interest income from available-for-sale financial assets	22	897,320,139	1,433,057,058
- Interest income from loans and receivables	22	682,012,008	413,027,620
- Unrealised gain on financial assets at FVTPL	22	107,979,083	-
- Realised gain on financial assets at FVTPL	22	-	4,664,066
- Realised gain on available-for-sale investment securities	22	51,781,200	-
Fees and commission income	23	655,502,699	449,950,731
Other income	24	106,482,612	110,300,381
Total other income		**2,501,077,741**	**2,410,999,855**
Total income		**10,499,519,229**	**11,107,684,043**
Benefits, claims and expenses			
Insurance claims and benefits (net)	25	(6,689,295,777)	(6,209,419,400)
Underwriting and net acquisition income/(cost)	26	233,382,025	(256,675,075)
Other operating and administrative expenses	27	(4,125,075,811)	(4,165,977,716)
Finance costs	29	(72,384,554)	(63,754,065)
Total benefits, losses and expenses		**(10,653,374,117)**	**(10,695,826,256)**
Share of profit from equity accounted investee (Net of tax)	6	50,258,013	65,663,562
(Loss) / Profit before income tax expense		**(103,596,875)**	**477,521,350**
Income tax reversal/(expense)	30	**17,522,998**	**(127,226,354)**
(Loss) / Profit for the year		**(86,073,876)**	**350,294,996**
Basic earnings per share	31	**(0.07)**	**0.29**

The accounting policies and notes on pages 61 through 111 form an integral part of the Financial Statements.

Statement of Comprehensive Income

Year ended 31 December 2025	Note	2025 Rs.	2024 Rs.
(Loss) / Profit for the year		(86,073,876)	350,294,996
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/Gain on employee benefit obligations	17.2	(4,264,946)	7,070,098
Deferred tax effect on actuarial (loss)/Gain	30.3	1,279,484	(770,431)
		(2,985,462)	**6,299,667**
Items that may be reclassified to profit or loss			
Available-for-sale investment securities - Reclassification to profit or loss due to derecognition		(51,781,200)	-
Net change in fair value of available-for-sale investment securities		(97,780,493)	408,185,320
Deferred tax effect on available-for-sale investment securities	30.1	44,868,507	(122,455,596)
Exchange differences on translation of foreign equity accounted investee	6	13,193,235	28,352,407
		(91,499,951)	**314,082,131**
Other comprehensive (loss) / income for the year		**(94,485,413)**	**320,381,798**
Total comprehensive (loss) / income for the year		**(180,559,290)**	**670,676,795**

The accounting policies and notes on pages 61 through 111 form an integral part of the Financial Statements.

Statement of Changes in Equity

Year ended 31 December 2025	Stated Capital	Reserve on available for sale financial assets	Retained Earnings	Other reserve	Foreign Currency Reserve	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance at 01 January 2024	800,000,000	223,415,527	5,073,130,665	14,130,383	10,916,119	6,121,592,693
Adjustment for surcharge tax(Note 30.4)			83,828,855			83,828,855
Adjusted balance As at 1 January 2024	800,000,000	223,415,527	5,156,959,520	14,130,383	10,916,119	6,205,421,548
Profit for the year	-	-	350,294,996	-	-	350,294,996
Other comprehensive income	-	285,729,724	6,299,667	-	28,352,407	320,381,798
Total comprehensive income for the year	**-**	**285,729,724**	**356,594,664**	**-**	**28,352,407**	**670,676,795**
Balance at 31 December 2024	800,000,000	509,145,251	5,513,554,183	14,130,383	39,268,526	6,876,098,343
Balance at 1 January 2025	800,000,000	509,145,251	5,513,554,183	14,130,383	39,268,526	6,876,098,343
Loss for the year	-	-	(86,073,876)	-	-	(86,073,876)
Other comprehensive loss	-	(104,693,186)	(2,985,462)	-	13,193,235	(94,485,413)
Total comprehensive income for the year	**-**	**(104,693,186)**	**(89,059,338)**	**-**	**13,193,235**	**(180,559,290)**
Balance at 31 December 2025	**800,000,000**	**404,452,065**	**5,424,494,845**	**14,130,383**	**52,461,761**	**6,695,539,054**

The accounting policies and notes on pages 61 through 111 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31 December 2025	Note	2025 Rs.	2024 Rs.
Cash flows from operating activities			
Premium received from policy holders		13,487,396,902	10,768,415,438
Reinsurance premiums (net of commission) paid		(2,780,892,342)	(2,116,792,390)
Claims, benefits and expenses paid		(6,262,872,442)	(5,567,479,435)
Reinsurance receipts in respect of claims and benefits		263,871,498	361,242,856
Cash paid to and on behalf of employees		(1,175,397,756)	(1,204,700,014)
Payments to brokers and agents		(573,100,398)	(414,273,318)
Other operating cash payments		(2,181,383,611)	(2,159,159,332)
Cash generated from/(used in) operating activities		**777,621,851**	**(332,746,195)**
Interest paid on long term borrowings		(13,809,259)	-
Interest paid on lease liability		(42,721,514)	(42,124,467)
Income tax paid	30	(90,045,016)	(464,166,618)
Net cash inflow from operating activities (used in/generated)		**631,046,062**	**(839,037,279)**
Cash flow from investing activities			
Purchase of liquid investments		(2,850,000,000)	(2,974,582,366)
Purchase of other investments		(5,571,194,810)	(3,074,003,559)
Sale/maturity of liquid investments		3,804,356,171	4,816,450,421
Sale/maturity of other investments		1,000,784,759	1,545,623,157
Interest received		1,758,252,229	1,821,547,186
Purchase of intangible assets	5	(116,855,281)	(5,078,001)
Purchase of property and equipment	3.1	(274,461,714)	(157,007,538)
Net cash (used in)/generated from investing activities		**(2,249,118,646)**	**1,972,949,299**
Cash flows from financing activities			
Principal element of lease payments		(65,224,356)	(60,565,939)
Long-term borrowings obtained		175,000,000	-
Long-term borrowings capital repayments		(21,644,486)	-
Net cash used in financing activities		**88,131,158**	**(60,565,939)**
Net (decrease)/increase in cash and cash equivalents		(1,529,941,426)	1,073,346,080
Cash and cash equivalents at the beginning of the financial year		2,283,780,555	1,210,434,474
Cash and cash equivalents at end of year	12	**753,839,128**	**2,283,780,555**

The accounting policies and notes on pages 61 through 111 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2025

1. CORPORATE INFORMATION

1.1 Reporting entity
LOLC General Insurance PLC (Formerly known as LOLC General Insurance Limited) ("Company") is a public quoted company incorporated on 20 September 2011 and domiciled in Sri Lanka. The registered office of the Company is located at No.100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka and the principal place of business is situated at the No. 258 Grandpass Rd, Colombo 14.

Ordinary shares of the Company are listed on the diri savi board of the Colombo Stock Exchange ("CSE") since 31 December 2021.

1.2 Principle activities and nature of the operation
The principal activity of the Company is Non-Life Insurance businesses.

1.3 Parent entity and ultimate parent entity
The Company's immediate parent is LOLC Asset Holdings Limited, and its ultimate parent undertaking is LOLC Holdings PLC.

1.4 Date of authorization for issue
The financial statements of LOLC General Insurance PLC for the year ended 31 December 2025 were authorized for issue by the Board of Directors on 27 April 2026. The directors have the power to amend and reissue the financial statements.

2. BASIS OF PREPARATION

2.1.1 Basis of preparation
The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements also comply with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry Act No. 43 of 2000 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the CSE.

These financial statements include following components:

- Statement of financial position - providing the information on the financial position of the Company as at the year-end.
- Statement of income and statement of comprehensive income - providing the information on the financial performance of the Company for the year under review.
- Statement of changes in equity - depicting all changes in shareholders' equity 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 entity to utilise those cash flows.
- Notes to the financial statements comprising material accounting policies and other explanatory information.

2.1.2 Basis of measurement
The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position.

- Insurance contract liabilities - non-life insurance - Actuary determined values based on the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and Sri Lanka Accounting standards.
- Available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value.
- Actuarial valuation of the defined benefit obligations using the Projected Unit Credit method.

2.1.3 New standards and amendments – applicable after 1 January 2025
The following new and amended standards apply for the first time to financial reporting periods commencing on or after 1 January 2025 and have not resulted in a material impact on the Company's financial statements.

When there is an impact on the financial statements, such amendments are incorporated in the financial statements.

(a) Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability
The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay

and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

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

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

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

2.1.4 New standards, amendments and interpretations issued but not yet adopted in 2025 by the Company

The Company has not applied the following new and revised accounting standards that have been issued but are not yet effective for annual reporting period ending 31 December 2025.

(a) SLFRS 9 Financial Instruments and associated amendments to various other standards

The standard became effective for the annual periods beginning on or after 1 January 2018, with early adoption permitted.

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

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de recognition of financial instruments from LKAS 39.

Temporary exemption from SLFRS 9

An Insurer may apply the temporary exemptions from SLFRS 9 if, and only if:

a) It has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at Fair Value through profit or Loss and;

b) Its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date.

As the company's activities are predominantly connected with insurance and it has not previously applied any version of SLFRS 9 as indicated above, the company will be eligible for the temporary exemption from applying SLFRS 9.

As at 31 December	2025	2024
	Rs.	Rs.
Insurance contract liability	19,634,185,653	11,669,207,464
Reinsurance payables	1,429,677,071	880,136,564
Liabilities connected with insurance	21,063,862,725	12,549,344,028
Total liabilities	24,384,691,985	15,329,609,598
Predominance ratio	86%	82%

Financial Assets

SLFRS 9 has introduced new classification and measurement approach for financial assets based on the characteristics of cash flows of financial asset and the business model in which assets are managed. Accordingly, SLFRS 9 includes three principal classification categories to financial assets.

- Amortised cost – Financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Fair Value through other comprehensive income – Financial asset held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Fair value through profit or loss - Financial asset which has not identified as amortise cost or Fair value through other comprehensive income.

Impact Assessment

The equity investment securities that are classified as fair value through profit or loss (FVTPL) under LKAS 39, will be remained under FVTPL and measured at fair value.

Debt investment securities that are classified as available for sale under LKAS 39, may classified as fair value through other comprehensive income under SLFRS9, or be classified at amortised cost and measured at fair value / amortised cost respectively.

Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9. Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.

Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9."

Impairment – Financial Assets

SLFRS 9 has replaced the "Incurred loss" model which is introduced by LKAS 39, by introducing "Expected Credit Loss" (ECL) model. In this impairment of financial assets is recognised under 3 stages

Stage 01 - As soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest is calculated on the gross carrying amount (i.e without deduction for expected credit losses).

Stage 02 - If the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest is the same as for Stage 1. (Gross carrying amount)

Stage 03 - If the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest is calculated based on the amortised cost (i.e the gross carrying amount less the loss allowance which is the net carrying amount). Financial assets in this stage will generally be assessed individually.

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

Financial liabilities

Under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in Profit or Loss, whereas under SLFRS 9 the amount of change in the fair value that is attributed to changes in the credit risk of the liability is presented in Other Comprehensive Income and the remaining amount of change in the fair value is presented in Profit or Loss.

(a) SLFRS 17, 'Insurance contracts'

SLFRS 17 applies to all types of insurance contracts including life, non life, direct insurance, and reinsurance regardless of the type of entity that issues them. The Standard also covers certain financial guarantees and financial instruments that contain discretionary participation features. However, a limited number of scope exceptions apply.

The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. Unlike SLFRS 4, which largely relied on grandfathered local accounting policies, SLFRS 17 introduces a comprehensive and consistent model that addresses all key aspects of insurance contract accounting.

The core of SLFRS 17 is the general measurement model, supported by:

- The Variable Fee Approach (VFA): an adaptation for contracts with direct participation features.
- The Premium Allocation Approach (PAA): a simplified method primarily intended for short-duration contracts.

The key features of SLFRS 17's insurance contract accounting model include:

- **Fulfilment Cash Flows**
  Measurement of the present value of future cash flows, including an explicit risk adjustment, remeasured at every reporting date.

- **Contractual Service Margin (CSM)**
  A liability representing unearned profit, equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. It is recognised in profit or loss as insurance services are provided over the coverage period.

- **CSM Adjustments**
  Certain changes in expected future cash flows are offset against the CSM and recognised in profit or loss over the remaining coverage period.

- **Discount Rate Effects**
  Changes in discount rates are recognised either in profit or loss or in other comprehensive income, based on the entity's accounting policy choice.

- **Revenue and Expense Presentation**
  Insurance revenue and service expenses are presented based on the concept of services provided during the reporting period.

- **Non-Distinct Investment Components**
  Amounts payable to policyholders regardless of an insured event are excluded from the income statement and recognised directly on the balance sheet.

- **Separate Presentation of Results**
  Insurance service results (earned revenue minus incurred claims) are shown separately from insurance finance income or expense.

- **Reinsurance Loss Recovery Component**
  A loss recovery asset is recognised in profit or loss when reinsurance covers losses from onerous underlying contracts and is subsequently remeasured as recoveries occur.

- **Financial Position Presentation**
  Entities must separately present portfolios of insurance contracts issued that are assets and those that are liabilities; the same applies to reinsurance portfolios held.

- **Enhanced Disclosures**
  Extensive disclosures are required on recognised amounts and the nature and extent of risks arising from insurance contracts.

Transition
SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2026, with comparative figures required.

Estimated impact of the adoption of SLFRS 17
The Company has assessed the estimated impact of the initial application of SLFRS 17 on its financial statements, and the results are summarized in below.

Based on work performed to date, the Company expects the most significant financial statement impact to arise from the discounting of incurred claims liabilities and the introduction of explicit risk adjustments. The quantitative impact of initial application, including the effect on retained earnings at the date of transition, is currently being finalised and will be disclosed in the 2026 financial statements in accordance with LKAS 8.

(b) Amendments to SLFRS 9 and SLFRS 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.

(c) SLFRS 18 Presentation and Disclosures in Financial Statements

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

SLFRS 18 introduces new requirements to:

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

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

(d) Annual improvements to IFRS – Volume 11

Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

SLFRS 1 First-time Adoption of International Financial Reporting Standards;
SLFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing SLFRS 7;
SLFRS 9 Financial Instruments;
SLFRS 10 Consolidated Financial Statements; and
LKAS 7 Statement of Cash Flows.

These annual improvements are effective for annual periods beginning on or after 1 January 2026 with earlier application permitted.

2.1.5 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Company operates.

The financial statements are presented in Sri Lankan Rupee (LKR), which is also the functional currency and presentation currency of the Company. All financial information presented in Rupee has been rounded to the nearest Rupee unless stated otherwise.

2.1.6 Comparative information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year.

2.1.7 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.1.8 Offsetting

Assets and liabilities, and income and expenses, are not offset unless required or permitted by SLFRSs.

2.1.9 Going concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and going-concern basis has been adopted in preparing these financial statements.

2.1.10 Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of preparation as per Note 2.1.1.

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2.2 USE OF ESTIMATES AND JUDGMENT

The preparation of the financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes to these financial statements.

a) Non-life insurance contract liabilities (Note 15)

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

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred

losses, average costs per claim, and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

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

Similar judgments, estimates, and assumptions are employed in the assessment of the adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying value at the reporting date of non-life insurance contract liabilities is Rs. 19,634,185,653/- (2024: Rs. 11,669,207,464).

Methodology for claim liability

75% Confidence level estimate

The volatility of the Central Estimate of Claim Liability is projected to secure an overall level of sufficiency with not less than 75% confidence level on undiscounted basis. In assessing the Net Claim Liability at a 75% confidence level, a Stochastic Chain Ladder approach was adopted to estimate the Provision of Risk Margin for Adverse Development (PRAD) and Fund PRAD (FPRAD) risk margins. The 75th percentile has been calculated for each line of business independently as well as on a whole account level. This allows the implicit diversification factor to be derived. The discount to the PRAD, as a result of diversification, is then capped at a given reduction from the correlated value.

As a reasonableness check, actuaries have made reference to the risk margins that were derived in the gross analysis as of 31 December 2025 when determining the appropriate risk margins to be adopted for the net analysis.

