

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

Softlogic Life Insurance PLC (“the Company”) is a public limited liability company incorporated and domiciled in Sri Lanka. The Company is regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto. The Company was re-registered under the Companies Act No. 07 of 2007 and the registered office is situated at Level 16, One Galle Face Tower, Colombo - 02. The ordinary shares of the Company have a primary listing on the CSE.

1.2 Parent entity and ultimate parent entity

The parent entity of the Company is Softlogic Capital PLC. In the opinion of the Board of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka. The Financial Statements of parent and ultimate parent of the entity are available for public use.

1.3 Principal activities and nature of operations of the Company

The principal business activity of the Company is providing Life Insurance solutions for both individual and corporate customers. Life Insurance is a protection against financial losses that would result from an insured event adversely affecting the insured. In such situations, the nominated beneficiary receives the proceeds and is thereby safeguarded from financial impacts of the insured event. The benefit paid by a life insurer is consideration for premium payments made by the insured. There were no significant changes in the nature of the principal activities during the financial year under review.

1.4 Number of employees

The staff strength of the Company as at 31 December 2024 is 947 (2023 was 985).

1.5 Financial statements

The Financial Statements for the year ended 31 December 2024 comprise only “the Company” referring to Softlogic Life Insurance PLC. Corporate information is given in page 417 of this Annual Report.

2. BASIS OF ACCOUNTING

2.1 Presentation of Financial Statements

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Practices (SoRP) and Financial Reporting Guidelines issued by CA Sri Lanka and These SLFRSs and LKASs are available at the website of CA Sri Lanka www.casrilanka.com.

2.2 Statement of compliance

Financial Statements of the Company are in compliance with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry (RII) Act No. 43 of 2000 and amendments thereto, and rules and regulations of the Insurance Regulatory Commission of Sri Lanka. It also provides appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Company has fully complied with SLFRSs and LKASs and has not adopted any inappropriate accounting treatments that violate these regulations governing the preparation of Financial Statements.

2.3 Responsibility for Financial Statements

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

The Board of Directors acknowledge their responsibility for Financial Statements as set out in the ‘Annual Report of the Board of Directors’, ‘Statement of Directors’ Responsibility’ for the financial reporting and the certification on the Statement of Financial Position on pages 220, 229 and 277 respectively.

These Financial Statements include following components:

Component	Contents and page reference
Income Statement and Statement of Profit or Loss and Other Comprehensive Income	Providing the information on the financial performance of the Company for the year under review (Refer pages 275 and 276).
Statement of Financial Position	Providing the information on the financial position of the Company as at the year-end (Refer page 277).
Statement of Changes in Equity	Depicting all changes in shareholders’ equity during the year under review of the Company (Refer page 278).
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 entity to utilise those cash flows (Refer page 279).
Notes to the Financial Statements	Comprising material accounting policies and other explanatory information (Refer pages 280 to 386).

2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 December 2024 (including comparatives for 2023), were approved and authorised for issue by the Board of Directors on 4 March 2025.

2.5 Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items stated in the Statement of Financial Position.

Category	Items	Basis of measurement	Note	Page reference
Assets	Financial instruments measured at fair value through profit or loss including derivative financial instruments	At fair value	29.3.5	315
	Financial instruments measured at fair value through other comprehensive income	At fair value	29.3.4	314
	Land and building	Initially measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	26.24.3	307
Liabilities	Employee benefit liabilities	Actuarially valued and recognised at present value of the defined benefit obligation	40	340
	Insurance contract liabilities	Appointed Actuary determined values based on the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), SLFRSs and LKASs	39	332

2.6 Going concern basis of accounting

In determining the basis of preparing the Financial Statements for the year ended 31 December 2024, management has considered all available information, the consequences of current macro-economic conditions of the country, climate related risks, other events and conditions. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern due to the improving operating environment, developments to product strategies and actions taken to mitigate the impact of economic crisis in the past.

Further, in determining the going concern, the Management performed multiple stress tested scenarios; considering cost management practices, cash reserves, ability to secure additional funding to finance the adverse effects to the cash flows, ability to secure required human resources, expected revenue streams, credit and collection management practices and expense management.

Accordingly, the Management has assessed its ability to continue as a going concern and is satisfied that it has adequate resources to continue in the business for the foreseeable future. Further, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company are continued to be prepared on a going concern basis.

2.7 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Accordingly, these Financial Statements including supplementary information are presented in Sri Lankan Rupees (LKR), the Company's functional and presentation currency.

There was no change in the Company's presentation and functional currency during the year under review.

2.8 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern as explained by Statement of Recommended practice (SoRP) on the insurance contracts.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.9 Rounding

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

NOTES TO THE FINANCIAL STATEMENTS

2.10 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclosed in the accounting policies of the Company.

2.11 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 as permitted by the Sri Lanka Accounting Standard – LKAS 1 including recent amendments thereto. The company has also voluntarily followed the best practices laid down in the IFRS Practice Statement 2 on Making Materiality Judgements.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the

Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different nature or functions.

2.12 Supplementary Statements - Statement of Financial Position – Life Fund

Supplementary Statement of Financial Position of Life Insurance Fund together with notes are disclosed in pages 388 to 390 as per the requirement laid down in the SoRP on Insurance Contracts.

2.13 Financial period

The Financial Statements are prepared for the twelve months period ended and as at 31 December 2024.

2.14 Comparative information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

● - High Impact ● - Moderate Impact ● - No Impact

3.1 New standards and amendments: applicable on or after 1 January 2024

The following new and amended standards apply for the first time to financial reporting periods commencing on or after 1 January 2024 and have not resulted in a material impact on the Company's Financial Statements.

When there is an impact on the Financial Statements of the Company, such amendments are incorporated in the Financial Statements

New SLFRS / amendment to the existing SLFRS	Summary of the requirements	Possible impact to the Financial Statements	Impact on the Financial Statements
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to LKAS 1)	The amendments clarify that the classification of liabilities as current or non-current shall be based on rights that are in existence at the end of the reporting period. It specifies that such classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). It also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	When the Company classifies a liability arising from a loan arrangement as non-current and that liability is subject to the covenants which the Company is required to comply with; within twelve months of the reporting date, informative disclosures need to be provided in the notes that enables users of Financial Statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including: » carrying amount of the liability; » information about the covenants;	●

New SLFRS / amendment to the existing SLFRS	Summary of the requirements	Possible impact to the Financial Statements	Impact on the Financial Statements
Amendments to LKAS 1 (Contd.)		<p>» facts and circumstances, if any, that indicate the entity may have difficulty in complying with the covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.</p> <p>The Company has provided the relevant disclosures on the Tier II loan in Note 41 on page 342.</p>	
Lease Liability in a Sale and Leaseback (Amendments to SLFRS 16)	<p>The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains.</p> <p>This narrow-scope amendments to the requirements for sale and leaseback transactions in SLFRS 16 Leases explain how an entity accounts for a sale and leaseback after the date of the transaction.</p>	<p>This could particularly impact sale and leaseback transactions, where the lease payments include variable payments that do not depend on an index or a rate.</p> <p>The company has not entered into sale and lease back transactions during the year and the lease liabilities are disclosed in Note 44.4.3 on page 344.</p>	●
Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7)	Objective of the new disclosures is to provide information about Supplier Finance Arrangements (SFAs) that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.	<p>The new disclosures include:</p> <ul style="list-style-type: none"> » Terms and conditions of SFAs; » Carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented; » Carrying amount of the financial liabilities for which suppliers have already received payment from the finance providers; » Range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements; » Non-cash changes in the carrying amounts of financial liabilities; » Access to SFA facilities and concentration of liquidity risk with finance providers. <p>The amendment does not have a material impact on the Financial Statements of the Company due to non-availability of supplier finance arrangements.</p>	●
International Tax Reform - Pillar Two Model Rules (Amendments to LKAS 12)	<p>The amendments introduce:</p> <ul style="list-style-type: none"> » A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and » Disclosure requirements for affected entities to help users of the Financial Statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date including separate disclosure of resulting current tax expense / (income). 	<p>Clarify the application of LKAS 12 Income Taxes to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes).</p> <p>The amendment does not have a material impact on the Financial Statements of the Company.</p>	●

NOTES TO THE FINANCIAL STATEMENTS

3.2 New standards and amendments: applicable on or after 1 January 2025 (Forthcoming requirements)

The Company intends to adopt the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's Financial Statements, if applicable, when they become effective and also considers voluntary early application as stated below:

● - High Impact ● - Moderate Impact ● - No Impact

New SLFRS / amendment to the existing SLFRS and the effective Date	Summary of the requirements	Possible impact to the Financial Statements	Possible impact on the Financial Statements
<p>SLFRS 17 Insurance Contracts</p> <p>In Sri Lanka effective on or after 01 January 2026 with early adoption permitted with SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers.</p> <p>The Company has early adopted SLFRS 9 effective from the year 2019 and intends to reassess the business model along with the adaption of SLFRS 17.</p>	<p>SLFRS 17 supersedes SLFRS 4 Insurance contracts (which permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities) with new measurement model for all insurance contracts. SLFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day - one gain arising on initial recognition in other words it is considered as the amount of deferred profit. Losses are recognised directly to the Income Statement. For the measurement purposes, contracts are grouped together into contracts of similar risk profitability profile and issue year, with further divisions for contracts that are managed separately. Revenue is recognised as services are provided, not when premiums are received. The standard mandates a clear separation of insurance, investment, and deposit components. Profit for insurance contracts under SLFRS 17 is represented by the recognition of the service provided to policyholders in the period (release of CSM), realise from non-economic risk (realise of risk adjustment) and investment profit. The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder.</p> <p>SLFRS 17 requires, the CSM to be calculated as if the standards had applied retrospectively. If this is not practical, an entity is required to choose either a modified retrospective approach or determine the CSM by reference to the fair value of the liabilities at transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profit on in - force business in future reporting periods. Refer pages 410 to 413 for the summary on SLFRS 17 implications on the Financial Statements.</p>	<p>SLFRS 17 is expected to have a substantial change in the presentation of the Financial Statements and disclosures, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition. The Company has an implementation programme underway to implement SLFRS 17. The programme is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate date and implementing actuarial and finance system changes. Refer pages from 235 - 238 for further details.</p> <p>Accordingly, the Company has completed a substantial progress in phase 2 in line with the new effective date of the standard with the technical and system consultant. Hence, the system implementation is in progress and the technical positions are being finalised.</p> <p>Further, the Company intends to reassess the classification and measurement of financial assets under SLFRS 9 to ensure alignment with the new insurance contract measurement model. This reassessment will consider changes in the business model, contractual cash flow characteristics, and risk management strategies. Additionally, the Company intends to evaluate the accounting policy choices available under SLFRS 9 for presenting changes in fair value of financial assets either in profit or loss or other comprehensive income (OCI). In this respect, for assets backing insurance contract liabilities under SLFRS 17, the Company intends to align its classification approach to minimise accounting mismatches. The option to recognise fair value changes in OCI will be considered where it better reflects the economic relationship with insurance liabilities measured under the fair value approach.</p>	<p>●</p>

New SLFRS / amendment to the existing SLFRS and the effective Date	Summary of the requirements	Possible impact to the Financial Statements	Possible impact on the Financial Statements
Lack of exchangeability (Amendments to LKAS 21) Effective on or after 01 January 2025 with early adoption permitted.	These disclosures might include: <ul style="list-style-type: none"> » nature and financial impacts of the currency not being exchangeable; spot exchange rate used; » estimation process; and » risks to the Company because the currency is not exchangeable. 	Companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the Financial Statements. The amendment is not expected to have a material impact on the Financial Statements of the Company since the Company has not entered into transactions in terms of the currencies that have lack of exchangeability.	●
SLFRS S 1 - General Requirements for Disclosure of Sustainability-related Financial Information Effective on or after 01 January 2026 with early adoption permitted. The Company has voluntarily early adopted the Standard during 2024.	SLFRS S1 outlines the general requirements for companies to disclose sustainability-related financial information, focusing on Environmental, Social, and Governance (ESG) factors. It emphasises the integration of sustainability-related disclosures into financial reporting, ensuring that stakeholders have comprehensive information on how sustainability risks and opportunities affect the financial performance and position of an organisation	Disclosures will be expanded to include sustainability-related financial information, offering greater transparency on ESG risks and opportunities. Companies will be required to account for sustainability risks that could influence asset impairments, liabilities, and cash flow projections. Costs related to sustainability initiatives, such as compliance and carbon credits, will affect both the Income Statement and Cash Flow Statements. Additionally, governance and internal control structures surrounding sustainability will be disclosed, which will shape the overall perception of the company's financial health. Ultimately, SLFRS S 1 seeks to integrate sustainability into financial reporting, making it a crucial standard for businesses aiming to ensure long-term value creation and transparency in the Financial Statements. Refer S1 and S2 index on page 407 for further details.	●
SLFRS S 2 - Climate-related Disclosures Effective on or after 01 January 2026 with early adoption permitted. The Company has voluntarily early adopted the Standard during 2024.	SLFRS S 2 is a standard that aligns with the global push for transparency regarding the financial impacts of climate-related risks and opportunities. This standard is designed to help companies disclose how climate-related factors affect their financial performance, position, and cash flows	It requires to disclose the financial impacts of climate risks and opportunities on the Financial Statements. It affects the Statement of Financial Position by potentially impairing assets and recognising climate-related liabilities, the Income Statement through increased expenses for compliance and sustainability investments, and the Cash Flow Statement by reflecting cash flows from climate-related activities. The standard also mandates enhanced disclosures for transparency on how climate risks influence financial performance and decision-making, helping stakeholders better understand a company's climate-related financial exposure and strategies. Refer S1 and S2 index on page 407 for further details.	●

4. USE OF MATERIAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs, the Management has made judgements, estimates and assumptions which 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 reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The most significant areas of estimation uncertainty and critical judgements, in applying accounting policies that have material effect on the amounts recognised in the Financial Statements of the Company are stated in the Notes 4.1 and 4.2:

NOTES TO THE FINANCIAL STATEMENTS

4.1 Material accounting judgements

Information about judgments made in applying accounting policies that have material effects on the amounts recognised in these Financial Statements is included in the following notes.

Critical judgements	Note	Page
Classification of financial assets	29.3	313
Critical accounting policies of the Company provides scope for financial assets to be classified and subsequently measured into different categories as: Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL), based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as set out in Notes 29.1 and 29.15.3 on pages 312 to 327.		
Lease terms - extension options		
At the lease commencement date, assessment is made on whether it is reasonably certain to exercise the extension options if there is a significant event or significant changes in circumstances within its control. The extension options held are exercisable only by the Company and not by the lessors. Based on the assessment on the potential extension options for each lease agreement, management has decided that possibility of extending of the same lease agreement is remote due to the operating structure of the Company. Refer Note 27 on Page 308 for the disclosures on the right of use assets.		
Classification of insurance, reinsurance, and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	39.3	333
Impairment assessment including establishing criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition	29.8.2	317
At each reporting date, financial investments are reviewed to assess whether an impairment loss should be provided in the Income Statement. Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. Accordingly, individual impairment and collective impairment is made as disclosed in Note 29.8 on page 317 and Note 29.15 to 325 respectively.		

4.2 Accounting assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustments for the year ended 31 December 2024 are included in the following notes.

Critical judgements	Note	Page
Insurance contract liabilities, Liability Adequacy Test (LAT) and key actuarial assumptions	39.5 & 39.15	335-338
<ul style="list-style-type: none"> Liability is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test (LAT), which reflect management's best estimate of future cash flows. Main assumptions used in relation to mortality, morbidity, longevity, investment returns, expenses, and discount rates are further detailed in Table O4 on Page 357. For those contracts that ensure risk related to longevity and prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to lifestyle, which could result in significant changes to the expected future mortality exposure. Estimates are also made as to future investment income arising from the assets backing life insurance contracts based on current market returns, as well as expectation about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. 		