Methodology for estimate of premium liability

75% Confidence Level Estimate

The Central Estimate Unexpired Risk Reserve (CE URRs) is loaded to secure an overall level of sufficiency with not less than 75% confidence level on undiscounted basis. In determining the URR at the 75% confidence level, actuaries multiply the CE URR with an adjustment factor for each line of business. The adjustment factor is determined at a class level as well as at an aggregate level, and takes into account the observed relationship between the current estimate of an accident quarter's Ultimate Loss Ratio (ULR) and the trended ULR. Actuaries also assess the reasonableness of the adjustment factor by making reference to the gross analysis.

The diversification factor is determined by comparing the sum of the adjustment factors by line of business and the adjustment factor at the aggregate level. A diversification benefit cap is applied in arriving at the final FPRAD for Premium Liability.

(b) Retirement benefits (Note 17)

The liability for retirement gratuity is recognized based on the actuarial valuation carried out as of 31st December 2025, using the Projected Unit Credit method. The actuarial valuations involve making assumptions about discount rates, future salary increases, and the incidence of withdrawals. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a defined. benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(c) Fair value of financial instruments (Note 35)

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical techniques.

The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values.

(d) Impairment of premium receivable

Premium receivables are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the premium portfolio and judgment on the effect of concentrations of risks and economic data.

(e) Provisions for liabilities and contingencies

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

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.3.1 Principles of equity accounting

Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see below), after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.3.12.

Changes in ownership interests

When the Company ceases to equity account for an investment because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of LOLC General Insurance PLC which assesses the financial performance and position of the Company and makes strategic decisions has been identified as the chief operating decision maker.

2.3.3 Insurance contracts

As permitted by SLFRS 4 Insurance Contracts, the Company continues to apply the existing accounting policies for Insurance Contracts that were applied prior to the adoption of SLFRS.

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 those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable.

If the insured event did not occur. Insurance contracts can also transfer financial risk. Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and

obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant. All the products sold by the Company are insurance contracts. Therefore, classified as insurance contracts under the SLFRS 4 – Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

2.3.4 Financial instruments

2.3.4.1 Financial assets

a) Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

a) Initial recognition and measurement

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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

b) Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis.
  Or
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are re-measured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income' or 'Finance cost', respectively, using the effective interest rate (EIR). Dividend income is recorded in 'Investment income' when the right to the payment has been established.

The Company evaluates its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances.

The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Available-for-sale financial assets

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.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in other comprehensive income in the available-for-sale reserve (equity). Where the insurer holds more than one investment in the same security that they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale investments are recognized in the statement of income as 'Investment income' when the right of the payment has been established. When the asset is derecognized the cumulative gain or loss is recognised in other operating income, or determined to be impaired, or the cumulative loss is recognized in the statement of income and removed from the available-for-sale reserve.

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. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the statement of income.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in 'investment income' in the statement of income. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process.

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortized cost, using the EIR, less impairment. The EIR amortization is included in 'investment income' in the statement of income. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process.

c) Derecognition of financial assets

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liabilities

are measured on a basis that reflects the rights and obligations that the Company has retained.

d) Impairment of financial assets

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

Financial assets carried at amortized cost

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

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

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

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Company treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income– is removed from other comprehensive income and recognized in the income statement. Impairment

losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

e) Offsetting of financial instruments

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

2.3.4.2 Financial liabilities

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using effective interest rate method. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities comprise bank overdrafts, interest-bearing borrowings, and other financial liabilities.

2.3.4.3 Fair value of financial instruments

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

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognized only when the inputs become observable or on derecognition of the instrument.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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

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

Determination of fair values

a) Financial instruments in level I

The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last traded price in an active market. These instruments are included in level I. Instruments included in level I comprise primarily investments in Unit Trust.

b) Financial instruments in level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and relies as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level II. Instruments included in level II comprise primarily investment in Treasury bonds issued by the Government of Sri Lanka.

Specific valuation techniques used to value financial instruments include;

- Present value of the estimated future cash flows based on observable yield curves;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

The table below shows the different basis used in assessing the fair value of financial instruments,

Instrument category	Instrument	Fair value basis and assumptions	Fair value Hierarchy
Available for sale instruments	Treasury Bonds	Valued using current market yields , and the valuation is performed using the Discounted Cash Flow (DCF) method at the reporting date	Level 02
Fair value through profit and loss	Unit Trust	Valued using published net asset value (NAV) available in the market at the reporting date.	Level 01

2.3.5 Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance is recorded gross in the reporting date unless a right to offset exists. If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognizes a loss in the statement of income.

A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the company will receive from the reinsurer. Reinsurance assets are de-recognized when the contractual rights are extinguished or expired or the contract is transferred to another party.

2.3.6 Insurance receivables

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

Insurance receivables are derecognized when the derecognition criteria for financial assets, as described in Note 2.3.4.1 (c), have been met.

2.3.7 Other receivables and dues from related parties

Other receivables and dues from related parties are measured on initial recognition at the fair value and subsequently measured at amortised cost.

2.3.8 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes

cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown separately under liabilities in the statement of financial position.

Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably.

Basis of measurement

Intangible assets acquired separately are measured as initial recognition at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite useful life are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied these assets. All other expenditure is expensed when incurred.

De-recognition

Intangible assets are de-recognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of intangible assets are measured as difference between the net disposal proceeds and the carrying amount of the asset.

Amortization

Amortization is recognized in the statement of income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful life of computer software is 5 years.
Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Basis of recognition

Property and equipment are recognized 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

Items of property and equipment are measured at cost less accumulated depreciation/ impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

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

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

Cost model

The Company applies the cost model to all property and equipment; which records at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Subsequent costs

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

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in statement of income on a straight-line basis over the estimated useful life of each component of an item of property and equipment. Leased assets are depreciated over

the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation methods and useful life spans are assessed at the reporting date. The estimated useful lives for the current year are as follows:

Furniture and Fittings	5 Years
Office Equipment	5 Years
Computer equipment	5 Years
Building	40 Years

De-recognition

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognized net within other income/other expenses in the statement of income.

2.3.11 Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortized over the period in which the related revenues are earned by using a 1/365 basis. All other acquisition costs are recognized as an expense when incurred.

Deferred acquisition expenses

Acquisition expenses, representing commissions, which vary with and are directly related to the production of business, are deferred and amortized over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

2.3.12 Impairment of non-financial assets

The carrying amounts of the Company's Non-Financial Assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its estimated recoverable amount.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in the statement of income. Impairment losses recognized 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.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 if no impairment loss had been recognized.

2.3.13 Insurance contract liabilities

Insurance provision-non-life insurance

Non-life insurance contract liabilities include the outstanding claims provision including IBNR and IBNER, the provision for unearned premium, and the provision for premium deficiency. 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 valuations of unearned premium reserves are measured in accordance with guidelines of the Regulation of Insurance Industry Act, No. 43 of 2000 (i.e. based on the 1/365th basis).

The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims reserves are actuarially computed. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is canceled.

As required by the SLFRS 4 - Insurance Contracts, the Company performed a Liability Adequacy Test (LAT) (Note 15) in respect of Non - life insurance contract liabilities with the assistance of the external actuary.

2.3.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.3.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.
Other borrowing costs are expensed in the period in which they are incurred.

2.3.16 Insurance payables

Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method. Insurance payables are derecognized when the obligation under the liability is settled, canceled, or expired.

2.3.17 Other liabilities

Liabilities are recognized in the Statement of financial position when there is a present obligation as a result of a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor within one year of the Statement of financial position date are treated as current liabilities. Liabilities payable after one year from the reporting date are treated as non-current liabilities.

2.3.18 Provisions

Provisions are made for all obligations existing as at the Statement of financial position date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.3.19 Employee benefits

a)Defined contribution plans

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Plans are recognized as an employee benefit expense in the statement of income in the periods during which services are rendered by employees.

b)Employees' Provident Fund (EPF)

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the above-mentioned funds.

c)Employees' Trust Fund (ETF)

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

d)Defined benefits 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 benefit to determine its present value.

The calculation is performed annually by a qualified independent actuary using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - Employee Benefits. Actuarial gains and losses are charged or credited to the Statement of Comprehensive Income in the period in which they arise. The assumptions based on which the results of the actuarial valuation were determined are included in Note 17 to the financial statements.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

This retirement benefit obligation is not externally funded.

e) **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 recognized for the amount expected to be paid under a 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.

2.3.20 **Equity**

a)Stated capital

Stated capital in relation to the Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of calls on shares.

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

b)Movement of reserves

The movement of reserves is disclosed in the Statements of Changes in Equity.

2.3.21 **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes.

Gross written premium

Non-life insurance business

Gross insurance written premiums comprise the total premiums received /receivable for the whole period of cover provided by contracts entered into during the accounting period.

Gross written premium is generally recognized as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a 1/365th basis in accordance with industry practice. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under liabilities.

Premium ceded to reinsurers

Gross reinsurance premiums on insurance contracts are recognized as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurers. 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 deferred over the term of the underlying direct insurance policies for risks-attaching contracts using 1/365th basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000.

Fees and commission income

Policyholders are charged for policy administration services and other contract fees. These fees are recognized as revenue upon receipt or become due.

Interest income

Interest income and expenses are recognized in the statement of income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs, fees, and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Other income

Other income is recognized on an accrual basis.

2.3.22 **Benefits, claims and expenses**

Non-life insurance business

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31 December. Claims outstanding are assessed by reviewing the individual claim files and estimating changes in the ultimate cost of settling claims. The reserve in respect of claims Incurred But Not Reported (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. Whilst the Directors consider that the provision for claims-related reinsurance recoveries 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 adjustments to the amounts provided. Such adjustments are reflected in the financial statements for that period. The methods used, and the estimates made, are reviewed regularly.

Reinsurance claims

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

Other expenses

Expenses are recognized in the Statement of income 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 and equipment in a state of efficiency has been charged to statement of income in arriving at the profit for the year.

For the presentation of the statement of income the Directors are of the opinion that the nature of the expenses method present fairly the element of the Company's performance, and hence such presentation method is adopted.

Repairs and renewals are charged to the statement of income in the year in which the expenditure is incurred.

Finance costs

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets (other than trade receivables), that are recognized in the statement of income.

2.3.23 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. Current tax payable also includes any tax liability arising from the tax on dividend income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

2.3.24 Deferred tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act. No 24 of 2017 and subsequent amendments thereto.

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

Deferred tax is 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 substantively enacted by the reporting date.

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 income 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 realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense, in the statement of income.

2.3.25 Sales taxes (Value Added Tax)

Revenues, expenses and assets are recognized net of the amount of sales tax except for the following;

Sales tax incurred on a purchase of a assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized 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 part of other receivables or other payables in the reporting date.

2.3.26 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees) of the Company at exchange rates at the dates of the transactions.

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

All foreign exchange gains and losses are presented in the statement of income on a net basis within other income or other expenses.

2.3.27 Earnings per share

The Company presents basic/diluted earnings per share for its ordinary shares. Basic earnings per share 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 year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.3.28 Statement of cash flows

The Statement of Cash flows has been prepared using the 'Direct Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standards LKAS 7 'Statement of Cash Flows'.

2.3.29 Leases

The Company leases various equipment. Rental contracts are typically made for fixed periods of 6 months to 10 years.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- 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, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in statement of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3. PROPERTY AND EQUIPMENT

	Freehold Land	Freehold Building	Furniture & Fittings	Equipment	Computer Hardware	Motor Vehicle	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost							
As at 1 January 2024	47,000,000	42,039,000	197,007,692	81,823,047	93,908,160	-	461,777,899
Additions	-	-	97,883,219	39,504,982	19,619,338	-	157,007,539
Disposals/ transfers			-	(13,780,200)	-	-	(13,780,200)
Balance as at 1 January 2025	47,000,000	42,039,000	294,890,911	107,547,829	113,527,498	-	605,005,238
Additions	60,000,000	127,199,000	26,255,938	18,412,672	17,145,712	25,448,392	274,461,714
As at 31 December 2025	**107,000,000**	**169,238,000**	**321,146,849**	**125,960,502**	**130,673,058**	**25,448,392**	**879,466,952**
Accumulated depreciation							
As at 1 January 2024	-	806,227	126,426,299	57,860,563	60,803,639	-	245,896,729
Charge for the year	-	1,053,854	32,661,261	12,634,628	11,368,938	-	57,718,682
Disposals/ Transfers			-	(13,780,200)	-	-	(13,780,200)
Balance as at 1 January 2025	-	1,860,082	159,087,560	56,714,992	72,172,578	-	289,835,211
Charge for the year	-	3,446,847	44,384,593	17,589,730	14,896,300	2,133,482	82,450,952
As at 31 December 2025	**-**	**5,306,928**	**203,472,153**	**74,304,722**	**87,068,726**	**2,133,482**	**372,286,163**
Carrying amount							
As at 31 December 2025	**107,000,000**	**163,931,072**	**117,674,696**	**51,655,780**	**43,604,332**	**23,314,911**	**507,180,789**
As at 31 December 2024	47,000,000	40,178,918	135,803,351	50,832,837	41,354,920	-	315,170,027

3.1 During the financial year, the Company acquired property and equipment to the aggregate value of Rs. 274,461,714 (2024 - Rs. 157,007,539). Cash payments amounting to Rs. 274,461,714 (2024 - Rs. 157,007,539) were made during the year for purchase of property and equipment.

As at 31 December 2025 the gross carrying value of the property and equipment fully depreciated that is still in use amounted to Rs. 180,099,378 (2024 - Rs 164,479,621).

4. LEASES

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

4.1 Amounts recognised in the Statement of financial position.

	2025 Rs.	2024 Rs.
Right-of-use assets		
Buildings	**267,225,271**	**281,646,740**
	267,225,271	**281,646,740**
Movements of right-of-use assets during the year are as follows:		
Balance as at 1 January	281,646,740	133,396,721
Additions	63,946,096	243,611,853
De-recognition	(7,061,351)	(32,121,658)
Depreciation during the year	(71,306,214)	(63,240,177)
Balance as at 31 December	**267,225,271**	**281,646,740**
Lease liabilities		
Current	54,115,562	52,736,762
Non-current	247,218,830	251,831,464
	301,334,392	304,568,226
Movements of lease liabilities during the year are as follows:		
Balance as at 1 January	304,568,226	150,615,072
Additions	60,504,295	237,059,198
De-recognition	(7,119,755)	(39,005,254)
Payments during the year	(99,339,888)	(86,225,257)
Interest for the year	42,721,514	42,124,467
Balance as at 31 December	**301,334,392**	**304,568,226**

New rent agreements was entered into during the year in respect of Panadura,Gampaha, Tangalle,Ambalangoda,Badulla, Warakapola,Medawachchiya,Anurdhapura, Nikaweratiya,Kuliyapitiya,Kinniya,Vaunia,Akkareipattu,Rajagiriya.

4.2 Amounts recognised in the statement of income

The statement of profit or loss shows the following amounts relating to leases:

	2025 Rs.	2024 Rs.
Depreciation charge of right-of-use assets	71,306,214	63,240,177
Interest expense (included in finance cost)	42,721,514	42,124,467
The total cash outflow for leases the year was:	99,339,888	86,225,257

4.3 Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exercisable only by the Company and not by the respective lessor.

4.4 Critical judgements in determining the lease term

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

For leases of offices and equipment, the following factors are normally the most relevant:

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

As at 31 December 2025, potential future cash outflows of all lease liabilities have been included in the lease liability.

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

5. INTANGIBLE ASSETS

Cost	Computer Software	Capital Work in Progress	Total
	Rs.	Rs.	Rs.
Balance as at 1 January 2024	165,380,819	-	165,380,819
Additions	**5,078,001**	-	**5,078,001**
Balance as at 31 December 2024	**170,458,820**	**-**	**170,458,820**
Balance as at 1 January 2025	170,458,820	-	170,458,820
Additions	**52,406,686**	64,448,594	**116,855,281**
Balance as at 31 December 2025	**222,865,507**	**64,448,594**	**287,314,101**
Amortization and impairment losses			
Balance as at 1 January 2024	153,440,783	-	153,440,783
Charge for the year	3,560,042	-	3,560,042
Balance as at 31 December 2024	**157,000,825**	**-**	**157,000,825**
Balance as at 1 January 2025	157,000,825	-	157,000,825
Charge for the year	6,356,266	-	6,356,266
Balance as at 31 December 2025	**163,357,091**	**-**	**163,357,091**
Carrying Amount			
Balance as at 31 December 2025	**59,508,416**	**64,448,594**	**123,957,010**
Balance as at 31 December 2024	**13,457,996**	**-**	**13,457,996**

5.1 During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 52,406,686 (2024 - Rs. 5,078,001). Rs 52,406,686 cash payment were made during the year (2024 - Rs. 5,078,001) for the purchase of intangible assets.

5.2 Work in Progress comprises costs incurred in relation to the development and implementation of software systems required for compliance with IFRS 17.

6. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Company	Place of business / country of incorporation	Principal activities	No of shares		Holding %		Carrying value	Carrying value
			2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Serendib Microinsurance Plc	Kingdom of Cambodia	Life and Non-Life Insurance Businesses	450,000	450,000	15%	15%	185,834,392	122,383,144
							185,834,392	**122,383,144**

"In June 2021, the Company acquired a 45% voting interest in Serendib Microinsurance Plc (SMIPLC), which was initially accounted for as an associate. In January 2024, LOLC Asia Private Limited completed an equity investment of USD 2 million in SMIPLC. Following this transaction, the Company's effective shareholding in SMIPLC was diluted from 45% to 15%.

Notwithstanding the reduction in the voting interest, management has assessed that the Company continues to exercise significant influence over SMIPLC in accordance with the requirements of LKAS 28 – Investments in Associates and Joint Ventures. This assessment is based on the existence of factors such as representation in key decision-making processes and participation in relevant policy and operational matters.

Accordingly, the investment in SMIPLC continues to be accounted for as an investment in an associate using the equity method as at the reporting date."

Reconciliation of the carrying amount of Investment in associate is as follows;

	2025 Rs.	2024 Rs..
Balance at the beginning of the year	122,383,144	28,367,175
Share of profit during the year (Net of tax)	50,258,013	65,663,562
Net exchange differences on translation of foreign equity accounted investee	13,193,235	28,352,407
Balance at the end of the year	**185,834,392**	**122,383,144**

Summarized financial information of Serendib Microinsurance Plc as included in its own financial statements.

For the year ended 31st December	2025 Rs.	2024 Rs..
Revenue	2,705,829,670	1,913,980,950
Profit for the period	335,053,421	164,966,745
Total Assets	3,122,128,298	1,947,922,533
Total Liabilities	1,669,765,695	1,148,053,239

7. INVESTMENT SECURITIES

	Note	2025 Rs.	2024 Rs.
Available-for-sale investment securities	7.1	6,725,855,670	8,069,564,645
Loans and receivables	7.2	7,193,257,311	6,537,515,096
Trading assets - fair value through profit or loss	7.3	2,457,979,083	-
		16,377,092,064	**14,607,079,742**

7.1 Available-for-sale investment securities

		2025 Rs.	2024 Rs.
Government securities	7.1.1	6,725,855,670	8,069,564,645
		6,725,855,670	**8,069,564,645**

7.1.1 Government securities

	2025		2024	
	Cost Rs.	Fair Value Rs.	Cost Rs.	Fair Value Rs.
Treasury Bonds	5,944,791,406	6,725,855,670	7,062,640,455	8,069,564,645
	5,944,791,406	**6,725,855,670**	**7,062,640,455**	**8,069,564,645**

7.2 Loans and receivables

	2025 Rs.	2024 Rs.
Repurchase agreements (less than 3 months)	500,159,795	2,178,491,877
Term deposits	2,404,334,373	1,751,490,205
Corporate debentures	1,313,208,440	940,982,508
Commercial papers	2,975,554,703	1,666,550,506
	7,193,257,311	**6,537,515,096**

7.3 Trading assets - fair value through profit or loss

	2025 Rs.	2024 Rs.
Unit trust - CAL Investment Income Opportunities Fund	509,944,920	-
Unit trust - CAL Investment Grade Fund	762,804,894	-
Unit trust - First Capital Asset Management Limited	646,877,377	-
Unit trust - JB Finance Pvt Ltd	538,351,891	-
	2,457,979,083	-

8. REINSURANCE RECEIVABLES

	2025 Rs.	2024 Rs.
Reinsurance receivable on claims paid	1,489,165,847	591,059,923
	1,489,165,847	**591,059,923**

8.1 As at 31 December 2025, reinsurance receivables of Rs. 919,307,362 (2024 - Rs. 283,931,514) were past due but not impaired. These relate to a number reinsurers for whom there is no recent history of default. The ageing analysis of these reinsurance receivables are as follows:

	2025 Rs.	2024 Rs.
Less than 180 days	569,858,486	307,128,409
181 days to 365 days	546,880,888	63,330,516
over 365 days	372,426,473	220,600,998
	1,489,165,847	**591,059,923**

9. PREMIUM RECEIVABLES

	Note	2025 Rs.	2024 Rs.
Due from policyholders	9.1	3,065,993,691	2,532,685,570
Allowance for impairment	9.2	(204,758,570)	(146,442,035)
		2,861,235,121	**2,386,243,535**

9.1. Analysis of Impairment Provision on Insurance Receivables

	2025		2024	
	Exposure	Allowance for impairment	Exposure	Allowance for impairment
0 to 60 days	2,474,261,835	-	2,009,707,508	-
60 days to 365 days	482,637,884	95,664,599	522,978,062	146,442,035
over 365 days	109,093,972	109,093,970	-	-
	3,065,993,691	**204,758,570**	**2,532,685,570**	**146,442,035**

9.2. Movements on the allowance for impairment of insurance receivables are as follows:

	2025 Rs.	2024 Rs.
Balance as at 1 January	146,442,035	298,830,888
Provision /(reversal) for insurance receivables impairment	58,316,534	(152,388,852)
Balance as at 31 December	**204,758,570**	**146,442,035**

10. AMOUNTS DUE FROM RELATED PARTIES

	2025 RS.	2024 RS.
LOLC Life Assurance Limited	49,959,718	-
LOLC Asset Holdings PLC	197,474	197,474
	50,157,191	**197,474**

11. OTHER ASSETS

	2025 Rs.	2024 Rs.
Advances and prepayment	125,682,658	174,417,366
Taxes recoverable	52,775,818	14,385,464
Other assets	14,705,465	10,232,805
	193,163,941	**199,035,635**

12. CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

Components of Cash and Cash Equivalents

12.1 Favourable Cash and Favourable cash and bank balances

	2025 Rs.	2024 Rs.
Bank Balance	377,615,268	327,118,406
Cash in hand	400,000	225,000
Cash and Bank Balances	**378,015,268**	**327,343,406**

12.2 Unfavourable bank balances

	2025 Rs.	2024 Rs.
Bank overdraft balance	(124,335,935)	(222,054,728)

12.3 Short-term investments

	2025 Rs.	2024 Rs.
Placement with financial institutions (less than 3 months)	500,159,795	2,178,491,877
Cash and cash equivalent for the statement of cash flows	**753,839,128**	**2,283,780,554**

12.4 Net Debt Reconciliation

This section sets out an analysis of net debt and movements in net debt for each of the periods presented

	2025 Rs.	2024 Rs.
Cash and cash equivalents	753,839,128	2,283,780,554
Borrowings		
Interest bearing borrowings	(305,704,457)	(136,126,529)
Lease liabilities	(301,334,392)	(304,568,226)
Net cash	**146,800,279**	**1,843,085,799**
Cash and cash equivalents	753,839,128	2,283,780,554
Gross debt – fixed interest rates	(607,038,849)	(440,694,755)
Net (debt)/cash	**146,800,279**	**1,843,085,799**

12.4 Net Debt Reconciliation Contd...

	Liability from financing activities		Assets	Total
	Interest bearing borrowings	Lease liabilities	Cash and cash equivalents	
Net debt as at 1 January 2024	(141,634,768)	(150,615,072)	1,210,434,474	918,184,634
Cash flows	-	-	1,073,346,080	1,073,346,080
Interest amortised	(6,035,890)	-	-	(6,035,890)
Translation gain	11,544,128	-	-	11,544,128
Interest charge on lease liability	-	(42,124,467)	-	(42,124,467)
New lease liabilities	-	(237,059,198)	-	(237,059,198)
Derecognition	-	39,005,254	-	39,005,254
Lease payments during the year	-	86,225,257	-	86,225,257
Net debt as at 31 December 2024	**(136,126,530)**	**(304,568,226)**	**2,283,780,555**	**1,843,085,799**
Cash flows	-	-	(1,529,941,426)	(1,529,941,426)
Loans obtained from banks	(175,000,000)	-	-	(175,000,000)
Interest amortised	(22,306,168)	-	-	(22,306,168)
Translation gain	(7,725,505)	-	-	(7,725,505)
Repayments during the year	35,453,745	-	-	35,453,745
Interest charge on lease liability	-	(42,721,514)	-	(42,721,514)
New lease liabilities	-	(60,504,295)	-	(60,504,295)
Derecognition	-	7,119,755	-	7,119,755
Lease payments during the year	-	99,339,888	-	99,339,888
Net debt as at 31 December 2025	**(305,704,457)**	**(301,334,392)**	**753,839,128**	**146,800,279**

13. STATED CAPITAL

	2025		2024	
	No. of Shares	Rs.	No. of Shares	Rs.
13. 1 Fully paid ordinary shares	1,200,000,000	800,000,000	1,200,000,000	800,000,000

13.2 Fully Paid Ordinary Shares

	2025		2024	
	Number	Rs.	Number	Rs.
Balance at 1st January	1,200,000,000	800,000,000	1,200,000,000	800,000,000
Shares issued during the year	-	-	-	-
Number of shares before subdivision	1,200,000,000	800,000,000	1,200,000,000	800,000,000
Subdivision of shares	-	-	-	-
Balance at 31 December	**1,200,000,000**	**800,000,000**	**1,200,000,000**	**800,000,000**

14. CAPITAL RESERVES

Available for sale reserve

This represents the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Other reserve

Other reserve comprises of the day 01 fair value gain arising on the initial recognition of the related party loan obtained at a favourable interest rate. (Note 16.1)

Foreign exchange reserve

Foreign exchange reserve comprises of foreign exchange differences arising from the translation of the foreign associate of the Company.

15. INSURANCE CONTRACT LIABILITIES

	Note	2025 Rs.	2024 Rs.
Non-life insurance contracts	15.1	19,634,185,653	11,669,207,464
Total insurance contract liabilities		**19,634,185,653**	**11,669,207,464**

The Company has satisfied liability adequacy test

15.1 Non-life insurance contract liabilities

	Notes	2025 Insurance Contract liabilities	2025 Reinsurance of liabilities	2025 Net	2024 Insurance Contract liabilities	2024 Reinsurance of liabilities	2024 Net
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Provision for reported claims	15.2	11,001,176,972	(6,848,110,258)	4,153,066,714	4,853,141,850	(2,083,839,234)	2,769,302,615
IBNR		1,249,570,070	-	1,249,570,070	1,033,510,755	-	1,033,510,755
Outstanding claims provision		12,250,747,042	(6,848,110,258)	5,402,636,784	5,886,652,605	(2,083,839,234)	3,802,813,371
Provision for unearned premiums	15.3	7,383,438,612	(1,469,525,241)	5,913,913,371	5,782,554,859	(1,018,261,209)	4,764,293,650
Total non-life contract liabilities		**19,634,185,654**	**(8,317,635,498)**	**11,316,550,155**	**11,669,207,464**	**(3,102,100,444)**	**8,567,107,021**

15.2 Provision for reported claims

	2025 Insurance Contract liabilities	2025 Reinsurance of liabilities	2025 Net	2024 Insurance Contract liabilities	2024 Reinsurance of liabilities	2024 Net
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January	4,853,141,850	(2,083,839,234)	2,769,302,615	3,395,699,684	(1,542,554,692)	1,853,144,992
Claims incurred in the current accident year	12,554,258,927	(5,926,248,445)	6,628,010,481	7,240,598,873	(1,093,718,527)	6,146,880,346
Claims paid during the year	(6,406,223,805)	1,161,977,422	(5,244,246,383)	(5,783,156,708)	552,433,984	(5,230,722,723)
Balance as at 31 December	**11,001,176,972**	**(6,848,110,258)**	**4,153,066,714**	**4,853,141,850**	**(2,083,839,234)**	**2,769,302,615**

15.3 Provision for unearned premiums

	2025 Insurance Contract liabilities	2025 Reinsurance of liabilities	2025 Net	2024 Insurance Contract liabilities	2024 Reinsurance of liabilities	2024 Net
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January	5,782,554,859	(1,018,261,209)	4,764,293,650	5,271,963,586	(965,530,811)	4,306,432,775
Premiums written in the year	13,370,952,439	(4,222,891,230)	9,148,061,210	11,101,800,278	(1,947,255,215)	9,154,545,063
Premiums earned during the year	(11,770,068,687)	3,771,627,198	(7,998,441,489)	(10,591,209,004)	1,894,524,816	(8,696,684,188)
Balance as at 31 December	**7,383,438,612**	**(1,469,525,241)**	**5,913,913,371**	**5,782,554,859**	**(1,018,261,209)**	**4,764,293,650**

15.4. COMMISSION RESERVES

	2025			2024		
	Deferred acquisition costs	Deferred reinsurance commission income	Net	Deferred acquisition costs	Deferred reinsurance commission income	Net
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January	(259,989,876)	303,349,171	43,359,295	(252,454,823)	313,719,615	61,264,791
Change in commission reserves	(69,578,769)	123,119,509	53,540,740	(7,535,052)	(10,370,444)	(17,905,496)
Balance as at 31 December	**(329,568,645)**	**426,468,680**	**96,900,035**	**(259,989,876)**	**303,349,171**	**43,359,295**

15.5 A liability adequacy test (LAT) was performed by NMG Financial Services Consulting Pte Limited, a firm of professional actuaries as at 31 December 2025 as required by SLFRS 4 - Insurance Contracts in order to assess the adequacy of the carrying amount of the provision for unearned premiums. The valuation is based on internationally accepted actuarial methods and is performed on a quarterly basis. According to the report issued by NMG Financial Services Consulting Pte Limited, the liability carried forward by the Company was adequate. Hence, no provision was made for premium deficiency for the year ended 31 December 2025 (2024 - Nil).

16. INTEREST BEARING LOANS AND BORROWINGS

		Company	
	Note	2025 Rs.	2024 Rs.
Related party borrowing - LOLC Global Private Limited	16.1	152,348,943	136,126,527
Due to banks	16.2	153,355,514	-
		305,704,457	**136,126,527**

16.1 Movements of related party borrowing

	2025 Rs.	2024 Rs.
Balance at the beginning of the year	136,126,527	141,634,765
Interest charged during the year	8,496,911	6,035,890
Exchange loss/(Gain) on translation	7,725,505	(11,544,128)
Balance at the end of the year	**152,348,943**	**136,126,527**

Details of related party loans included in interest bearing loans and borrowings

Lender	Relationship	Interest rate	Currency	Repayment Terms	Security	2025 Rs.	2024 Rs.
LOLC Global Private Limited	Subsidiary of ultimate parent company	2.50%	USD	On demand	Unsecured	152,348,943	136,126,527
						152,348,943	**136,126,527**

16.2 Movements of bank borrowings

	2025 Rs.	2024 Rs.
Balance at the beginning of the year	-	-
Loans obtained during the year	175,000,000	-
Interest charged during the year	13,809,259	-
Repayments during the year	(35,453,745)	-
Balance at the end of the year	**153,355,514**	-

17. RETIREMENT BENEFIT OBLIGATIONS

17.1 Defined Benefit Liability

	Note	2025 Rs.	2024 Rs.
Defined Benefit Liability	17.2	74,089,921	62,113,840
		74,089,921	**62,113,840**

17.2 Changes in the defined benefit liabilities are as follows:

	2025 Rs.	2024 Rs.
Defined benefit obligation as of 01 January	62,113,840	57,727,149
Amounts recognised in profit or loss		
Current service cost	11,399,129	12,573,828
Interest costs	7,453,660	7,504,529
Amount recognised in other comprehensive income		
Actuarial (gain)/loss	4,264,946	(7,070,098)
Gratuity payment	**(11,141,654)**	**(8,621,568)**
Defined benefit liability as of 31 December	**74,089,921**	**62,113,840**

17.3 Key assumptions used in the above valuation are as follows:

	2025 Rs.	2024 Rs.
Discount rate	10.00%	12.00%
Future salary increases	8.00%	10.00%
Retirement age	60 years	60 years

An actuarial valuation for the gratuity liability was carried out as at 31st December 2025, by Piyal S Goonetilleke and Associate who is a chartered actuary. The valuation method used by the actuaries to value the fund is the "Projected Unit Credit Actuarial Cost Method" recommended by LKAS. 19 on Employee Benefit.