Critical judgements	Note	Page
<ul style="list-style-type: none"> Lapse and surrender rates are based on the Company's historical experience. Discount rates are based on current market rates by considering timing and liquidity nature of the insurance liabilities. Details on the actuarial valuation, LAT and the actuary is set out in Note 39.4 and 39.15 on page 334 and 338 respectively. Carrying amount of Insurance contract liabilities, assumptions and estimates used to determine Insurance contract liabilities are disclosed in Note 39 on pages 332 to 340. Refer Note 48.7.5 (Table 33) on page 379 for sensitivity analysis. 		
Discount rate used for valuation of insurance contract liabilities	39.5.1	335
Fair value of financial instruments with significant unobservable inputs	47.7	350
The determination of fair values of financial assets and financial liabilities recorded in the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include use of mathematical models. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 29.15.1 on page 326.		
Impairment measurement of financial assets: determination of inputs into the Expected Credit Loss (ECL) measurement model, including key assumptions and incorporation of forward-looking information	29.8.5	317
<ul style="list-style-type: none"> The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. The Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models include: The Company's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Life Time Expected Credit Loss (LTECL) basis; The segmentation of financial assets when their ECL is assessed on a collective basis; Development of ECL models, including the various statistical formulas and the choice of inputs; Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD); Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs in to the ECL models. <p>To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions (including policy rates, inflation, growth in gross domestic product, sovereign rating, effect from uncertain volatile macro-economic conditions, etc.).</p> <p>The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision. Refer Note 29.8 and 29.15 on pages 317 to 318 and 325 to 327 respectively.</p>		
Fair value of land and building	26.24	306
<p>The Company measures land and buildings at revalued amounts with changes in fair value being recognised in equity through Other Comprehensive Income (OCI). Valuations are performed in every alternate year to ensure that the fair value of a revalued asset does not differ materially from the carrying amount. The Company engages independent professional valuer Mr. Anuradha Senevirathne, Chartered Valuation Surveyor to assess fair value of land and buildings in terms of SLFRS 13 on Fair Value Measurement. Based on the valuation techniques and inputs used, land and building were classified at level 3 in the fair value hierarchy.</p> <p>The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the land and building, and sensitivity analysis are provided in the Notes as stated here.</p>		

NOTES TO THE FINANCIAL STATEMENTS

4.2 Accounting assumptions and estimation uncertainties (Contd.)

Critical judgements	Note	Page
Useful life-time of property, plant and equipment	26.9	304
The Company reviews the residual values, useful lives, and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 26 on page 304 for more details.		
Measurement of defined benefit obligation: key actuarial assumptions	40.6	341
The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. 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. The Company engages independent professional actuary Mr. M. Poopalanathan, AIA of Messrs. Actuarial & Management Consultants (Pvt) Ltd to measure defined benefit obligation. Refer Note 40.6 on pages 341 for the assumptions used to determine the defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 40.12 on page 342.		
Recognition of deferred tax asset	28.6	311
Deferred tax assets are recognised in respect of deductible temporary differences and brought forward tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Refer Note 28 on pages 310 to 312 for estimates and assumptions used by the company in assessing recoverability of deferred tax assets.		
Estimating the incremental borrowing rate for lease liabilities	27.3	308
As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company “would have to pay”, which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific adjustments.		
Provisions and contingencies	53	385
Whenever the Company receives legal claims in the normal course of business, the Management exercises judgments as to the likelihood of any claim succeeding along with defending actions through legislative process. If it is not probable that a material liability will arise in the judgement of the management, no provision has been made in the Financial Statements, but a disclosure has been made.		
Impairment of non-financial assets	29.8.12	318

5. MATERIAL ACCOUNTING POLICIES AND NOTES

The material accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated in relation to the reported values in the Financial Statements with additional Notes and explanations thereon. Due consideration has been drawn in the disclosure of “material” rather than “significant” accounting policies.

5.1 Material accounting policies and explanatory notes under key categories

Income Statement related notes	Note	Page
Gross written premiums	6	290
Premiums ceded to reinsurers	7	290
Net written premiums	8	290
Finance income	9	290
Net realised gains / (losses)	10	292
Net fair value gains / (losses)	11	292
Other operating income	12	293
Net insurance benefits and claims paid	13	293
Net insurance benefits and claims outstanding	14	293
Change in valuation of insurance contract liabilities	15	295
Underwriting and net acquisition cost	16	295
Other operating and administration expenses	17	296
Loss arising from derecognition of ISB and SLDB	18	297
Impairment (charge)/ reversal on ISB, SLDB and other financial investments	19	297
Finance (gains) / cost	20	297
Profit before tax	21	298
Income tax and deferred tax	22	298
Earnings Per Share (EPS)	23	300
Dividend Per Share (DPS)	24	301
Statement of Financial Position related notes	Note	Page
Intangible assets	25	302
Property, plant and equipment	26	303
Right of use assets	27	308
Deferred taxation	28	310
Financial assets including impairment	29	312
Loans to life policyholders	30	327
Reinsurance receivables	31	328
Premiums receivables	32	328
Receivables and other assets	33	329
Cash and cash equivalents	34	330
Stated capital	35	330

Statement of Financial Position related notes	Note	Page
Restricted regulatory reserve	36	331
Other Reserves	37	331
Retained Earnings	38	332
Insurance contract liabilities	39	332
Employee benefit liabilities	40	340
Loans and borrowings	41	342
Reinsurance payables	42	343
Income tax liabilities	43	343
Other liabilities	44	343
Financial liabilities	45	346
Other disclosure notes	Note	Page
Foreign currency transactions	46	346
Fair value of financial instruments	47	346
Risk and Capital Management	48	354
Operating segments	49	380
Related party transactions	50	382
Capital and other commitments	51	385
Events after the reporting date	52	385
Provisions and contingencies	53	385

5.2 Changes in the material accounting policies

The Company has not made any changes in material accounting policies during the current annual reporting period.

The details of the new and amendments to existing SLFRSs effective from 01 January 2024 which have been duly considered in the preparation of the Financial Statements of the Company have been disclosed in Note 3.1 on page 282. Further, the Company has voluntarily early adopted SLFRS S1 and S2 standards during the current period as disclosed in Note 3.2 on page 284.

6. GROSS WRITTEN PREMIUMS

Accounting Policy

6.1 General

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

Gross written premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30-day grace period are considered as due for endowment products). Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies. For single premium business, revenue is recognised on the date on which the policy is effective.

All products sold by the Company are insurance contracts and therefore classified as insurance contracts. Thus, the Company does not have any investment contracts within its portfolio as at the reporting date.

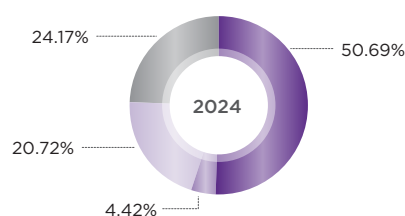
NOTES TO THE FINANCIAL STATEMENTS

6. GROSS WRITTEN PREMIUMS (CONTD.)

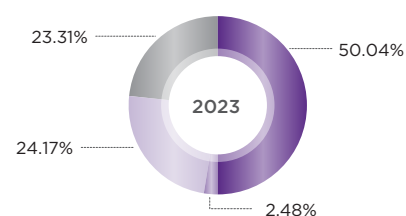
6.2 Premium income by major classes of business

For the year ended 31 December	2024			2023		
	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000
Renewal premium	16,006,226	-	16,006,226	13,181,096	-	13,181,096
Single premium	1,393,994	-	1,393,994	653,208	-	653,208
First year premium	6,540,525	-	6,540,525	6,366,477	-	6,366,477
Group life premium	-	7,632,722	7,632,722	-	6,140,540	6,140,540
Total gross written premium	23,940,745	7,632,722	31,573,467	20,200,781	6,140,540	26,341,321

GROSS WRITTEN PREMIUMS



● Renewal Premium
● Single Premium
● First Year Premium
● Group Life Premium



7. PREMIUMS CEDED TO REINSURERS

Premium ceded to reinsurers represents the premium paid by the Company to its reinsurers in order to manage its underwriting risks.