17.4 Sensitivity analysis on discounting rate and salary increment rate to Statement of Financial Position and Comprehensive Income.

Assumption	Rate change %	Impact to Financial Position	Impact to Comprehensive Income
As at 31 December 2025			
Discount rate	1+	(5,134,616)	(5,134,616)
Discount rate	1-	5,901,172	5,901,172
Salary increment rate	1+	5,948,452	5,948,452
Salary increment rate	1-	(5,260,349)	(5,260,349)
As at 31 December 2024			
Discount rate	1+	(4,136,149)	(4,136,149)
Discount rate	1-	4,746,992	4,746,992
Salary increment rate	1+	4,787,566	4,787,566
Salary increment rate	1-	(4,238,189)	(4,238,189)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

17.5 THE EXPECTED BENEFIT PAYOUT IN THE FUTURE YEARS FOR RETIREMENT GRATUITY

	2025 Rs.	2024 Rs.
Within next 12 months	9,094,326	8,324,883
Between 2 and 5 years	43,808,167	36,509,490
Beyond 5 year	**70,438,804**	**76,252,412**

18. REINSURANCE CREDITORS

	2025 Rs.	2024 Rs.
Domestic Reinsurers	1,177,906,734	628,366,227
Foreign Reinsurers	251,770,337	251,770,337
	1,429,677,071	**880,136,564**

19. AMOUNTS DUE TO RELATED PARTIES

	2025 Rs.	2024 Rs.
LOLC Holdings PLC	104,609,604	151,995,985
LOLC Finance PLC	45,773,891	53,102,271
LOLC Information Technologies Ltd	18,264,709	11,634,556
LOLC Corporate Services Ltd	350,000	350,000
LOLC Life Assurance Limited	-	2,400,945
LOLC Motors Limited	-	201,421
	168,998,204	**219,685,178**

20. OTHER LIABILITIES

		2025 Rs.	2024 Rs.
Other financial liabilities	20.1	1,378,123,262	921,365,194
Non-financial liabilities	20.2	348,746,966	264,259,255
		1,726,870,228	**1,185,624,449**

20.1 Other Financial Liabilities

	2025 Rs.	2024 Rs.
Agency commission payable	275,520,708	243,085,489
Accrued expenses	60,567,403	3,500,000
Excess payments received from clients	5,197,234	5,059,360
Policy holders advance payments	552,443,609	212,129,792
Other creditors	484,394,307	457,590,553
	1,378,123,262	**921,365,194**

20.2 Non-financial liabilities

	2025 Rs.	2024 Rs.
VAT payable	260,024,284	188,925,475
Stamp duty payable	5,336,489	3,464,862
PAYE tax payable	5,206,761	7,852,837
Luxury and semi luxury tax payable	56,692,699	46,742,199
Cess payable	11,959,421	9,101,604
CRSF payable	120,755	51,507
EPF and ETF payable	9,406,557	8,120,771
	348,746,966	**264,259,255**

21. NET WRITTEN PREMIUM

21.1 Gross premiums on insurance contracts

	2025 Rs.	2024 Rs.
General - Non-Life Insurance	12,031,783,879	10,134,413,195
Takaful - Non-Life Insurance	1,339,168,560	967,387,083
Total gross premiums	**13,370,952,439**	**11,101,800,278**

21.2 Premiums ceded to reinsurers on insurance contracts

	2025 Rs.	2024 Rs.
Non-Life Insurance	4,222,891,230	1,947,255,215
Total premiums ceded to reinsurers	**4,222,891,230**	**1,947,255,215**
Total net premiums	**9,148,061,209**	**9,154,545,063**

22 INVESTMENT INCOME

22.1 Available-for-sale financial assets

	2025 Rs.	2024 Rs.
Interest income	897,320,139	1,433,057,058

22.2 Loans and Receivables

	2025 Rs.	2024 Rs.
Repurchase agreements	44,753,699	40,339,709
Income from Takaful investments	92,579,010	98,541,741
Corporate debentures	113,820,449	109,306,480
Commercial papers	365,518,371	100,542,516
Term deposits	65,306,232	54,695,462
Asset backed securities	34,247	**9,601,712**

22.3 Unrealised gains on fair value through profit or loss

	2025 Rs.	2024 Rs.
Unrealised gain from unit trusts	107,979,083	-

22.4 Realised gains on fair value through profit or loss

	2025 Rs.	2024 Rs.
Realised gain from unit trusts	-	4,664,066

22.5 Realised gain on available-for-sale investment securities

	2025 Rs.	2024 Rs.
Realised gain on disposal of available-for-sale investment securities	51,781,200	-
Total investment income	**1,739,092,429**	**1,850,748,744**

23. FEES AND COMMISSION INCOME

	2025 Rs.	2024 Rs.
Policy fees	655,502,699	449,950,731
Total fees and commission income	**655,502,699**	**449,950,731**

24. OTHER INCOME

	2025 Rs.	2024 Rs.
Asset hire income	73,110,774	58,864,331
Interest income on saving deposits	4,412,530	1,215,680
Foreign exchange gains	(5,428,457)	42,384,415
Sundry income	34,387,766	7,835,955
	106,482,612	**110,300,381**

25. NET BENEFITS AND CLAIMS

	2025 Rs.	2024 Rs.
Non-life insurance contracts	12,615,544,222	7,303,228,227
Total gross benefits and claims	**12,615,544,222**	**7,303,228,227**
Claims ceded to reinsurers		
Non-life insurance contracts	5,926,248,445	1,093,808,827
Total claims ceded to reinsurers	**5,926,248,445**	**1,093,808,827**
Net benefits and claims	**6,689,295,777**	**6,209,419,400**

26. ACQUISITION COSTS

	2025 Rs.	2024 Rs.
Amounts paid to agents	(605,535,616)	(538,477,560)
Amounts received from reinsurers	892,458,381	263,896,989
	286,922,764	(274,580,571)
Movement in deferred acquisition costs	69,578,769	7,535,052
Movement in deferred reinsurance commissions income	(123,119,509)	10,370,444
Net Acquisition Cost (Net of reinsurance commission)	**233,382,025**	**(256,675,075)**

27. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

		2025 Rs.	2024 Rs.
Staff expenses	27.1	1,077,860,108	1,115,240,497
Administration and establishment expenses		2,000,194,552	1,887,817,882
Selling expenses		828,591,185	826,590,964
Depreciation and amortization		88,807,218	61,278,724
Amortization of right of use assets		71,306,214	63,240,177
Specific bad debts wirtten off		-	364,198,324
Impairment loss / (reversal) on premium receivable		58,316,534	(152,388,852)
		4,125,075,811	**4,165,977,716**

27.1. Staff Expenses

	2025 Rs.	2024 Rs.
Salaries and bonus	919,496,114	841,256,393
Contribution to defined contribution plans - EPF and ETF	71,375,713	62,590,236
Staff welfare	64,680,529	188,771,121
Staff training	3,454,963	2,544,390
Defined benefit obligation expenses	18,852,789	20,078,357
	1,077,860,108	**1,115,240,497**

28. PROFIT FROM CONTINUING OPERATIONS

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

	2025 Rs.	2024 Rs.
Auditors' remuneration	4,205,400	3,691,430
Advertising costs	40,954,760	16,240,622
Business promotion	676,116,475	652,924,449
Agency allowance	42,344,202	59,395,132
Referral fee	855,232,807	796,210,912

29. FINANCE COST

	2025 Rs.	2024 Rs.
Interest expense on borrowings	29,663,041	21,629,598
Interest expense on leases	42,721,514	42,124,467
	72,384,554	**63,754,065**

30. TAXATION

30.1 Tax Recognised in Statement of Profit or Loss

	Note	2025 Rs.	2024 Rs.
Current income tax			
Provision for the year	30.2	-	81,050,021
Under/(over) provision of taxes in respect of prior years		(1,005,004)	-
Deferred tax expense			
Deferred tax (reversal)/expense	30.3	(16,517,994)	46,176,334
		(17,522,998)	**127,226,355**
Effective income tax rate (%)		16.91%	26.64%

30.2 Reconciliation of the Accounting Profit to Income Tax Expense

	2025 Rs.	2024 Rs.
Profit / (Loss) before income tax	(103,596,875)	477,521,350
Add - Aggregate disallowed items	363,404,557	65,835,515
Less - Exempt Amounts, Final withholding payments and Other Sources	(1,869,517,033)	(1,997,242,541)
Less - Aggregate allowable expenses	(219,425,646)	(172,334,853)
Assessable loss from Business	(1,829,134,998)	(1,626,220,529)
Income from Investment	1,785,267,771	1,890,887,265
Less - Utilisation of Tax losses	(1,785,267,771)	(1,620,720,529)
Assessable Income from Investment	-	270,166,736
Taxable Income	**-**	**270,166,736**
At the statutory income tax rate of 30% (2024 - 30%)	**-**	**81,050,021**

30.3 Deferred Tax

	Statement of Financial Position		Statement of Profit or Loss		Statement of Comprehensive Income	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Deferred tax liability						
Accelerated depreciation - Own assets	17,385,489	10,738,689	6,646,800	4,257,057	-	-
Available-for-sale investment securities	175,281,335	220,149,842	-	-	(44,868,508)	122,455,596
Right-of-use assets	80,167,581	84,494,022	(4,326,441)	44,475,006	-	-
	272,834,404	**315,382,553**	**2,320,359**	**48,732,063**	**(44,868,508)**	**122,455,596**
Deferred tax asset						
Retirement benefit obligations	22,226,976	18,634,152	(2,313,340)	(2,086,438)	(1,279,484)	770,431
Allowance for impairment	22,486,247	4,991,084	(17,495,163)	45,716,656	-	-
Leases	90,400,317	91,370,468	970,150	(46,185,946)	-	-
	135,113,541	114,995,704	(18,838,353)	(2,555,729)	(1,279,484)	770,431
Net deferred tax liability	**(137,720,864)**	**(200,386,849)**	**(16,517,994)**	**46,176,334**	**(46,147,992)**	**123,226,027**

30.4 Income tax payable

	2025 Rs.	2024 Rs.
Balance at the beginning of the year	146,356,600	529,473,198
Provision for the year	-	81,050,021
Under/(over) provision of income tax in respect of prior years	(1,005,004)	-
Adjustment for surcharge tax	-	(83,828,855)
Payments made during the period		
Self-assessment payments	(75,654,552)	(224,166,618)
Surcharge tax payments		(156,171,145)
WHT Credit	(14,390,464)	-
Balance at the end of the year	**55,306,580**	**146,356,600**

31. BASIC EARNINGS PER SHARE

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.

	2025 Rs	2024 Rs
Profit for the year	(86,073,876)	350,294,996
Weighted average number of ordinary shares	1,200,000,000	1,200,000,000
Basic earnings per share	(0.07)	0.29

31.1 Diluted Earnings Per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefor, diluted earnings per share is same as the basic earnings per share stated above.

32. COMMITMENTS AND CONTINGENCIES

32.1 Commitments and Contingencies

32.1.1 Commitments

There were no material capital commitments or contingent liabilities, which require adjustment to or disclosure in the financial statements as at the reporting date.

32.1.2 Letter of Guarantees

Litigation is a common occurrence in the insurance industry due to the nature of the business undertaken. The company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the company makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigations against the company at the reporting date which would have a material impact on the financial statements.

33 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows :

33.1 Transactions with the Parent Company

Company Name	Nature of Transaction	2025 Rs.	2024 Rs.
LOLC Holdings PLC	Fund transfers out	981,351,182	900,652,484
	Fund transfers in	981,351,182	900,652,484
	Interest expense on current account	7,356,872	13,575,236
	Expenses incurred on behalf of company	352,807,408	527,609,263
	Fixed assets transfers	16,906,619	11,483,238
	Current Account settlements	680,878,315	772,839,918
	Investment handling and fund mobilization charges	256,421,035	239,424,240

33.2 Transactions with Affiliate Companies

Company Name	Nature of Transaction	2025 Rs.	2024 Rs.
LOLC Finance PLC	Expenses incurred on behalf of Company	16,641,745	30,664,107
	Current Account settlements	1,051,641,101	-
	Insurance premium in respect of customers introduced	3,759,406,872	3,532,142,181
	Other	172,438,168	-
	Referral fee payments	855,232,807	745,076,863
Browns & Company PLC	Insurance premium received	22,078,083	23,438,602
	Rent paid	-	4,911,544
	Investments in Commercial papers	922,976,234	803,711,507
	Interest income from commercial papers	107,751,765	26,200,300
Commercial Insurance Brokers (Pvt) Ltd	Broker commission paid	39,085,404	16,866,796
Seylan Bank PLC	Insurance premium in respect of customers introduced and direct	278,680,216	213,586,604
	Banc assurance fees paid	33,542,549	25,853,822
LOLC Information Technologies Ltd	Expenses incurred on behalf of Company	205,347,883	197,967,766
	Current Account settlements	198,717,730	
LOLC Corporate Services Ltd	Secretarial services	4,200,000	4,200,000
	Current Account settlements	4,200,000	-
LOLC Life Assurance (Pvt) Ltd	Current account settlements by Life Assurance	56,576,545	71,537,671
	Expenses incurred on behalf of Life Assurance	69,729,091	3,683,726
	Expenses Allocation	74,248,414	59,569,666
	Other	35,040,297	5,108,942
Browns Investments PLC	Investments in Commercial papers	939,578,964	800,000,000
	Interest income from commercial papers	137,932,769	56,002,454
LOLC Global Private Limited	Interest amortised	8,496,910	6,035,890
	Translation loss	7,725,505	(11,544,128)
	Outstanding loan balance	152,348,943	136,126,529

33.3 Transactions with Key Management Personal

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director (whether executive or otherwise) of the entity and its parent.

33.3.1 Key Management Personal Compensation

	2025 Rs.	2024 Rs.
Short-term employment benefits	72,743,273	59,703,837
Post-employment benefits - Defined benefit plans	-	-
Post-employment benefits - Defined contribution Plans	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-

33.3.2 Other Transactions

	2025 Rs.	2024 Rs.
Premium of insurance policies obtained by key management personal	-	-

33.3.3 Expenses incurred by the Ultimate Parent on behalf of the Company are allocated based on a pre-agreed basis within the group companies. The loan from the affiliated Company includes a repayable on demand clause and the interest rate applicable is 2.5%. Other outstanding balances other than the related party loan are unsecured and are repayable in cash.

34. FINANCIAL REPORTING BY SEGMENT

Primary Segments (Business Segments)

For management purposes, the Company is organized into two operating segments as follows.

Motor insurance - Coverage for motor vehicles against loss or damage caused by accidents, fire and theft and legal liability to third parties in the event of physical injuries or property damage.

Non Motor insurance - Coverage for non-motor risks

	Motor		Non Motor		Total	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Gross Written Premium	10,380,069,003	8,166,943,343	2,990,883,436	2,934,856,935	13,370,952,439	11,101,800,278
Reinsurance Premium Ceded	(2,024,376,882)	(644,643,749)	(2,198,514,348)	(1,302,611,466)	(4,222,891,230)	(1,947,255,215)
Net Written Premium	8,355,692,121	7,522,299,594	792,369,088	1,632,245,469	9,148,061,210	9,154,545,063
Net change in reserve for unearned premium	(1,102,570,371)	(339,360,651)	(47,049,351)	(118,500,224)	(1,149,619,721)	(457,860,875)
					-	
Net earned premiums	**7,253,121,751**	**7,182,938,943**	**745,319,738**	**1,513,745,245**	**7,998,441,489**	**8,696,684,188**
Net benefits and claims	4,950,267,025	4,908,485,290	1,739,028,752	1,300,934,111	6,689,295,777	6,209,419,401
Gross benefits and claims paid	4,472,446,623	4,404,489,983	1,933,777,182	1,166,902,828	6,406,223,805	5,571,392,811
Claims ceded to reinsurers	(63,282,266)	(4,586,470)	(1,098,695,156)	(547,847,514)	(1,161,977,422)	(552,433,984)
Gross change in contract liabilities	750,404,494	206,826,373	5,414,462,799	1,243,198,289	6,164,867,293	1,450,024,662
Change in contract liabilities - ceded to reinsurers	(271,491,135)	(12,000)	(4,492,779,888)	(541,362,842)	(4,764,271,023)	(541,374,842)
Change in contract liability - life, non life	**62,189,309**	**301,767,405**	**(17,736,184)**	**(19,956,650)**	**44,453,125**	**281,810,755**
Underwriting and net acquisition costs (including reinsurance)	(146,555,764)	276,385,042	(86,826,261)	(19,709,967)	(233,382,025)	256,675,075
Underwriting results	**2,449,410,490**	**1,998,068,611**	**(906,882,754)**	**232,521,102**	**1,542,527,736**	**2,230,589,712**
Other revenue					**2,501,077,741**	**2,410,999,855**
Investment income					1,579,332,147	1,846,084,678
Fees and commission income					655,502,699	449,950,731
Unrealised gain from unit trusts					107,979,083	-
Realised gain from unit trusts					-	4,664,066
Realised gain on disposal of available-for-sale investment securities					51,781,200	-
Other operating revenue					106,482,612	110,300,381
Other expenses					**4,197,460,365**	**4,229,731,781**
Other operating and administrative expenses					4,125,075,811	4,165,977,716
Finance costs					72,384,554	63,754,065
Share of profit of equity accounted investees (Net of tax)					50,258,013	65,663,562
Profit before tax					(103,596,875)	477,521,350
Income tax expense					17,522,998	(127,226,354)
Profit for the year					**(86,073,876)**	**350,294,995**
Segment assets	10,090,233,927	4,663,520,196	2,907,371,185	1,675,873,581	12,997,605,113	6,339,393,777
Unallocated assets	-	-	-	-	18,082,625,925	15,866,314,164
Total Assets					31,080,231,038	22,205,707,941
Segment liabilities	16,683,263,506	9,454,972,575	4,807,067,898	3,397,720,624	21,490,331,404	12,852,693,198
Unallocated liabilities	-	-	-	-	2,894,360,580	2,476,916,400
Total Liabilities					**24,384,691,984**	**15,329,609,598**

35. FAIR VALUE OF FINANCIAL INVESTMENTS

35.1 Fair value of financial investments and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which Fair Value

For financial assets/liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair value due to their short term nature. This assumption is also applied to savings accounts without a specific maturity.

Assets	Liabilities
Cash in hand and balances at bank	Bank overdraft
Repurchase agreements	Outstanding commission payable
Fixed deposits with less than three months remaining maturity	Reinsurance payables
Savings accounts	Amounts due to related parties
Insurance receivables	Other liabilities
Reinsurance receivables	Interest bearing loans and borrowings
Amounts due from related parties	

Fixed Deposits with more than three months remaining maturity

The fair values are estimated based on discounted cash flows using rates currently available for similar instruments on similar term, credit risk and remaining maturities.

35.2 Determination of fair value and fair values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. \
- Level 2:The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.This is the case for unlisted equity securities.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services.

	Level 1	Level 2	Total fair value
	Rs.	Rs.	Rs.
As at 31 December 2025			
Available-for-sale financial assets			
Government securities	-	6,725,855,670	6,725,855,670
Trading assets - fair value through profit or loss			
Investments in Unit Trusts	2,457,979,083	-	2,457,979,083
	2,457,979,083	6,725,855,670	9,183,834,753
As at 31 December 2024			
Available-for-sale financial assets			
Government securities	-	8,069,564,645	8,069,564,645
	-	8,069,564,645	8,069,564,645

The inputs used for fair valuation of Level 2 financial investments are based on current market yields , and the valuation is performed using the Discounted Cash Flow (DCF) method.

36. ANALYSIS OF FINANCIAL INSTRUMENT BY MEASUREMENT BASIS

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

As at 31 December 2025	Loans and Receivables	Available-for-sale	Trading assets - FVTPL	Other Financial Assets/ Liabilities	Total
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.
Financial investments	7,193,257,311	6,725,855,670	2,457,979,083	-	16,377,092,064
Premium receivables	2,861,235,121	-	-	-	2,861,235,121
Reinsurance receivable	1,489,165,847	-	-	-	1,489,165,847
Amounts due from related parties	50,157,191	-	-	-	50,157,191
Cash and cash equivalent	-	-	-	378,015,268	378,015,268
Total Financial Assets	**11,593,815,471**	**6,725,855,670**	**2,457,979,083**	**378,015,268**	**21,155,665,492**
Financial Liabilities					
Interest bearing borrowings	-	-	-	305,704,457	305,704,457
Amounts due to related parties	-	-	-	168,998,204	168,998,204
Other financial liabilities	-	-	-	1,378,123,262	1,378,123,262
Reinsurance creditors	-	-	-	1,429,677,071	1,429,677,071
Lease liability	-	-	-	301,334,392	301,334,392
Bank overdraft	-	-	-	124,335,935	124,335,935
Total Financial Liabilities	**-**	**-**	**-**	**3,708,173,319**	**3,708,173,319**

As at 31 December 2024	Loans and Receivables	Available-for-sale	Trading assets - FVTPL	Other Financial Assets/ Liabilities	Total
Financial Assets	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Financial investments	6,537,515,096	8,069,564,645	-	-	14,607,079,742
Premium receivables	2,386,243,535	-	-	-	2,386,243,535
Reinsurance receivable	591,059,923	-	-	-	591,059,923
Amounts due from related parties	197,474	-	-	-	197,474
Cash and cash equivalent	-	-	-	327,343,406	327,343,406
Total Financial Assets	**9,515,016,027**	**8,069,564,645**	**-**	**327,343,406**	**17,911,924,079**
Financial Liabilities					
Interest bearing borrowings	-	-	-	136,126,529	136,126,529
Amounts due to related parties	-	-	-	219,685,178	219,685,178
Other financial liabilities	-	-	-	921,365,194	921,365,194
Reinsurance creditors	-	-	-	880,136,564	880,136,564
Lease liability	-	-	-	304,568,226	304,568,226
Bank overdraft	-	-	-	222,054,728	222,054,728
Total Financial Liabilities	**-**	**-**	**-**	**2,683,936,419**	**2,683,936,419**

37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON EXPECTED RECOVERY DATES OR THE REMAINING MATURITIES AT THE REPORTING DATE

The table below summarizes the maturity profile of the Company's financial assets and liabilities at the reporting date.

	31.12.2025			31.12.2024		
	Less than12 Months	More than 12 Months	Carrying amount	Less than12 Months	More than 12 Months	Carrying amount
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Property and equipment	-	507,180,789	507,180,789	-	315,170,027	315,170,027
Right-of-use assets	64,282,620	202,942,651	267,225,271	5,487,402	276,159,338	281,646,740
Intangible assets	64,448,594	59,508,416	123,957,010	-	13,457,996	13,457,996
Equity accounted investee	-	185,834,392	185,834,392	-	122,383,144	122,383,144
Investment securities	9,710,707,169	6,666,384,894	16,377,092,064	6,599,485,654	8,007,594,088	14,607,079,742
Reinsurance assets	8,317,635,499	-	8,317,635,499	3,102,100,444	-	3,102,100,444
Reinsurance receivables	1,116,739,374	372,426,473	1,489,165,847	370,458,925	220,600,998	591,059,923
Deferred acquisition costs	329,568,645	-	329,568,645	259,989,876	-	259,989,876
Premiums receivable	2,861,235,121	-	2,861,235,121	2,386,243,535	-	2,386,243,535
Amounts due from related parties	50,157,191	-	50,157,191	197,474	-	197,474
Other assets	193,163,941	-	193,163,941	199,035,635	-	199,035,635
Cash and bank balances	378,015,268	-	378,015,268	327,343,406	-	327,343,406
Total assets	**23,085,953,423**	**7,994,277,615**	**31,080,231,038**	**13,250,342,350**	**8,955,365,591**	**22,205,707,941**
Liabilities						
Insurance contract liabilities	19,634,185,653	-	19,634,185,653	11,669,207,464	-	11,669,207,464
Long-term borrowings	204,123,922	101,580,535	305,704,457	-	136,126,529	136,126,527
Retirement benefit obligations	-	74,089,921	74,089,921	-	62,113,840	62,113,840
Lease liabilities	54,115,562	247,218,830	301,334,392	52,736,762	251,831,464	304,568,226
Reinsurance creditors	1,429,677,071	-	1,429,677,071	880,136,564	-	880,136,564
Deferred reinsurance commission income	426,468,680	-	426,468,680	303,349,171	-	303,349,171
Income tax liability	55,306,580	-	55,306,580	146,356,601	-	146,356,601
Deferred tax liability	137,720,864	-	137,720,864	200,386,850	-	200,386,850
Amounts due to related parties	168,998,204	-	168,998,204	219,685,178	-	219,685,178
Other liabilities	1,726,870,228	-	1,726,870,228	1,185,624,449	-	1,185,624,449
Bank overdraft	124,335,935	-	124,335,935	222,054,728	-	222,054,728
Total liabilities	**23,961,802,698**	**422,889,286**	**24,384,691,985**	**14,879,537,767**	**450,071,833**	**15,329,609,598**

38 RISK MANAGEMENT FRAMEWORk

(a) Insurance Risk

The Company principally issues the following types of general insurance contracts: motor, fire, engineering, liability, marine, miscellaneous, workmen's compensation. Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

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

Key assumptions and sensitivities

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience.

Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation is provided below

Impact on Claim Liability to Changes in Key Variables

			Undiscounted		
Variable	Change In Variable	Central Estimate of Claim Liability (incl CHE)	75% Claim Liability	Change in CE Claim Liability (incl CHE)	Change in 75% Claim Liability
Original		5,042,912,000	5,402,636,000	-	-
CHE	10%	5,062,839,000	5,424,559,000	19,927,000	21,923,000
CHE	-10%	5,022,986,000	5,380,713,000	-19,926,000	-21,923,000
ULR %	10%	5,808,551,000	6,224,088,000	765,638,000	821,452,000
ULR %	-10%	4,277,274,000	4,581,184,000	-765,638,000	-821,452,000
PRAD	Double	5,042,912,000	5,762,360,000	-	359,724,000
PRAD	Halve	5,042,912,000	5,222,774,000	-	-179,862,000

CHE - Claim Handling Expenses
ULR - Ultimate Loss Ratio
RAD - Provision of risk margin for adverse deviation

Impact on Premium Liability to Changes in Key Variables

			Undiscounted	
Variable	Change In Variable	URR at 75% Confidence Level	Premium Liability (PL)	Change in Premium Liability
Original		5,414,962,000	6,011,263,000	-
URR %	10%	5,879,746,000	6,011,263,000	-
URR %	-10%	4,950,178,000	6,011,263,000	-
Expenses*	10%	5,445,739,000	6,011,263,000	-
Expenses*	-10%	5,243,762,000	6,011,263,000	-
PRAD	Double	6,093,662,000	6,093,662,000	82,399,000
PRAD	Halve	5,075,612,000	6,011,263,000	-

* Inclusive of CHE and ME
URR - Unexpired Risk Reserve
PRAD - Provision of risk margin for adverse deviation

Gross non–life insurance contract outstanding claims provision for 2025 is given below.

Gross non–life insurance contract outstanding claims provision for 2025 is given below.

Accident year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	TOTAL
Claims incurred	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At the end of accident year	714,918,714	350,157,098	56,992,770	47,689,818	40,945,808	32,875,327	30,876,867	30,052,785	45,061,996	37,560,992	48,185,991	-
One year later	2,187,847,615	602,406,418	182,407,550	84,315,757	48,349,129	42,168,637	40,497,387	47,572,416	31,219,207	19,532,106	-	-
Two years later	2,141,200,732	538,520,039	104,652,434	64,010,740	53,849,378	52,229,821	65,458,378	57,994,645	49,481,281	-	-	-
Three years later	2,392,729,828	637,723,225	131,079,915	180,045,987	154,154,678	164,764,635	148,395,922	138,636,097	-	-	-	-
Four years later	3,112,234,031	1,128,712,552	144,325,336	71,590,574	90,658,869	78,902,859	61,710,414	-	-	-	-	-
Five years later	2,202,949,345	553,580,356	110,716,695	77,884,160	55,935,575	43,412,295	-	-	-	-	-	-
Six years later	2,992,621,160	906,647,641	196,831,906	119,614,603	89,283,766	-	-	-	-	-	-	-
Seven years later	4,300,455,837	1,531,718,885	566,475,574	598,815,583	-	-	-	-	-	-	-	-
Eight years later	7,431,307,869	3,530,160,570	1,522,663,162	-	-	-	-	-	-	-	-	-
Nine years later	5,962,093,346	1,965,564,283	-	-	-	-	-	-	-	-	-	-
Ten years later	12,870,115,797	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	**12,870,115,797**	**1,965,564,283**	**1,522,663,162**	**598,815,583**	**89,283,766**	**43,412,295**	**61,710,414**	**138,636,097**	**49,481,281**	**19,532,106**	**48,185,991**	**17,407,400,776**

Accident year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	Total
Claims paid	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At the end of accident year	(257,648,088)	(315,263,508)	(18,445,367)	(6,366,866)	(6,264,155)	(2,210,000)	(550,000)	(550,918)	(1,536,128)	(2,050,000)	(8,100,000)	-
One year later	(1,501,762,333)	(427,093,854)	(100,108,284)	(29,784,349)	(4,770,111)	(850,000)	(6,200,000)	(5,955,709)	(2,844,631)	(1,675,000)	-	-
Two years later	(1,411,767,899)	(445,379,775)	(41,329,427)	(4,359,649)	(1,962,249)	(1,250,000)	(3,167,097)	(4,303,364)	(6,150,000)	-	-	-
Three years later	(1,743,865,815)	(503,020,596)	(33,776,835)	(24,536,341)	(8,471,504)	(2,241,877)	(3,174,470)	(750,000)	-	-	-	-
Four years later	(1,909,145,407)	(995,560,021)	(67,334,285)	(4,717,580)	(4,248,310)	(9,630,845)	(10,778,400)	-	-	-	-	-
Five years later	(1,439,772,232)	(476,240,052)	(32,449,949)	(17,771,992)	(7,377,282)	(6,188,145)	-	-	-	-	-	-
Six years later	(1,874,317,494)	(747,338,511)	(72,472,241)	(24,380,746)	(8,730,923)	-	-	-	-	-	-	-
Seven years later	(2,738,327,154)	(975,325,497)	(69,043,907)	(11,573,055)	-	-	-	-	-	-	-	-
Eight years later	(5,214,968,739)	(1,658,667,644)	(596,306,689)	-	-	-	-	-	-	-	-	-
Nine years later	(3,995,836,025)	(1,397,653,478)	-	-	-	-	-	-	-	-	-	-
Ten years later	(4,358,318,114)	-	-	-	-	-	-	-	-	-	-	-
Cumulative payments to date	(4,358,318,114)	(1,397,653,478)	(596,306,689)	(11,573,055)	(8,730,923)	(6,188,145)	(10,778,400)	(750,000)	(6,150,000)	(1,675,000)	(8,100,000)	(6,406,223,805)
Gross non life insurance claims outstanding as at 31 December 2025	8,511,797,682	567,910,805	926,356,473	587,242,528	80,552,844	37,224,150	50,932,014	137,886,097	43,331,281	17,857,106	40,085,991	11,001,176,971

38 RISK MANAGEMENT FRAMEWORK (Contd)

(b) Financial Risk

The Company has exposure to the following risks from financial instruments:

i Credit risk
ii Liquidity risk
iii Market risk
iv Concentration risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The board of directors of the company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board is responsible for monitoring compliance with the Company's risk management policies and procedures. The Board is assisted in these functions by Internal Audit and the Board Audit Committee. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The Enterprise Risk Management Committee which consists of senior management was formed to strengthen the risk management process. Furthermore, the Company's risks are assessed and monitored at the group level by the Integrated Risk Management Committee of its ultimate parent company, LOLC Holdings PLC.