Accounting Policy

7.1 General

Reinsurance premiums on insurance contracts are recognised 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 reinsurer and accounted on an accrual basis.

7.2 Premium ceded to reinsurers

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Treaty	2,509,698	2,490,009
Facultative	-	880
Total premium ceded to reinsurers	2,509,698	2,490,889

8. NET WRITTEN PREMIUMS

This represents the net written premium for the financial year subsequent to the deduction of reinsurance premium from gross written premium.

8.1 Analysis of the net written premium

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Gross written premium	31,573,467	26,341,321
Less: Premiums ceded to reinsurers	(2,509,698)	(2,490,889)
Net written premium	29,063,769	23,850,432

9. FINANCE INCOME

Finance income consists of interest income and dividend income generated by the Company from its various financial assets held throughout the reporting period.

Accounting Policy

9.1 Interest income

Interest income is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate by applying to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). The calculation of interest income of credit-impaired financial assets does not revert to a gross basis, even if the credit risk of the asset improves. Investment related expenses consist of costs relating to investment such as custodian fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

Accounting Policy

9.1.1 Effective interest rate (EIR)

The EIR 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 EIR, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses. For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including Expected Credit Losses (ECL). The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

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

Financial instrument	Interest calculation method
Fair value through profit or loss (FVTPL)	EIR Method
Amortised cost (AC)	
Fair value through other comprehensive income (FVOCI)	

9.2 Dividend income

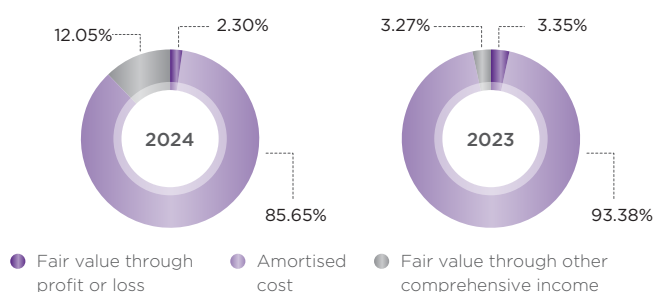
Dividends on equity investments are recognised in the Income Statement when the right to receive payment is established which is on the date at which the investment is priced 'ex dividend'. Dividends are presented under net finance income in the Income Statement.

9.3 Analysis of finance income

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Interest income from:			
Financial assets classified at FVTPL	9.4.a	155,528	233,623
Financial assets classified at amortised cost	9.4.c	5,816,988	6,515,689
Financial assets classified at FVOCI	9.4.d	743,665	228,131
		6,716,181	6,977,443

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Dividend Income From;			
Equity shares classified at FVTPL	9.4.b	18	-
Equity shares classified at FVOCI	9.4.e	74,725	-
		74,743	-
Total finance income		6,790,924	6,977,443

FINANCE INCOME



9.4 Detail analysis of finance income

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
a. Interest income - Financial assets classified at FVTPL		
Treasury bonds	53,725	39,948
Perpetual debentures	101,048	193,675
Commercial papers	755	-
Total interest income from FVTPL assets	155,528	233,623
b. Dividend income - Equity shares	18	-
Total finance income from financial assets classified at FVTPL	155,546	233,623
c. Interest income - Financial assets classified at amortised cost		
Debentures	697,542	787,117
Commercial papers	290,789	420,805
Securitised paper	30,667	72,785
Term deposits	117,036	121,613
Sri Lanka development bonds	-	132,874
International sovereign bonds	1,140,205	1,046,135
Repo	272,963	310,806
Loans to life policyholders	65,639	52,862
Treasury bonds	3,167,488	3,438,657
Treasury bills	34,659	132,035
Total finance income from financial assets classified at amortised cost	5,816,988	6,515,689

NOTES TO THE FINANCIAL STATEMENTS

9.4 Detail analysis of finance income (Contd.)

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
d. Interest income - Financial assets classified at FVOCI		
Treasury bonds	535,679	228,131
Treasury bills	5,335	-
International sovereign bonds	202,651	-
Total interest income FVOCI assets	743,665	228,131
e. Dividend income - Equity shares	74,725	-
Total finance income from financial assets classified at FVOCI	818,390	228,131
Total finance income	6,790,924	6,977,443

10. NET REALISED GAINS / (LOSSES)

Accounting Policy

10.1 General

Realised gains and losses recorded in the Income Statement on investments include gains and losses on disposal of financial assets except for equity instruments classified at FVOCI.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

On derecognition of an investment other than equity classified as FVOCI, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the Income Statement.

On derecognition of equity investments classified at FVOCI, the cumulative gain or loss previously recognised in the OCI is transferred to retained earnings from fair value reserve in the Statement of Changes in Equity.

10.2 Analysis of realised gains / (losses)

For the year ended 31 December	2024 Realised gains / (losses) Rs. '000	2023 Realised gains / (losses) Rs. '000
Financial assets classified at FVTPL		
Unit trusts	805,689	227,391
Quoted equity securities	(4,532)	-
Total financial assets classified at FVTPL	801,157	227,391
Financial assets classified at FVOCI		
Treasury bills	(108)	-
Total financial assets classified at FVOCI	(108)	-
Financial assets classified at amortised cost (Note 10.3)		
Treasury bond	2,137,107	-
Total financial assets classified at amortised cost	2,137,107	-
Total net realised gains/(losses)	2,938,156	227,391

10.3 Net gain / (loss) arising from derecognition of financial assets measured at amortised cost

For the year ended 31 December	2024 Realised gains / (losses) Rs. '000	2023 Realised gains / (losses) Rs. '000
Financial assets classified at amortised cost		
Treasury bonds (Note 10.3.1)	2,137,107	-
International Sovereign Bonds (ISB) (Note 10.3.2)	(2,237,532)	-
Sri Lanka Development Bonds (SLDB) (Note 10.3.3)	-	(86,522)
Total financial assets classified at amortised cost	(100,425)	(86,522)

10.3.1 Derecognition of treasury bonds at amortised cost

During the financial year 2024, the Company divested treasury bonds with a face value of Rs. 5,650 Million, which were carried at an amortised cost of Rs. 4,670 Million. The transaction was executed at a total settlement value of Rs. 6,807 Million, resulting in a derecognition gain of Rs. 2,137 Million. This sale was part of the Company's funding strategy to facilitate the share buyback programme, as disclosed in Note 35.4 on page 331.

10.3.2 Restructuring of ISBs

Impact of the ISB restructuring, including the derecognition loss, has been detailed in Note 29.11.1 on page 324.

10.3.3 Restructuring of SLDBs (DDO)

Impact of the Domestic Debt Optimisation (DDO) of SLDB during the year 2023 has been disclosed in the Note 29.11.2 on page 325.

These transactions have not led to any change in the Company's business model and are not expected to recur.

11. NET FAIR VALUE GAINS / (LOSSES)

Accounting Policy

11.1 General

Fair value gains and losses recorded in the Income Statement on investments include fair value gains / (losses) on financial assets measured at FVTPL.

11.2 Fair value gains / (losses) on FVTPL investments

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Treasury bonds	11,807	101,563
Unit trusts*	(317,565)	464,428
Perpetual debentures	(49,199)	533
Derivatives	-	166,921
Total net fair value gains/(losses)	(354,957)	733,445

*The fair value loss recorded during the period is attributable to the reversal of previously recognised fair value gains, arising from the disposal of unit trust investments. The corresponding amount has been reclassified to net realised gains.

12. OTHER OPERATING INCOME**Accounting Policy****12.1 Recognition**

Other income is recognised on an accrual basis. It is comprised of fees, disposal gains/(losses) on property, plant and equipment and miscellaneous income.

12.1.1 Gains or losses on disposal of an item of property, plant and equipment (PPE)

Any gain or loss on disposal of an item of PPE (calculated as the difference between net proceeds from disposal and carrying amount of the item at the time of disposal) is recognised as 'other income' in the Income Statement in the year in which the Company transfers control of the asset to the buyer. When revalued assets are sold, any related amount included in the revaluation reserves are transferred to retained earnings.