(i) 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 in accordance with agreed terms and arises principally from the Company's premium receivables, re-insurance receivables, investment debt securities and deposits in commercial banks such as time deposits, demand deposits.

Management of credit risk

The Company has developed a credit policy approved by the Board and credit is granted based on the same for the policy holders. The Company has taken the "Premium Warranty Clause" into consideration when developing the aforementioned credit policy. As a result of rigour follow up of outstanding premiums, the policies which are not settled within the approved credit periods are cancelled on regular basis. The Company checks the status of the outstanding premium before settling claims to reduce the credit risk. The Company has implemented an impairment review for premium receivables periodically and provide for the same based on the results.

Credit risk with regards to re-insurance receivables is mitigated by selecting the re-insurers with higher credit ratings and reviewing their ratings periodically.

The Company evaluates the credit rating of the respective investee and/or respective issue prior to the investment decision is made. Furthermore, the Company focuses on tolerable levels concentration risk and portfolio monitoring in line with Company's risk appetite. A stringent process is in place to comply with the single investment exposure limits prescribed by the regulator, the Insurance Regulatory Commission of Sri Lanka.

38 RISK MANAGEMENT FRAMEWORK (Contd...)

The Company's maximum exposure to credit risk for the components of the statement of financial position as at 31st December 2025 and 31st December 2024 is the carrying amounts of respective financial instruments.

As at 31 December 2025	Neither past-due nor impaired					Past-due but not impaired Rs.	Total Rs.
	Risk Free Rs.	AAA to AA- Rs.	A+ to A- Rs.	BBB+ to BB- Rs.	Non-rated Rs.		
Available-for-sale financial assets							
Investments in government securities	6,725,855,670	-	-	-	-	-	6,725,855,670
Repurchase agreements	500,159,795	-	-	-	-	-	500,159,795
Fixed Deposits	-	-	2,146,897,729	257,436,644	-	-	2,404,334,373
Corporate debentures	-	-	1,096,313,162	216,895,278	-	-	1,313,208,440
Unit trusts	-	-	-	-	2,457,979,083	-	2,457,979,083
Commercial Papers	-	-	-	-	2,975,554,703	-	2,975,554,703
Premium receivables	-	-	-	-	3,018,493,654	47,500,035	3,065,993,689
Reinsurance receivables	-	870,010	704,147,361	78,316,876	705,831,604	-	1,489,165,850
Amount due from related parties	-	-	-	-	50,157,191	-	50,157,191
Cash in hand and balance at bank	-	222,228,198	135,247,412	20,139,658	400,000	-	378,015,268
Total	7,226,015,464	223,098,208	4,082,605,664	572,788,456	9,208,416,235	47,500,035	21,360,424,063

An ageing of Premium Receivables' Past-due but not impaired is as follows

0 to 60 days	-
60 Days to 365 days	47,500,035
Over 365 days	-
	47,500,035

As at 31 December 2024	Neither past-due nor impaired					Past-due but not impaired Rs.	Total Rs.
	Risk Free	AAA to AA- Rs.	A+ to A- Rs.	BBB+ to BB- Rs.	Non-rated Rs.		
Available-for-sale financial assets							
Investments in government securities	8,069,564,645	-	-	-	-	-	8,069,564,645
Repurchase agreements	2,178,491,877	-	-	-	-	-	2,178,491,877
Fixed Deposits	-	-	1,751,490,205	-	-	-	1,751,490,205
Corporate debentures	-	-	248,074,624	692,907,885	-	-	940,982,508
Commercial Papers	-	-	-	-	1,666,550,506	-	1,666,550,506
Premium receivables	-	-	-	-	2,450,432,722	82,252,848	2,532,685,570
Reinsurance receivables	-	179,331,356	125,114,228	132,307,721	154,306,618	-	591,059,923
Amount due from related parties	-	-	-	-	197,474	-	197,474
Cash in hand and balance at bank	-	208,035,728	112,525,341	6,557,337	225,000	-	327,343,406
Total	10,248,056,522	387,367,084	2,237,204,398	831,772,943	4,271,712,319	82,252,848	18,058,366,114

An Ageing of Premium Receivables' Past-due but not impaired is as follows

0 to 60 days	-
60 Days to 365 days	82,252,848
Over 365 days	-
	82,252,848

38 RISK MANAGEMENT FRAMEWORK (Contd...)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure that funds available are adequate to meet claim payments to its policyholders and to ensure operational expenses to be paid when they are due.

The main sources of the Company's funding are capital and gross written premium. The Company also maintains a portfolio of readily marketable securities to further strengthen its liquidity position. The investment durations are diversified depending on the cash flow needs of the Company and the maturity periods are regularly reviewed. Cash flow analysis is done prior to investments are made.

The Company's treaty agreements with reinsurers contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain agreed size.

Exposure to liquidity risk

The Company monitors the liquidity position of the Company to asses funding requirements. Liquid assets include cash and short term investments and bills purchased. The Company also monitors maturity profile of its assets and liabilities.

Maturity profile of financial assets and liabilities based on remaining maturity is given below.

As at 31st December 2025	0-6 months Rs.	7-12 months Rs.	1-2 years Rs.	3-5 years Rs.	Over 5 years	Total Rs.
Cash and Cash Equivalents	378,015,268	-	-	-	-	378,015,268
Available-for-sale investment securities						
Government securities	1,095,911,235	2,961,000	2,387,950,000	3,697,893,906	-	7,184,716,141
Loans and receivables						
Repurchase agreements	500,159,795	-	-	-	-	500,159,795
Term deposit	1,562,629,414	640,678,336	303,603,142	-	-	2,506,910,892
Corporate Debentures	263,585,227	286,002,194	-	763,621,019	-	1,313,208,440
Commercial Papers	1,112,999,505	1,862,555,199	-	-	-	2,975,554,703
Reinsurance receivables	1,489,165,847	-	-	-	-	1,489,165,847
Premium receivables	2,861,235,121	-	-	-	-	2,861,235,121
Amount due from related parties	50,157,191	-	-	-	-	50,157,191
	9,313,858,603	**2,792,196,728**	**2,691,553,142**	**4,461,514,925**	**-**	**19,259,123,399**
Financial Liabilities						
Long-term borrowings	-	-	305,704,457	-	-	305,704,457
Amounts due to related parties	168,998,204	-	-	-	-	168,998,204
Reinsurance creditors	1,429,677,071	-	-	-	-	1,429,677,071
Lease liabilities	58,132,646	54,711,191	75,088,898	105,796,454	110,012,836	403,742,025
Other financial liabilities	1,378,123,262	-	-	-	-	1,378,123,262
Bank overdraft	124,335,935	-	-	-	-	124,335,935
	3,159,267,117	**54,711,191**	**380,793,355**	**105,796,454**	**110,012,836**	**3,810,580,953**

38 RISK MANAGEMENT FRAMEWORK (Contd...)

As at 31 December 2024	0-6 months Rs.	7-12 months Rs.	1-2 years Rs.	3-5 years Rs.	Over 5 years	Total Rs.
Cash and Cash Equivalents	327,343,406	-	-	-	-	327,343,406
Available-for-sale investment securities						
Government securities	55,625,000	909,000,000	1,541,617,470	6,460,349,688	-	8,966,592,158
Loans and receivables						-
Repurchase agreements	2,178,491,877	-	-	-	-	2,178,491,877
Term deposit	1,108,697,492	644,288,202	60,471,311	-	-	1,813,457,005
Corporate Debentures		76,932,534	550,537,645	313,512,329		940,982,508
Commercial Papers		1,666,550,506				1,666,550,506
Reinsurance receivables	591,059,923	-	-	-	-	591,059,923
Premium receivables	2,386,243,535	-	-	-	-	2,386,243,535
Amount due from related parties	197,474	-	-	-	-	197,474
	6,647,658,705	**3,296,771,242**	**2,152,626,427**	**6,773,862,016**	**-**	**18,870,918,391**

Financial Liabilities						
Long-term borrowings	-	-	136,126,529	-	-	136,126,529
Amounts due to related parties	219,685,178	-	-	-	-	219,685,178
Reinsurance creditors	880,136,564	-	-	-	-	880,136,564
Lease liabilities	25,769,504	26,967,258	47,064,151	95,076,993	109,690,321	304,568,226
Other financial liabilities	921,365,194	-	-	-	-	921,365,194
Bank overdraft	222,054,728	-	-	-	-	222,054,728
	2,269,011,168	**26,967,258**	**183,190,680**	**95,076,993**	**109,690,321**	**2,683,936,419**

(iii) Market risk

This refers to the risk of losing value of investments due to adverse movement in assets prices and possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets. This principally comprises of interest rate risk and price risks.

Management of market risk

The Company makes investment decisions based on the fundamentals rather than on speculative motive. The bond investment portfolio is monitored by the Board on a regular basis and the overall investment portfolio is reviewed by the Board on a monthly basis. The interest rate risk is managed through fixed rated investment portfolio.

Sensitivity analysis – interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

An increase in 500 and 100 basis points in interest yields would result in a loss for the period of Rs. 471,049,863 and a loss for the prior period of Rs. 98,429,122 respectively. A decrease in 500 and 100 basis points in interest yields would result in a gain for the period of Rs. 533,186,433 and a gain for the prior period of Rs. 101,814,699. These balances would be directly recognized in equity.

The exposure of the Company's bond investment portfolio to interest rate changes at the end of the reporting period are as follows:

	2025	% of total investment portfolio	2024	% of total investment portfolio
Company's bond portfolio				
Maturity dates				
Less than 1 year	1,098,872,235	15.3%	964,625,000	10.8%
1-5 years	6,085,843,906	84.7%	8,001,967,158	89.2%
Over 5 years	-	0.0%	-	0.0%
	7,184,716,141	**100.0%**	**8,966,592,158**	**100.0%**

38 RISK MANAGEMENT FRAMEWORK (Contd...)

(iv) Foreign currency risk

This refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Sensitivity analysis - foreign exchange risk

The sensitivity analysis for foreign currency risk illustrates how changes in the fair value of financial instruments will fluctuate because of changes in foreign exchange rates at the reporting date.

A strenghtening of 10% of the USD against the LKR would result in a loss for the period of Rs.15.24 million. A weakening of 10% of the USD against the LKR would result in a gain for the period of Rs.15.24 million.

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Rs. was as follows:

	2025		2024	
	USD	Total	USD	Total
Foreign currency loans	152,348,943	152,348,943	136,126,529	136,126,529
	152,348,943	**152,348,943**	**136,126,529**	**136,126,529**

(v) Concentration risk

This refers to the risk that the Company will suffer from lack of diversification, investing too heavily in one industry, one geographic area or one type of security.

Management of concentration risk

To comply with the risk tolerance and appetite of the Company a significant amount of total investments are made in government securities which are risk free. A careful analysis is done before investing in equity investments. A stringent process is in place to comply with the single investment exposure limits prescribed by the Insurance Board of Sri Lanka. Furthermore the Board reviews the Company's investments portfolio on a monthly basis.

The composition of the company's investments as at 31st December 2025 and 31 December 2024 are given in the note number 6 and 7.

(a) Nature and extent of risks arising from insurance contracts

Objectives, policies and processes for managing risks arising from insurance contracts

The Company willingly assume the risks of other organisations as the Company's prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non life insurance business, the most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The Company's risk management framework focuses on strategic risk, assumed risks and the potential risks. The Company identifies and categorises risks in terms of their source, their impact on the Company and preferred strategies for dealing with them. The Company follows an integrated approach for risk management by considering the size, nature and complexity of the business. It is a continuous process of scrutinizing the internal and external environment to identify elements which may have an impact on the Company achieving its' objectives.

Method used to manage risks

Risk appetite and risk tolerance

The Company has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable risk level. The Company manages the volatility and potential downward risk through diversification.

Risk management culture

Individuals in the Company are well aware of the risk that they are bringing into the Company with their actions. It can be pricing, reserving, underwriting and investment. The concept of the risk is well spread across the Company. The strong governance structure within the Company is used as a tool to achieve this target.

Identification of shock losses

There are three areas of risk which have the potential to materially damage economic value that the Company identified at present as having the greatest potential for shock losses. They are catastrophe, reserving and investment risk. The Company manage the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that the Company is willing to expose.

38 RISK MANAGEMENT FRAMEWORK (Contd...)

The table below sets out the concentration of business portfolio by type of contract.

	31st December 2025		
	Gross written premium	Reinsurance	Net written premium
Motor	10,380,069,003	(2,024,376,882)	8,355,692,121
Fire	2,062,067,068	(1,806,109,388)	255,957,680
Marine	160,706,576	(94,937,895)	65,768,680
Miscellaneous	451,278,321	(207,671,854)	243,606,468
WCI	316,831,472	(89,795,212)	227,036,260
Total	**13,370,952,439**	**(4,222,891,230)**	**9,148,061,210**

(b) Capital management

The Company's objectives when managing capital, which consists of total equity on the statement of financial position, are:

- To comply with the insurance capital requirements required by the regulator, the Insurance Regulatory Commission of Sri Lanka.
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide adequate returns to shareholders by pricing insurance contracts commensurate with the level of risk.

The Insurance Regulatory Commission of Sri Lanka specifies the minimum amount and solvency ratio that must be maintained, based on the Regulation of Insurance Industry Act, No.43 of 2000 and other applicable laws and regulations governing the insurance industry. The minimum capital requirements applicable to the Company is Rs.500 Million The Company has complied with all of the externally imposed capital requirements and solvency ratio requirements to which it is subject.

39. EVENTS AFTER THE REPORTING DATE

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

40. SIGNIFICANT UNUSUAL EVENTS OR TRANSACTIONS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

Impact of catestrofic event - Cyclon Ditwah

During the financial year ended 31 December 2025, the Company was significantly impacted by the catastrophic effects of Cyclone Ditwah, which affected several regions across Sri Lanka. This event resulted in an abnormally high volume of insurance claims, particularly within the motor and property segments. As a consequence, the Company recorded a substantial increase in gross claims incurred and reinsurance premium in terms of reinstatement premiums during the year. The elevated claims burden and reinsurance premium adversely affected underwriting results, leading to a net loss for the financial year. From a liquidity perspective, the Company has subsequently experienced elevated claims payment activity, advesely affecting operational cashflows.The Company has reassessed its outstanding claims liabilities, including incurred but not reported (IBNR) provisions, to reflect the most recent and reliable information available at the reporting date. While reinsurance arrangements have substantially mitigated the financial impact, recoveries are subject to claims development and settlement timelines. Reinsurance recoveries are due from highly rated reinsures locally and internationally including National Insurance Trust Fund, Swiss-Re,Peak-Re and Singapore-Re. Management continues to monitor the situation closely and has taken appropriate measures to manage liquidity, reassess risk exposures, and strengthen underwriting and reinsurance strategies going forward.

There were no other unusual events or transactions affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 31 December 2025.

Shareholders Information

1. Top 20 shareholders as at 31 December 2025

	SHAREHOLDER	No. of Shares	% Of Issued Capital
1	L O L C ASSET HOLDINGS LIMITED	765,000,000	63.75
2	LOLC CEYLON HOLDINGS PLC	228,000,000	19
3	LOLC INVESTMENT HOLDINGS SEVEN (PRIVATE) LIMITED	87,000,000	7.25
4	COMMERCIAL BANK OF CEYLON PLC/ PHANTOM INVESTMENTS (PRIVATE) LIMITED	25,410,217	2.118
5	SENKADAGALA FINANCE PLC/S.GOBINATH	5,812,000	0.484
6	DFCC BANK PLC/A.T.WEERASEKARA	4,900,106	0.408
7	HATTON NATIONAL BANK PLC/DINESH NAGENDRA SELLAMUTTU	2,978,343	0.248
8	MR. M.M.C. COORAY	2,300,000	0.192
9	MR. S. SIVASHANTH	2,000,000	0.167
10	BANK OF CEYLON A/C CEYBANK UNIT TRUST	1,782,800	0.149
11	MISS A.J.S.N. AMERASINGHE	1,410,000	0.118
12	MR. M.I.U. DE SILVA	1,374,187	0.115
13	HATTON NATIONAL BANK PLC/RAMARAJ KUHAN	1,222,741	0.102
14	POLGAHAWELA SANASA SOCIETIES UNION LTD	1,100,000	0.092
15	DR. K.A.S.S. RODRIGO	1,085,000	0.09
16	DFCC BANK PLC/G.A.U. PUSHPAKUMAR	1,025,286	0.085
17	COMMERCIAL BANK OF CEYLON PLC/ PREMPRA CAPITAL (PVT) LTD	1,000,000	0.083
18	SIMONAS TRUST SERVICE PVT LTD	967,043	0.081
19	MISS S.S.P. KANDAMBI	892,818	0.074
20	DR. A.M.A.D.S. ABEYSINGHE	814,976	0.068
		1,136,075,517	94.674
	Others	63,924,483	5.33
		1,200,000,000	**100**

2. Share Distribution

Shareholdings	From	To	No of Holders	No of Shares	%
1-1,000	1	1,000	1,524	542,589	0.0452
1,001-10,000	1,001	10,000	2,205	9,936,708	0.8281
10,001-100,000	10,001	100,000	617	21,221,731	1.7685
100,001-1,000,000	100,001	1,000,000	118	35,898,292	2.9915
1,000,001 and Over	Over	1,000,001	16	1,132,400,680	94.3667
Total			**4,480**	**1,200,000,000**	**100.0000**

3. Categories of Shareholders

	No. of share Holders	Holding	%
Local Individuals	4,261	58,259,735	4.8550
Local Institutions	210	1,141,355,415	95.1130
Foreign Individuals	9	384,850	0.0321
Foreign Institutions	0	0	0.0000
	4,480	**1,200,000,000**	**100**

Shareholders Information Contd...

4. Public Holding

The percentage of shares held by the public being **10.00%**, comprising of **4,480** shareholders. The Float adjusted market capitalization as at 31st December 2025 - **Rs. 959,920,000.00**

* The Float adjusted market capitalization of the Company falls under **Option 2** of Rule 7.14.i (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option

5. Directors' Shareholding as at 31 December 2025

		No. of Shares	%
01.	Mr K A K P Gunawardena	--	--
02.	Mrs K U Amarasinghe	--	--
03.	Mrs V G S S Kotakadeniya	--	--
04.	Mr W R A Dharmaratne	--	--
05.	Mr I Wijesiriwardane	--	--
06.	Mr H A Karunaratne	--	--
07.	Mr A A C S L Aluthgama-Appointed 2025.10.01	--	--
08.	Mr D R Samaraweera-Appointed 2025.12.08	--	--

6. Share Prices for The Year

Market Price Per Share	As at 31st December 2025 Rs.
Highest during the year	10.30
Lowest during the year	6.50
As at end of the year	8.00

7. Share Trading

	As at 31st December 2025
No. of Shares Traded during the year	117,187,197.00
Value of Shares Traded during the year (Rs.)	1,055,161,898.40
Number of Transactions during the year	20,072

Statement of Profit or Loss

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Revenue	**2,549,566,486**	**2,957,161,668**	**2,679,701,461**	**2,657,021,422**	**2,823,475,377**	**2,821,094,045**	**2,446,775,905**	**2,672,406,908**	**10,499,519,229**	**11,107,684,044**
	-	-	-	-	-	-	-		-	-
Gross written premium	3,675,106,803	3,284,314,251	3,041,002,025	2,353,229,037	3,629,951,776	3,196,184,269	3,024,891,836	2,268,072,721	13,370,952,439	11,101,800,278
Premiums ceded to reinsurers	**(1,090,314,511)**	**2,670,659**	**(771,051,202)**	**(557,970,461)**	**(899,260,532)**	**(800,663,659)**	**(1,462,264,985)**	**(591,291,754)**	**(4,222,891,230)**	**(1,947,255,215)**
Net written premium	2,584,792,292	3,286,984,910	2,269,950,823	1,795,258,576	2,730,691,244	2,395,520,610	1,562,626,851	1,676,780,966	9,148,061,209	9,154,545,063
Net change in reserves for unearned premium	**(670,581,111)**	**(903,205,726)**	**(132,678,010)**	**241,729,060**	**(493,901,000)**	**(131,144,228)**	**147,540,400**	**334,760,019**	**(1,149,619,721)**	**(457,860,875)**
Net earned premium	1,914,211,181	2,383,779,184	2,137,272,813	2,036,987,636	2,236,790,244	2,264,376,382	1,710,167,251	2,011,540,985	7,998,441,488	8,696,684,188
Other Revenue	-	-	-	-	-	-	-		-	-
Investment income	466,873,376	433,118,518	400,531,344	452,028,885	423,080,516	432,646,040	448,607,195	532,955,300	1,739,092,430	1,850,748,744
Fees and commission income	157,677,406	122,520,426	138,892,085	96,967,201	164,839,001	125,722,745	194,094,206	104,740,359	655,502,699	449,950,731
Other income	**10,804,523**	**17,743,540**	**3,005,219**	**71,037,700**	**(1,234,384)**	**(1,651,122)**	**93,907,253**	**23,170,262**	**106,482,612**	**110,300,381**
Total other revenue	635,355,305	573,382,484	542,428,648	620,033,786	586,685,133	556,717,663	736,608,654	660,865,922	2,501,077,741	2,410,999,855
Net benefits and claims	-	-	-	-	-	-	-		-	-
Net insurance claims and benefits	(1,110,192,532)	(1,470,009,235)	(1,694,739,221)	(1,326,094,473)	(1,658,291,544)	(1,828,931,292)	(2,226,072,480)	(1,584,384,400)	(6,689,295,777)	(6,209,419,400)
Underwriting and net acquisition costs	**25,583,548**	**(226,192,738)**	**55,816,508**	**(33,127,472)**	**69,346,296**	**(37,002,506)**	**82,635,672**	**39,647,641**	**233,382,025**	**(256,675,075)**
Total net benefits and claims	(1,084,608,983)	(1,696,201,973)	(1,638,922,713)	(1,359,221,945)	(1,588,945,248)	(1,865,933,798)	(2,143,436,808)	(1,544,736,759)	(6,455,913,752)	(6,466,094,475)
Other operating and administrative expenses	(1,102,727,939)	(999,263,482)	(884,140,578)	(868,538,956)	(1,107,102,516)	(1,105,056,481)	(1,103,489,333)	(1,256,872,863)	(4,197,460,366)	(4,229,731,781)
Share of loss of equity accounted investees	**35,362,867**	**52,436,733**	**5,993,926**	**5,587,703**	**8,764,153**	**1,374,859**	**137,067**	**6,264,268**	**50,258,013**	**65,663,562**
Profit before tax	397,592,431	314,132,946	162,632,097	434,848,224	136,191,764	(148,521,375)	(800,013,170)	(122,938,447)	(103,596,875)	477,521,350
Income tax expense	**(130,601,048)**	**(78,508,864)**	**(37,466,311)**	**(128,778,156)**	**(40,857,289)**	**44,968,870**	**226,447,646**	**35,091,796**	**17,522,998**	**(127,226,354)**
Profit after tax	**266,991,383**	**235,624,082**	**125,165,786**	**306,070,068**	**95,334,475**	**(103,552,505)**	**(573,565,521)**	**(87,846,652)**	**(86,073,876)**	**350,294,996**

Ten Year Summary - Statements of Financial Position

Statements of Finacial Position	2025 Rs.	2024 Rs.	2023 Rs.	2022 Rs.	2021 Rs.	2020 Rs.	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.
Assets											
Intangible assets	123,957,010	13,457,996	11,940,036	8,620,236	18,252,138	25,811,811	31,977,470	42,274,560	11,701,872	22,198,697	36,243,044
Property and equipment	507,180,789	315,170,027	215,881,171	112,386,978	95,117,517	57,490,208	75,559,659	91,889,179	88,409,953	18,079,683	21,330,008
Right-of-use assets	267,225,271	281,646,740	133,396,721	215,288,812	257,951,967	213,932,016	181,635,564	-	-	-	-
Investment securities	16,377,092,064	14,607,079,742	12,918,968,278	9,001,773,857	8,443,284,045	6,784,606,909	5,044,373,700	3,809,928,644	3,423,895,744	2,714,253,334	2,352,752,064
Deferred tax assets		-	-	613,883,133	93,026,792	22,531,619	66,581,676	-	14,803,714	453,687	-
Equity accounted investees	185,834,392	122,383,144	28,367,175	67,771,709	67,580,581	-	-	-	-	-	-
Reinsurance assets	8,317,635,499	3,102,100,444	2,508,085,504	1,255,252,492	862,048,438	1,056,391,923	1,266,263,358	667,778,708	977,955,812	606,284,948	250,814,800
Reinsurance receivables	1,489,165,847	591,059,923	399,778,495	277,032,731	221,029,271	255,376,921	261,894,110	278,516,244	186,844,721	179,632,998	49,122,584
Deferred acquisition costs	329,568,645	259,989,876	252,454,823	221,894,612	169,673,755	172,419,529	130,432,779	140,159,356	115,846,100	58,927,518	46,233,562
Premiums receivable	2,861,235,121	2,386,243,535	2,068,928,244	2,065,438,062	1,331,479,343	1,136,579,952	965,963,808	788,776,554	760,266,930	597,983,688	466,253,856
Amounts due from related parties	50,157,191	197,474	11,185,174	25,927,615	520,308	3,136,832	866,640	893,709	1,256,609	12,254,157	2,208,765
Other assets	193,163,941	199,035,635	235,720,608	129,611,443	104,686,906	56,610,441	50,025,543	81,492,351	58,789,417	43,244,705	22,746,667
Cash and bank balances	378,015,268	327,343,406	823,869,115	467,760,605	335,989,932	106,389,855	67,436,595	93,912,767	132,342,709	160,530,417	77,723,872
Total assets	**31,080,231,038**	**22,205,707,941**	**19,608,575,344**	**14,462,642,285**	**12,000,640,993**	**9,891,278,017**	**8,143,010,902**	**5,995,622,072**	**5,772,113,581**	**4,413,843,832**	**3,325,429,223**
Equity and Liabilities											
Equity											
Stated capital	800,000,000	800,000,000	800,000,000	800,000,000	800,000,000	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000	600,000,000
Retained earnings	5,424,494,845	5,513,554,182	5,073,130,665	4,395,082,587	3,390,787,456	2,290,143,375	1,181,326,106	614,456,160	524,837,324	357,478,308	141,859,343
AFS reserve	404,452,065	509,145,251	223,415,527	(1,183,273,731)	(201,572,264)	73,396,162	36,947,917	(20,470,911)	26,990,702	(65,763,779)	70,011,038
Other reserve	14,130,383	14,130,383	14,130,383	14,130,383	14,130,383	-	-	-	-	-	-
Foreign exchange reserve	52,461,761	39,268,526	10,916,119	30,872,749	672,444	-	-	-	-	-	-
Total ordinary shareholders' equity	**6,695,539,054**	**6,876,098,342**	**6,121,592,693**	**4,056,811,988**	**4,004,018,019**	**3,063,539,537**	**1,918,274,023**	**1,293,985,249**	**1,251,828,026**	**991,714,529**	**811,870,381**
Liabilities											
Insurance contract liabilities - Non-Life insurance	19,634,185,653	11,669,207,464	9,419,363,270	7,311,652,875	6,149,464,106	4,995,773,486	4,875,931,066	3,773,097,005	3,674,840,703	2,827,413,866	2,123,407,115
Long-term borrowings	305,704,457	136,126,529	141,634,768	150,854,072	78,201,112	-	-	-	-	-	-
Retirement benefit obligations	74,089,921	62,113,840	57,727,149	53,003,669	45,883,195	46,366,583	36,198,899	18,820,893	21,456,474	14,283,526	11,760,292
Lease liabilities	301,334,392	304,568,226	150,615,072	324,585,530	337,525,719	253,884,204	202,971,419	-	-	-	-
Reinsurance creditors	1,429,677,071	880,136,564	1,354,201,010	860,766,034	501,689,383	555,941,194	295,441,434	292,710,355	218,501,788	161,830,423	61,136,263
Deferred reinsurance commission income	426,468,680	303,349,171	313,719,614	133,334,756	100,931,395	133,787,083	119,696,990	96,227,678	149,507,482	69,169,167	54,618,992
Income tax liability	55,306,580	146,356,601	529,473,198	662,228,574	191,958,537	398,695,772	185,454,897	-	85,127,858	60,275,762	-
Deferred tax Liability	137,720,864	200,386,850	30,984,489	-	-	-	-	26,075,303	-	-	765,249
Amounts due to related parties	168,998,204	219,685,178	192,656,254	87,406,060	27,604,500	35,988,641	169,601,054	222,790,668	93,328,458	121,447,544	66,507,291
Other liabilities	1,726,870,228	1,185,624,449	1,067,532,603	819,169,276	562,373,970	407,301,517	336,176,976	270,500,498	276,108,704	162,748,329	177,801,758
Bank overdraft	124,335,935	222,054,728	229,075,223	2,829,451	991,057	-	3,264,144	1,414,423	1,414,088	4,960,686	17,561,883
Total liabilities	**24,384,691,984**	**15,329,609,599**	**13,486,982,650**	**10,405,830,297**	**7,996,622,974**	**6,827,738,480**	**6,224,736,879**	**4,701,636,823**	**4,520,285,555**	**3,422,129,303**	**2,513,558,843**
Total liabilities and equity	**31,080,231,038**	**22,205,707,941**	**19,608,575,344**	**14,462,642,285**	**12,000,640,993**	**9,891,278,017**	**8,143,010,902**	**5,995,622,072**	**5,772,113,581**	**4,413,843,832**	**3,325,429,223**