12.2 Analysis of the other income

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Gain on sale of property, plant and equipment	90	141
Miscellaneous income	6,458	9,744
Total other income	6,548	9,885

13. NET INSURANCE BENEFITS AND CLAIMS PAID**Accounting Policy****13.1 Gross benefits and claims**

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

13.2 Reinsurance recoveries

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

13.3 Net insurance benefits and claims

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Claims		
Gross claims paid	10,986,558	10,237,565
Claims recovered from reinsurers	(671,212)	(592,422)
	10,315,346	9,645,143
Benefits		
Gross benefits paid	3,872,547	3,253,018
	3,872,547	3,253,018
Total net insurance benefits and claims paid (Note 13.4)	14,187,893	12,898,161

13.4 Analysis of net insurance benefits and claims paid

For the year ended 31 December	2024			2023		
	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000
Claims						
Death, disability and other riders - Endowment	4,800,118	(245,017)	4,555,101	4,678,046	(290,690)	4,387,356
Death and hospitalisation - Group life	4,819,128	(370,503)	4,448,625	3,970,473	(239,299)	3,731,174
Death - Decreasing Term Assurance (DTA)	1,367,312	(55,692)	1,311,620	1,589,046	(62,433)	1,526,613
	10,986,558	(671,212)	10,315,346	10,237,565	(592,422)	9,645,143
Benefits						
Policy maturities / surrenders - Investment products	2,144,945	-	2,144,945	1,785,941	-	1,785,941
Policy maturities - Endowment	1,100,764	-	1,100,764	764,084	-	764,084
Policy surrenders - Endowment products	626,838	-	626,838	702,993	-	702,993
	3,872,547	-	3,872,547	3,253,018	-	3,253,018
Total net insurance benefits and claims Paid	14,859,105	(671,212)	14,187,893	13,490,583	(592,422)	12,898,161

NOTES TO THE FINANCIAL STATEMENTS

14. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

Accounting Policy

14.1 General

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

14.2 Net change in insurance claims and benefits outstanding

For the year ended 31 December	2024			2023		
	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000
Claims						
Death, disability and other riders - Endowment	66,778	(38,382)	28,396	(17,933)	39,021	21,088
Death and hospitalisation - Group life	(4,684)	(6,274)	(10,958)	(16,148)	7,752	(8,396)
Death - Decreasing Term Assurance (DTA)	72,393	(28,011)	44,382	(59,860)	(7,655)	(67,515)
	134,487	(72,667)	61,820	(93,941)	39,118	(54,823)
Total net change in insurance claim and benefits outstanding	134,487	(72,667)	61,820	(93,941)	39,118	(54,823)

14.3 Total net insurance claims and benefits expense

For the year ended 31 December	2024			2023		
	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000
Claims						
Death, disability and others riders - Endowment	4,866,895	(283,398)	4,583,497	4,660,113	(251,669)	4,408,444
Death and hospitalisation - Group life	4,814,445	(376,777)	4,437,668	3,954,325	(231,548)	3,722,777
Death - Decreasing Term Assurance (DTA)	1,439,704	(83,703)	1,356,001	1,529,186	(70,087)	1,459,099
	11,121,044	(743,878)	10,377,166	10,143,624	(553,304)	9,590,320
Benefits						
Policy maturities / surrenders - Investment products	2,144,945	-	2,144,945	1,785,941	-	1,785,941
Policy maturities - Endowment	1,100,764	-	1,100,764	764,084	-	764,084
Policy surrenders - Endowment products	626,838	-	626,838	702,993	-	702,993
	3,872,547	-	3,872,547	3,253,018	-	3,253,018
Total net insurance claim and benefits expenses	14,993,591	(743,878)	14,249,713	13,396,642	(553,304)	12,843,338

15. CHANGE IN VALUATION OF INSURANCE CONTRACT LIABILITIES**Accounting Policy****15.1. General**

In Note 39.4 on page 334 to these Financial Statements explain in detail about methodology of valuation of the insurance contract liabilities. Changes in the valuation of insurance contract liabilities are recognised in the Income Statement under change in contract liabilities.

15.2 Actuarial valuation of life insurance fund

The Directors agree to the provision relating to long term insurance contract liability of the Company at the year-end on the recommendations of the Appointed Actuary following his annual investigation of the life insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the appointed actuary.

15.3 Change in contract liabilities - Life fund

For the year ended 31 December	Note	2024			2023		
		Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000
Net premiums written	8	31,573,467	(2,509,698)	29,063,769	26,341,321	(2,490,889)	23,850,432
Insurance benefits and claims incurred	14.3	(14,993,591)	743,878	(14,249,713)	(13,396,642)	553,304	(12,843,338)
Underwriting and net acquisition costs (including reinsurance)	16	(6,149,325)	358,936	(5,790,389)	(5,779,524)	293,316	(5,486,208)
Other operating, selling and administrative expenses attributable to policyholders		(6,609,093)	-	(6,609,093)	(5,446,630)	-	(5,446,630)
Investment and other income attributable to policyholders		7,143,166	-	7,143,166	5,768,826	-	5,768,826
Surplus from life insurance fund transferred to life shareholder's fund	39.12	(4,287,000)	-	(4,287,000)	(3,015,000)	-	(3,015,000)
Change in contract liabilities - Life fund	39.8.2	6,677,624	(1,406,884)	5,270,740	4,472,351	(1,644,269)	2,828,082

The Appointed Actuary's report is provided on page 268.

A reconciliation of the change in insurance contract liabilities is reflected in Note 39.8.2 on page 337 to these Financial Statements.

16 UNDERWRITING AND NET ACQUISITION COST (NET OF REINSURANCE)**Accounting Policy****16.1 General**

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

16.2 Underwriting and net acquisition cost (net of reinsurance)

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Underwriting and policy acquisition cost	6,149,325	5,779,524
Reinsurance commission including profit commission	(358,936)	(293,316)
Total underwriting and net acquisition cost	5,790,389	5,486,208

NOTES TO THE FINANCIAL STATEMENTS

17. OTHER OPERATING AND ADMINISTRATION EXPENSES

Accounting Policy

17.1 General

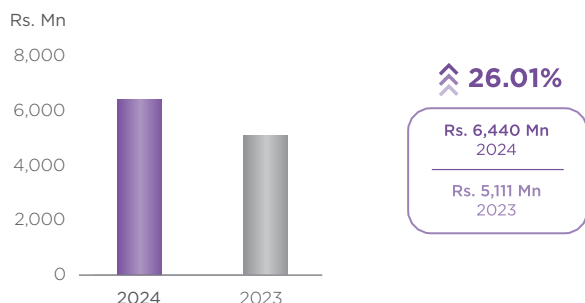
Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged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

For the purpose of presentation of the Income Statement, the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

17.2 Expenses Analysis

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Employee benefits expenses			
Short term employee benefits	17.3.5	3,203,214	2,393,901
Long term employee benefits - Defined benefit plan cost	40.8	72,318	67,029
Other long term employee benefits and termination benefits		-	-
Total employee benefits expenses		3,275,532	2,460,930
Administration and establishment expenses		2,451,335	1,959,445
Selling expenses		713,468	690,736
Total other operating and administration expenses		6,440,335	5,111,111

OTHER OPERATING AND ADMINISTRATION EXPENSES



17.3 Short Term Employee Benefits

Accounting Policy

17.3.1 General

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

17.3.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Income Statement in the periods when they are incurred.

17.3.3 Employee Provident Fund (EPF)

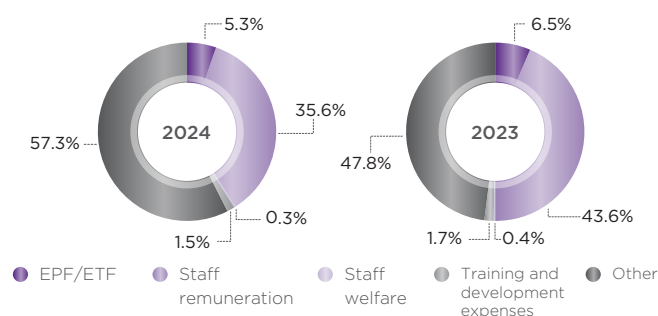
All employees of the Company are members of the Employees' Provident Fund. The Company and employees contribute 12% and 8% respectively of the salary to EPF.