Ten Year Summary - Statements of Profit or Loss

Statements of Profit or Loss	2025 Rs.	2024 Rs.	2023 Rs.	2022 Rs.	2021 Rs.	2020 Rs.	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.
Gross written premium	13,370,952,439	11,101,800,278	9,962,715,444	8,551,167,194	7,284,480,441	6,112,465,552	5,301,900,060	4,519,657,192	3,962,694,713	3,241,891,279	2,572,777,787
Premium ceded to reinsurers	(4,222,891,230)	(1,947,255,215)	(2,343,927,935)	(1,449,226,611)	(1,160,311,023)	(1,375,603,623)	(1,033,306,750)	(783,746,346)	(778,585,386)	(603,581,300)	(370,830,475)
Net written premium	9,148,061,209	9,154,545,063	7,618,787,509	7,101,940,583	6,124,169,418	4,736,861,929	4,268,593,310	3,735,910,846	3,184,109,327	2,638,309,979	2,201,947,313
Net change in reserves for unearned premium	(1,149,619,721)	(457,860,875)	(215,542,437)	(522,490,443)	(826,816,531)	(289,254,710)	(348,317,570)	(266,758,460)	(338,341,153)	(260,417,461)	(350,112,728)
Net earned premium	7,998,441,488	8,696,684,188	7,403,245,072	6,579,450,140	5,297,352,887	4,447,607,219	3,920,275,740	3,469,152,386	2,845,768,174	2,377,892,518	1,851,834,585
Other income											
Investment income	1,739,092,430	1,850,748,744	1,841,552,538	1,299,714,373	616,181,954	529,446,907	423,277,048	365,343,234	332,175,249	268,819,011	198,973,742
Realized capital gain on disposal of Available for Sale investments			-	-	-	-	-	-	1,361,315	-	3,022,881
Fees and commission income	655,502,699	449,950,731	274,543,039	166,951,715	157,511,103	145,704,841	136,318,692	126,345,529	114,490,190	116,697,776	93,030,934
Realized gain on disposal of Available for Sale investments			-			-	-			-	
Other income	**106,482,612**	**110,300,381**	**99,032,684**	**61,328,811**	**6,699,492**	**4,808,887**	**8,976,886**	**8,457,021**	**1,097,057**	**7,605,190**	**4,144,388**
Total other income	**2,501,077,741**	**2,410,999,856**	**2,215,128,262**	**1,527,994,899**	**780,392,549**	**679,960,635**	**568,572,626**	**500,145,784**	**449,123,811**	**393,121,977**	**299,171,945**
Total income	**10,499,519,229**	**11,107,684,043**	**9,618,373,334**	**8,107,445,039**	**6,077,745,435**	**5,127,567,854**	**4,488,848,366**	**3,969,298,170**	**3,294,891,985**	**2,771,014,495**	**2,151,006,530**
Benefits, claims and expenses											
Insurance claims and benefits (net)	(6,689,295,777)	(6,209,419,400)	(5,225,305,523)	(3,648,094,807)	(2,667,817,232)	(1,768,350,697)	(2,135,574,306)	(2,081,139,448)	(1,660,758,596)	(1,473,765,409)	(1,165,006,911)
Underwriting and net acquisition (costs)/ income	233,382,025	(256,675,075)	4,071,067	(60,666,063)	(37,001,749)	42,001,227	12,958,510	72,077,512	53,894,455	73,317,152	18,545,816
Other operating and administrative expenses	(4,125,075,811)	(4,165,977,716)	(3,289,446,384)	(2,667,616,435)	(2,049,052,063)	(1,831,325,964)	(1,600,059,668)	(1,774,764,091)	(1,411,731,117)	(1,052,109,650)	(882,667,130)
Finance costs	(72,384,554)	(63,754,065)	(89,400,592)	(48,176,088)	(29,828,169)	(32,496,125)	(35,364,450)	(3,601,754)	(4,139,613)	(5,159,437)	(2,104,604)
Total benefits, losses and expenses	(10,653,374,117)	(10,695,826,256)	(8,600,081,432)	(6,424,553,393)	(4,783,699,213)	(3,590,171,559)	(3,758,039,914)	(3,787,427,781)	(3,022,734,871)	(2,457,717,344)	(2,031,232,828)
Share of loss of equity accounted investees (Net of tax)	50,258,013	65,663,562	(19,447,904)	(30,009,177)	(22,641,862)	-	-	-	-	-	-
Profit before income tax expense	**(103,596,875)**	**477,521,350**	**998,843,997**	**1,652,882,469**	**1,294,046,222**	**1,537,396,295**	**730,808,452**	**181,870,389**	**272,157,114**	**313,297,151**	**119,773,702**
Income tax expense	17,522,998	(127,226,354)	(281,642,128)	(253,576,734)	(176,680,802)	(425,367,732)	(155,380,065)	(92,808,315)	(81,803,094)	(96,031,389)	(34,715,810)
Profit for the year	**(86,073,876)**	**350,294,996**	**717,201,869**	**1,399,305,736**	**1,117,365,420**	**1,112,028,564**	**575,428,387**	**89,062,074**	**190,354,020**	**217,265,762**	**85,057,891**

Notes

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE FIFTH ANNUAL GENERAL MEETING, consequent to being a Listed Company, will be held on 30th June 2026 at 10.30 am for the following purposes.

The AGM will be held as an on-line audio-visual meeting with arrangements for the on-line meeting platform made at the registered office of the Company, 100/1, Sri Jayawardenapura Mawatha, Rajagiriya

1. To receive and consider the Report of the Directors and Statement of Accounts for the year ended 31st December 2025 with the Report of the Auditors thereon.

2. To re-elect as a Director, Mr. I Wijesiriwardana who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.

3. To re-elect as a Director, Mrs. V G S S Kotakadeniya who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.

4. To re-elect as a Director Mr A A C S L Aluthgama who retires by rotation in terms of Article 95 of the Articles of Association of the Company.

5. To re-elect as a Director Mr D R Samaraweera who retires by rotation in terms of Article 95 of the Articles of Association of the Company.

6. To re-elect as a Director Mr W R A Dharmaratne who retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his re-election (see note 4 (a) below).

7. To re-elect Mr H A Karunaratne as the Senior Independent Director who retires in accordance with the board approved Terms of Reference.

8. To re-appoint as Auditors, Deloitte Partners for the ensuing year at a remuneration to be agreed by the Directors.

9. To approve in terms of the Companies Act No.26 of 1951 (Donations), the making of donations by the Directors as determined by them for the current financial year and until the next Annual General meeting of the Company.

By order of the Board
L O L C GENERAL INSURANCE PLC

LOLC CORPORATE SERVICES (PVT) LTD
Secretaries
29th May 2026

Rajagiriya in the greater Colombo

NOTE:

1) A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/ her. A Proxy need not be a shareholder of the Company.

2) The completed Form of Proxy should be received by the Company at its Secretaries' office No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya not later than forty-eight (48) hours before the start of the meeting.

3) A Form of Proxy accompanies this Notice.

4) IMPORTANT NOTICE:
   (a) *Special Notice has been received from a shareholder of the Company giving Notice of intention to move the following Resolution at the above Annual General Meeting :

"Resolved that Mr W R A Dharmaratne who reached the age of 70 years in 2024, be and is hereby re-elected a Director of the Company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr W R A Dharmaratne."

(b) This Annual Report and Financial Statements of the Company are available on the:

(1) Corporate Website: https://www.lolcgeneral.com/investor-relations/

(2) The Colombo Stock Exchange – https://www.cse.lk/company-profile?symbol=LGIL.N0000

Members may also access the Annual Report and Financial Statements on their electronic devices by scanning the following QR code:

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Secretaries on +94 117428556 during normal office hours (8.30 a.m. to 5.00 p.m.) or email corporateservices@lolc.com.

Should Members wish to obtain a hard copy of the Annual Report, they may send a written request to the registered office of the Company by filling in the request form attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days from the date of receipt of the request.

LOLC GENERAL INSURANCE PLC

FORM OF PROXY

I/We ..... of .....

..... being a member/members

of the above named Company hereby appoint .....

.....

.....of

..... whom failing;

Mr. K A K P Gunawardena	of Colombo or failing him
Mrs. V G S S Kotakadeniya	of Colombo or failing her
Mrs K U Amarasinghe	of Colombo or failing her
Mr. W R A Dharmaratne	of Colombo or failing him
Mr. I Wijesiriwardana	of Colombo or failing him
Mr. H A Karunaratne	of Colombo or failing him
Mr. A A C S L Aluthgama	of Colombo or failing him
Mr. D R Samaraweera	of Colombo

as my/our* Proxy to represent me/us* at the Annual General Meeting of the Company to be held as an on-line meeting on 30th June 2026 at 10.30am and at any adjournment thereof and at every poll which may be taken in consequence thereof.

THE PREFERENCES IN THE FOLLOWING TABLE TO BE MARKED BY ORDINARY SHAREHOLDER/S ONLY.

I/We* the undersigned, ordinary shareholder(s) of the Company hereby authorize my/our* Proxy to vote for me/us* and on my/our* behalf in accordance with the preferences indicated below (please mark your preference with an 'X'):

		For	Against
01.	To re-elect as a Director, Mrs. V G S S Kotakadeniya who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.		
02.	To re-elect as a Director, Mr. I Wijesiriwardana who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.		
03.	To re-elect as a Director, Mr A A C S L Aluthgama who retires by rotation in terms of Article 95 of the Articles of Association of the Company.		
04.	To re-elect as a Director, Mr D R Samaraweera who retires by rotation in terms of Article 95 of the Articles of Association of the Company.		
05.	To re-elect as a Director Mr W R A Dharmaratne who retires in terms of Section 210 of the Companies Act No. 7 of 2007.		
06.	To re-elect Mr. H A Karunaratne, the senior independent Director who retires in terms of Board approved TOR		
07.	To re-appoint as Auditors, Deloitte Partners for the ensuing year at a remuneration to be agreed by the Directors.		
08.	To approve in terms of the Companies Act No.26 of 1951 (Donations), the making of donations by the Directors as determined by them for the current financial year and until the next Annual General meeting of the Company.		

(*please strike off inappropriate word)

dated this ..... day of 2026

.....
Signature of Shareholder

(please refer overleaf for instructions)

Proxy Form Contd...

Important : Please post or scan and email the Form of Proxy together with the following additional details as per the instructions given below.

CDS Account Number of the Shareholder (s)	
Shareholder's contact number/s	Land line (residence/work): Mobile:
Email address to which the on-line link should be forwarded to for the proxy holder's participation at the AGM	
Proxy holder's NIC number	

Instructions for the Completion of Form of Proxy

1 Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.

2 The completed Form of Proxy should either be:

(i) addressed to the 'Company Secretaries' and posted or hand delivered to the registered office of the Company at 100/1, Sri Jayawardenapura Mawatha, Rajagiriya;

or

(ii) Scanned and emailed to the email address: corporateservices@lolc.com with the email subject titled "L O L C General Insurance AGM Proxy" not less than 48 hours before the time appointed for the holding of the Meeting.

3. If the Form of Proxy has been signed by an attorney, a copy of the Power of Attorney certified by a notary should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the company.

ANNEXURE I

LOLC GENERAL INSURANCE PLC
Annual General Meeting

REGISTRATION OF SHAREHOLDER DETAILS FOR ONLINE PARTICIPATION

To: LOLC Corporate Services (Pvt) Ltd
Secretaries to LOLC General Insurance PLC
100/1 Sri Jayewardenapura Mawatha
Rajagiriya

	Details of Shareholder		
1	Full name	1. Primary: 2. Joint * :	
3	Address/s		
4	National Identity Card Number/ Company Registration Number		
5	CDS Account Number/s		
6	Contact Number/s	Land line (Residence/Work):	Mobile:
7	Email Address/s (to which the on-line meeting link should be forwarded by the Company)		
8	Name of the Proxy Holder		
9	Proxy Holder/s' NIC/Passport No.		
10	Proxy Holder/s' Contact Number/s	Land line (Residence/Work):	Mobile:
11	Proxy Holder/S' Email		

*strike out if not applicable

I/We hereby certify that the details given above are true and accurate and are furnished for the purpose of enabling my/our online participation at the Annual General Meeting. I/We acknowledge that the Company shall have the right to disable my/our participation in the event the above information furnished are found to be incorrect or inconsistent with shareholding records.

...../.....
Shareholder's signature and Date

...../.....
Shareholder's signature and Date

Note:

1. It is mandatory for the shareholder/s to provide the email address in the space provided above in order to forward the log in information to facilitate the online participation at the meeting.

2. Duly completed registration of Shareholder Details Form should be forwarded to corporateservices@lolc.com or by facsimile on 011-2865602, to reach the Company Secretaries not less than five (05) days before the date of the meeting

   Only registered shareholders and registered proxy holders will be permitted to log in and participate in the AGM on-line

LOLC GENERAL INSURANCE PLC

Registration No: PQ00251202
Address: No.100/1, Sri Jayewardenapura Mawatha, Rajagiriya.

FORM OF REQUEST

To : LOLC Corporate Services (Pvt) Ltd
Secretaries to LOLC General Insurance PLC
No: 100/1,Sri Jayawardenapura Mawatha,
Rajagiriya

REQUEST FOR A PRINTED COPY OF THE ANNUAL REPORT 2025

I ..... being a shareholder of the Company wish to receive a printed copy of the Annual Report 2025. My details are as follows;

Full Name of the Shareholder : .....

.....

Address : .....

.....

Contact no : .....

NIC/PP/BR No : .....

.....
Signature of the Shareholder

Date : .....

Stakeholder Feedback Form

LOLC General Insurance PLC values your opinions and feedback. We invite you to share your thoughts to help us enhance our governance, operations, financial condition, and future prospects. Please take a moment to fill out this form with your comments and suggestions. Your feedback will be treated confidentially and used solely for the purpose of improving our stakeholder communication and overall performance.

Contact Information

Name: .....

Email: .....

Phone: .....

Company/Organization: .....

WHICH STAKEHOLDER GROUP/S DO YOU BELONG TO? (You may tick more than one)

- ☐ Shareholder
- ☐ Customer
- ☐ Community
- ☐ Public Authority
- ☐ Employee
- ☐ Student
- ☐ Regulatory Body
- ☐ Journalist
- ☐ Service Provider
- ☐ Supplier
- ☐ Special Interest Group

General Feedback

1. How would you rate your overall satisfaction with the Company's communication practices?

- ☐ Very Satisfied
- ☐ Satisfied
- ☐ Neutral
- ☐ Dissatisfied
- ☐ Very Dissatisfied

2. How often do you feel the Company provides timely and accurate information?

- ☐ Always
- ☐ Often
- ☐ Sometimes
- ☐ Rarely
- ☐ Never

3. How effective do you find the Company's use of its website and social media for communication?

- ☐ Very Effective
- ☐ Effective
- ☐ Neutral
- ☐ Ineffective
- ☐ Very Ineffective

Specific Feedback

1 What specific aspects of the Company's communication do you find most useful?

- ☐ Financial Reports
- ☐ Annual Reports
- ☐ Press Releases
- ☐ Investor Briefings
- ☐ Social Media Updates
- ☐ Website Content
- ☐ Other (please specify): .....

2. How would you rate the accessibility of the Company's spokespersons for providing information and responding to queries?

- ☐ Very Accessible
- ☐ Accessible
- ☐ Neutral
- ☐ Inaccessible
- ☐ Difficult to Access

3. How effectively does the Company address your concerns and queries?

- ☐ Very Effective
- ☐ Effective
- ☐ Neutral
- ☐ Ineffective
- ☐ Very Ineffective

Forward-Looking Information and Major Developments

1. How useful do you find the Company's forward-looking comments and information on future prospects?

- ☐ Very Useful
- ☐ Useful
- ☐ Neutral
- ☐ Not Useful
- ☐ Not Useful at All

2. How effectively does the Company handle the communication of major corporate developments (e.g., mergers, acquisitions, new products)?

- ☐ Very Effectively
- ☐ Effectively
- ☐ Neutral
- ☐ Ineffectively
- ☐ Very Ineffectively

Crisis Communication and Confidentiality

1. How confident are you in the Company's ability to manage crisis communications?

- ☐ Very Confident
- ☐ Confident
- ☐ Neutral
- ☐ Not Confident
- ☐ Not Confident at All

2. How well does the Company maintain the confidentiality of sensitive information?

- ☐ Very Effectively
- ☐ Effectively
- ☐ Neutral
- ☐ Ineffectively
- ☐ Very Ineffectively

Additional Comments

Please provide any additional comments or suggestions you have for improving the Company's communication practices.

.....

.....

Submission

Please return the completed form to:
Investor Relations/ Communications

LOLC General Insurance PLC,
100/1 Sri Jayawardenapura Mawatha, Rajagiriya, Sri Lanka
Email: DulipS@lolc.com and SusaanB@lolc.com

Corporate Information

Name of the Company
L O L C General Insurance PLC

Company Registration Number
PQ 00251202

Date of Incorporation
20th September 2011

Legal Form
A Public Quoted Company with limited liability (Listed on 31st December 2021)

Directors

K A K P Gunawardena
Executive Chairman

H A Karunaratne
Senior Independent Director

Mrs K U Amarasinghe
Non Executive Director

Mrs V G S S Kotakadeniya
Non Executive Director

A A C S L Aluthgama
Non Executive Director

D R Samaraweera
Non Executive Director

W R A Dharmaratne
Independent Director

I Wijesiriwardana
Independent Director

Registered Office
100/1, Sri Jayawardenapura Mawatha
Rajagiriya
Tel:+94 117 248 248
Fax: +94112865602
Website: https://www.lolcgeneral.com

Business Address
No 258, M Vincent Perera Mawatha, Colombo 14
Tel: +94 115008080
Fax: +94 112559408

Company Secretaries
L O L C Corporate Services (Private) Limited

Auditors
Deloitte Partners, Chartered Accountants

Registrars
Central Depository Systems (Pvt) Ltd

Bankers
Citi Bank NA
Nations Trust Bank PLC
Commercial Bank of Ceylon PLC
Pan Asia Bank PLC
Sampath Bank PLC
Amana Bank PLC
Seylan Bank PLC
DFCC Bank PLC
NDB Bank PLC
MCB Bank
Bank of Ceylon
HDFC Bank
National Savings Bank
Regional Development Bank
Cargills Bank Limited

www.lolcgeneralinsurance.com

LOLC GENERAL INSURANCE PLC
No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka.
Tel: +94 117 248 248 (General)
Fax: +94 112 865 606