17.3.4 Employees Trust Fund (ETF)

All employees of the Company are members of the Employees Trust Fund. The Company contributes 3% of the salary of each employee to ETF.

17.3.5 Short term employee benefits expenses

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Contributions to defined contribution plans			
EPF	40.2	136,837	125,011
ETF	40.2	34,209	31,251
		171,046	156,262
Staff remuneration		1,139,894	1,041,757
Staff welfare		10,578	10,681
Training and development expenses		47,770	40,219
Other short term employee benefits expenses		1,833,926	1,144,982
Total short term employee benefits expenses		3,203,214	2,393,901

EMPLOYEE BENEFITS**17.4 Other statutory expenses****17.4.1 Crop Insurance Levy (CIL)**

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

17.4.2 CESS Levy

As per the Section 7 of the Regulation of Insurance Industry Act (No. 43 of 2000), CESS is payable at 0.2% on the Net Written Premium (NWP) and to be remitted to the IRCSL on quarterly basis.

17.4.3 Stamp Duty

In terms of the Stamp Duty (Sp. Provisions) Act No. 12 of 2006 and the amendments thereto, Stamp Duty shall be charged on every specified instrument at specified rates and to be remitted to the Department of Inland Revenue on quarterly basis.

17.5 Write-downs

There were no write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversal of such write-downs

17.6 Impairment on revalued assets

During the period, there were no impairment losses or reversal on revalued assets (2023 – Nil).

18. DERECOGNITION LOSS ON RESTRUCTURING OF ISB AND SLDB

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Haircut on ISBs at restructuring	(567,220)	-
Initial recognition loss on restructured ISBs	(1,670,312)	-
Initial recognition loss on treasury bonds exchanged for SLDBs under DDO	-	(86,522)
Derecognition gain/(loss) on restructured financial investments	(2,237,532)	(86,522)

Initial recognition loss on restructured financial investments has arisen from ISB restructured financial assets during 2024 as disclosed in Note 29.11.1 on page 324 and from treasury bonds exchanged for SLDBs under Domestic Debt Optimisation (DDO) as disclosed in Note 29.11.2 on page 325 during 2023.

19. IMPAIRMENT (CHARGE)/REVERSAL ON FINANCIAL INVESTMENTS

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Financial investments at amortised cost		
Sri Lanka development bonds	-	139,875
International sovereign bonds (Note 29.11.1)	3,214,321	(1,144,481)
Other financial investments	(199,488)	9,351
	3,014,833	(995,255)
Financial investments at FVOCI		
International sovereign bonds - restructured PDI bond	(9,849)	-
Total (Note 29.15.1)	3,004,984	(995,255)

20. FINANCE (GAINS)/COST**Accounting Policy****20.1 General**

Interest expense is recognised in the Income Statement as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest-bearing financial liability. The Company's finance cost includes lease interest expense, interest expenses on long-term borrowing and other interest expenses. As at the reporting date, the Company has classified all financial liabilities under the amortised cost category as disclosed in Note 45 on page 346.

20.2 Analysis of finance cost/(gains)

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Financial liabilities at amortised cost,			
Interest expenses on lease liabilities	44.4.3.1	112,807	111,448
Interest expenses on long term borrowings	41.6	579,243	616,295
Other interest expenses		135,753	120,818
Net exchange losses on financial assets and financial liabilities measured at amortised cost		300,593	402,348
Total finance cost		1,128,396	1,250,909

NOTES TO THE FINANCIAL STATEMENTS

21. PROFIT BEFORE TAX

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

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Director fee and emoluments	50.6.1	92,167	86,584
Auditors remuneration			
Auditor's fees and related expenses		5,651	2,925
Audit related services and related expenses		11,217	6,928
Non audit services and related expenses		5,343	-
Costs of Employee Benefits			
Defined contribution plan cost - EPF	40.2	136,837	125,011
Defined contribution plan cost - ETF	40.2	34,209	31,251
Defined benefit plan cost	40.8	72,318	67,029
Staff training and development cost	17.3.5	47,770	40,219
Other staff expenses		2,984,398	2,197,420
Provision / (reversal) for impairment of			
Financial instruments	19	(3,004,987)	995,255
Loans to life policyholders		-	-
Other			
Legal fees		20,576	18,018
Depreciation of property, plant and equipment	26.10	139,075	133,393
Amortisation of right of use of assets	27.8	372,655	305,520
Amortisation of intangible assets	25.8	859	722
Research and development costs		-	-
(Profit) / loss on sale of property, plant and equipment & intangible assets	12.2	90	141
CSR expenses		2,722	7,100
Donations		-	-
Operating lease expenses		450	-

21.1 Director fee and emoluments

Directors' emoluments represent the salaries and fees paid to both Executive and Non-Executive Directors of the Company and is explained in Note 50.6.1 on page 383.

21.2 Utilisation of Income

Graphical presentation for utilisation of income is given in the financial highlights section on page 266.

22. INCOME TAX EXPENSES

Accounting Policy

22.1 General

Income tax expense comprises current tax and deferred tax and is recognised in the Income Statement. Current tax and deferred tax relating to items recognised directly in equity is recognised in equity and for items recognised in OCI that shall be recognised in the OCI.

The Company has determined that the interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

22.2 Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset only if certain criteria are met.

22.3 Tax Exposures

In determining the amount of current tax and deferred tax, the Company considers the impact of tax exposure, including whether additional taxes and penalties are due. Finalisation of the tax liability with authorities may change the position already recorded in the Financial Statements and such changes to tax liabilities could impact the tax expense either as an over or under provision in the period in which such a determination is made.

22.4 Deferred Tax

22.4.1 General

Accounting policy and detail analysis relating to deferred tax is disclosed in Note 28 on page 310.

22.5 Applicable tax law and the tax rates

The gains and profits from the life insurance business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by the Inland Revenue (Amendment) Act, No. 45 of 2022.

22.5.1 Currently applicable tax rates

Gains and profits on which tax payable is the aggregate of:

Taxable income source	Applicable tax rate
Surplus distributed to shareholders from the life insurance policyholders fund as certified by the actuary	30%
Investment income of the shareholder fund less any expenses incurred in the production of such income	30%
Dividend paid out of profit (Note 22.9.1 on page 300)	15%
Surplus distributed to a life insurance policyholder who shares the profits of a person engaged in the business of life insurance	30%

22.6 Impact on changes in the applicable income tax rate

As per the Inland Revenue (Amendment) Act No 45 of 2022, corporate tax rates have been revised with effect from 01 October 2022. Accordingly, over provision of income tax for the year 2022 has been adjusted during the year 2023 (Note 22.7 on page 299).

For the deferred tax purpose, the tax rate of 30% was applied for the year ended 31 December 2024 as well as for the previous year.

22.7 Amounts recognised in the Income Statement

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Current tax expense			
Income tax expense on current year's profits		1,439,847	1,229,617
Under / (over) provision in respect of the previous year		-	(31,911)
Current tax expense / (reversal)		1,439,847	1,197,706
Deferred tax expenses			
Origination of deferred tax assets from the ISB	28.8	(468,263)	(838,938)
Reversal of previously recognised deferred tax assets upon ISB restructuring	28.8.2	838,938	-
Deferred tax expense / (reversal)	22.8	370,675	(838,938)
Income tax expense recognised in income statement		1,810,522	358,768
Other comprehensive income			
Deferred tax charge / (reversal)			
Relating to origination and reversal of temporary differences of deferred tax assets		-	-
Income tax expense recognised in other comprehensive income		-	-
Income tax expense recognised in the other comprehensive income		-	-

22.8 Reconciliation of the accounting profit to income tax expense

For the year ended 31 December	2024	
	%	Rs. '000
Accounting profit before tax		6,332,319
Tax using the Company's domestic tax rate*	30	1,899,696
Income exempt from tax	(22)	(1,387,435)
Aggregate allowable expenses	(1)	(43,380)
Aggregate dis-allowable expenses	20	1,275,737
Business lose claimed on ISB haircut at the time of restructuring (Note 28.6 on page 311)	(5)	(304,771)
Under / (over) provision in respect of the previous year	-	-
Net deferred tax asset (origination)/reversal	6	370,675
Income tax expense recognised in the Income Statement at the average effective income tax rate	29	1,810,522

For the year ended 31 December	2023	
	%	Rs. '000
Accounting profit before tax		3,197,171
Tax using the Company's domestic tax rate*	30	959,151
Income exempt from tax	(10)	(319,725)
Other Income	-	-
Aggregate allowable expenses	(1)	(34,567)
Aggregate disallowable expenses	20	624,758
Under / (over) provision in respect of the previous year	(1)	(31,911)
Net deferred tax asset (origination / reversal) of deferred tax assets	(26)	(838,938)
Income tax expense recognised in the Income Statement at the average effective income tax rate	12	358,768

*Tax using the Company's domestic tax rate represents effective tax rate applied during the year 2024 and 2023 respectively.

NOTES TO THE FINANCIAL STATEMENTS

22.9 Income tax computation as per IRD Act No 24 of 2017 and amendment to Act, No. 10 of 2021 and Act. No. 45 of 2022

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Surplus distributed to shareholder from the life insurance policyholders fund (Refer page 268 for the Actuary's Report)	4,287,000	3,015,000
Investment income of the shareholder fund less expenses	2,204,699	2,149,474
Surplus distributed to policyholders (par bonus) - refer page 268 for the Actuary's Report	607,117	517,829
Income exempt from tax (refer Note 22.9.1)	(1,387,435)	(1,065,754)
Business income	5,406,610	4,616,549
Deductions under Section 19 of the IRD Act	(304,771)	-
Total assessable income	5,406,610	4,616,549
Income tax rate on assessable income @ 30% (excluding tax on par bonus)	1,439,848	1,229,616
Income tax rate on assessable income @ 30% (including tax on par bonus)	1,621,983	1,384,965
Income tax on dividend income @ 15%	-	-
Tax liability	1,621,983	1,384,965

22.9.1 Income exempt from tax

As per the Inland Revenue (Amendment) Act, No. 10 of 2021, and amendment there to, Investment Income from Sri Lanka Government International Sovereign Bond, Sri Lanka Development Bond till 14 August 2023 (refer Note 29.11.1 on page 324 for the restructuring of ISB investment) and interest income received from savings and fixed deposits which are denominated in foreign currency have been considered as exempt income.

Dividend income received to the extent that dividend income is attributable to or derived from, another dividend received by the relevant dividend paid company or another resident company. Such dividend income shall be exempted from Income tax under the section 9 of the Inland Revenue Act, no 24 of 2017.

Accordingly, the Company has considered the above investment income of the shareholder fund as exempt income for the purpose of computation of income tax liability for the year ended 31 December 2024.

Dividend income received on which withholding tax has already been deducted shall be a final withholding payment under section 88 of the Inland Revenue Act no 24 of 2017. Hence, it will not be taxed again.

22.9.2 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

IFRIC 23 interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it has assessed whether the interpretation had an impact on its financial statements. The Company is of the view that it is probable that its tax treatments will be accepted by the taxation authorities. Hence, the interpretation did not have an impact on the Financial Statements of the Company. The Company reviewed its income tax treatments and concluded that no additional provisions are required and disclosures relating to contingent liabilities have been made under Note 53.

23. EARNINGS PER SHARE (EPS)

Accounting Policy

23.1 General

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

The EPS calculations have been prepared in accordance with LKAS 33 - Earnings Per Share, ensuring that the impact of the share repurchase is accurately reflected. The repurchased shares have been excluded from the total number of outstanding shares from the date of repurchase, as required by the standard.

23.2 Basic earnings per share

For the year ended 31 December	2024	2023
Amount used as the numerator:		
Profit attributable to ordinary shareholders of the Company (Rs. 000)	4,521,797	2,838,403
Number of ordinary shares used as the denominator:		
Weighted average number of ordinary shares as at 31 December (refer Note 23.2.1)	358,510,502	375,000,000
Basic earnings per share (Rs.)	12.61	7.57

23.2.1 Weighted average number of ordinary shares

For the year ended 31 December	2024	2023
Issued ordinary shares as at 1 January	375,000,000	375,000,000
Effect of the share repurchase	(16,489,498)	-
Weighted Average number of ordinary shares as at 31 December	358,510,502	375,000,000

Along with the share repurchase arrangement completed on 20 September 2024 to buy-back 58,593,750 number of shares of the Company (as disclosed in Note 35.4 on page 331), the impact on the weighted average number of shares has been considered in the basic EPS calculation.

23.3 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share shown in the Note 23.2.

24. DIVIDEND PER SHARE (DPS)

Accounting Policy

24.1 General

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Board of Directors in accordance with the Articles of Association of the Company.

Dividend declared by the Board of Directors after the reporting date is not recognised as a liability and is disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard – LKAS 10 on “Events after the reporting period”.

24.2 Dividend declared from recorded profit

For the year ended 31 December	Interim dividend declared for the 2024 profit	Interim dividend declared for the 2023 profit
Number of ordinary shares	316,406,250	375,000,000
DPS (Rs.)	4.50	3.75
Gross dividend (Rs. '000)	1,423,828	1,406,250
WHT deducted (Rs. '000)	(194,328)	(210,937)
Net dividend (Rs. '000)	1,229,500	1,195,313

24.3 Dividend paid during the year

For the year ended 31 December	DPS (Rs.)	2024 (Rs. '000)	2023 (Rs. '000)
Gross Interim Dividend for the year 2024	4.50	1,423,828	-
Gross Interim Dividend for the year 2023	3.75	1,406,250	-
Gross Interim Dividend for the year 2022	3.50	-	1,312,500
Total		2,830,078	1,312,500

24.4 Compliance with the Direction No: 4 of 2024 issued by IRCSL

The dividend declared and paid during the year out of the current year profits is complied with the Direction No: 4 of 2024 issued by IRCSL dated 8 May 2024, which has superseded the previous Direction and the amendment thereto.

24.5 Compliance with the Section 56 and 57 of the Companies Act No. 7 of 2007

As required by the Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors of the Company needs to satisfy the solvency test in accordance with the Section 57, prior to recommending the dividend. A statement of solvency duly completed and signed by the Directors when declaring the dividends during the current year as well as in the comparative year has been reviewed by Messrs. KPMG.

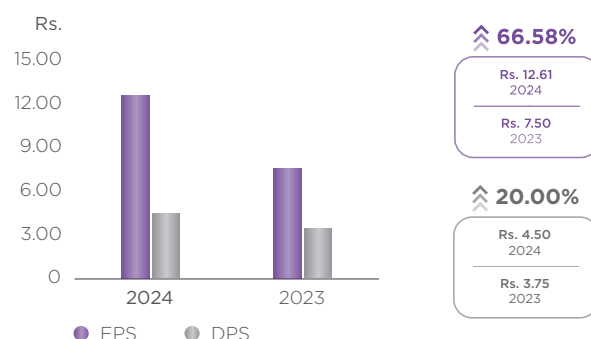
24.6 Tax implications

Refer Note 22.5 and 22.9.1 on pages 298 and 300 for the details on the applicable Withholding tax (WHT) / Advance income tax (AIT).

24.7 Non-cash assets distributed to owners

During the period ended 31 December 2024, the Company did not distribute non cash assets to its owners (2023 - Nil).

EPS and DPS



NOTES TO THE FINANCIAL STATEMENTS

25. INTANGIBLE ASSETS

Accounting Policy

25.1 Recognition

An intangible asset is recognised, if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 38 - 'Intangible Assets'.

25.2 Basis of measurement - Software

Software acquired by the Company is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

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

25.3 Subsequent expenditure

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

25.4 Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such intangible assets is included in other operating income in the Income Statement when the item is derecognised.

25.5 Treatment of research and development cost

Research costs are expensed as incurred. Development expenditure on an individual project are recognised as an intangible asset, when the Company can demonstrate:

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

- The ability to measure reliably the expenditure during development.
- The ability to use the intangible asset generated.

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

25.6 Useful economic life, amortisation and impairment

25.6.1 Intangible assets with finite lives

Intangible assets with finite life are amortised over their useful economic life, from the date that it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life, amortisation method and residual values of an intangible asset with a finite useful life are reviewed at each reporting date and changes in the expected useful life or the expected future economic benefits embodied in the asset are considered to modify the useful lives, method, or residual values as appropriate, and are treated as changes in accounting estimates.

25.6.2 Amortisation expenditure

The amortisation expense on intangible assets with finite lives is recognised in the Income Statement under other operating and administration expenses.

25.6.3 Useful life, residual value and amortisation method

Intangible asset	Estimated useful life / amortisation period	Residual value	Amortisation method
Computer software	5 Years	Nil	Straight-line basis over the estimated useful life of the software, from the date that it is available for use.

25.6.4 Intangible assets with indefinite useful life

The Company does not have intangible assets with indefinite useful life as at the reporting date. (2023 - Nil).

25.6.5 Research and development cost

There are no research and development cost incurred during the year which is eligible for capitalisation in the Financial Statements.

25.7 Internally-generated intangible assets and separately acquired intangible assets

All intangible assets are separately acquired and there are no such internally generated intangible assets.

25.8 Reconciliation of carrying amounts of intangible assets

As at 31 December	2024 Rs. '000	2023 Rs. '000
Computer software		
Cost		
Balance as at 1 January	95,325	94,805
Acquisition during the year	2,450	520
Balance as at 31 December	97,775	95,325
Accumulated amortisation and impairment losses		
Balance as at 1 January	92,961	92,239
Amortisation for the year	859	722
Balance as at 31 December	93,820	92,961
Carrying value as at 31 December	3,955	2,364

25.9 Other changes to intangible assets

Other than disclosed in the Note 25.8 above, there were no other changes to the intangible assets during the period under review (2023 – Nil).

25.10 Acquisition of intangible assets during the year

During the financial year, the Company paid Rs. 2.5 Million (2023 – Rs. 0.5 Million) to purchase intangible assets.

25.11 Fully amortised intangible assets in use

Fully amortised intangible assets in use as at reporting date were Rs. 91.6 Million. (2023: Rs. 91.4 Million).

25.12 Title restrictions on intangible assets

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

25.13 Intangible assets pledged as securities

There were no items pledged as securities for liabilities as at the reporting date (2023 – Nil).

25.14 Assessment of impairment of intangible assets

The Board of Directors has assessed potential impairment loss of intangible assets as at 31 December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of intangible assets (2023 – Nil).

25.15 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 2024 (2023 – Nil).

25.16 Individually material / significant intangible assets

There are no individual intangible assets that are material to the Financial Statements as at 31 December 2024 (2023 – Nil).

25.17 Amount of contractual commitment for acquisition of intangible assets

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

25.18 Intangible assets acquired by way of government grants

As at reporting date, the Company has not acquired Intangible assets by way of government grants.

25.19 Revaluation of intangible assets

Since, cost model has been followed, there is no revaluation adjustment for intangible assets

26. PROPERTY, PLANT AND EQUIPMENT**Accounting Policy****26.1 Recognition and measurement**

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

26.2 Basis of recognition

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

26.3 Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day - to - day servicing).

26.4 Subsequent measurement**26.4.1 Cost model**

The Company applies the cost model to all property, plant and equipment except for freehold land and freehold building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

26.4.2 Revaluation model

The Company applies the revaluation model for the entire class of freehold land and freehold building for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers in every two years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

26. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Accounting Policy (Contd.)

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

Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of the same are given in Note 26.4.4 on page 307.

26.4.3 Subsequent costs

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

26.4.4 Repairs and maintenance

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

26.5 Capital work in progress

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

26.6 Cost of dismantling

The estimated costs of dismantling, removing, or restoring items of property, plant and equipment is Nil.

26.7 Carrying value

The carrying value of an asset or significant component of assets within a class is assessed annually with its fair value and where the fair value is less than the carrying value the asset is written down to its fair value. The consequent adjustment is recognised in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually.

All classes of property, plant, and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 26.10.

26.8 Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income in the Income Statement in the year in which the asset is derecognised.

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

26.9 Useful economic life, residual values and depreciation

26.9.1 Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets. Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation. Land is not depreciated.

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 recognised as an expense in other operating and administration expenses in the Income Statement.

26.9.2 Useful economic lives, depreciation rate and residual values

Class of asset	Depreciation percentage per annum	Estimated useful life	Residual value
Building	5%	20 years	Nil
Office equipment	20%	05 Years	Nil
Computer equipment	20%	05 Years	Nil
Furniture and fittings	10%	10 Years	Nil
Fixtures and fittings	20%	05 Years	Nil
Motor vehicles	25%	04 Years	Nil

26.10 Reconciliation of gross carrying amount of property, plant and equipment

	Freehold land	Freehold building	Computer hardware	Office equipment	Furniture and fittings	Fixtures and fittings	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost / revaluation								
Balance as at 1 January 2023	160,000	128,132	217,181	282,240	222,131	573,867	94	1,583,645
Additions during the year	-	-	41,595	57,350	46,536	72,198	-	217,679
Surplus on revaluation	20,000	23,784	-	-	-	-	-	43,784
Transferred of accumulated depreciation on revalued assets	-	(20,916)	-	-	-	-	-	(20,916)
Disposals during the year	-	-	(88)	(39)	-	-	-	(127)
Balance as at 31 December 2023	180,000	131,000	258,688	339,551	268,667	646,065	94	1,824,065
Balance as at 1 January 2024	180,000	131,000	258,688	339,551	268,667	646,065	94	1,824,065
Additions during the year	-	-	17,489	18,881	22,260	62,311	-	120,941
Surplus on revaluation	-	-	-	-	-	-	-	-
Transferred of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-
Disposals during the year	-	-	(172)	-	-	-	-	(172)
Balance as at 31 December 2024	180,000	131,000	276,005	358,432	290,927	708,376	94	1,944,834

	Freehold land	Freehold building	Computer hardware	Office equipment	Furniture and fittings	Fixtures and fittings	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accumulated depreciation and impairment losses								
Balance as at 1 January 2023	-	10,458	167,174	236,330	126,699	463,533	94	1,004,288
Depreciation for the year	-	10,458	21,751	25,739	20,382	55,063	-	133,393
Transferred of accumulated depreciation on revalued assets	-	(20,916)	-	-	-	-	-	(20,916)
Disposals during the year	-	-	(88)	(39)	-	-	-	(127)
Balance as at 31 December 2023	-	-	188,837	262,030	147,081	518,596	94	1,116,638
Balance as at 1 January 2024	-	-	188,837	262,030	147,081	518,596	94	1,116,638
Depreciation for the year	-	12,813	23,138	25,817	22,368	54,939	-	139,075
Transferred of accumulated depreciation on revalued assets	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-
Disposals during the year	-	-	(112)	-	-	-	-	(112)
Balance as at 31 December 2024	-	12,813	211,863	287,847	169,449	573,535	94	1,255,601
Carrying value as at 31 December 2024	180,000	118,187	64,142	70,585	121,478	134,841	-	689,233
Carrying value as at 31 December 2023	180,000	131,000	69,851	77,521	121,586	127,469	-	707,427

NOTES TO THE FINANCIAL STATEMENTS

26.11 Other changes to property, plant and equipment

Other than disclosed in Note 26.19, there was no impact to property, plant and equipment from any other sources, such as, assets classified as held-for-sale, acquisitions through business combinations, increases resulting from impairment losses reversed in OCI or in the Income Statement, and from exchange differences during the period ended 31 December 2024 (2023 - Nil).

26.12 Title restrictions on property, plant and equipment

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

26.13 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 121 Million (2023 - Rs. 218 Million) by means of cash.

26.14 Capitalisation of borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2024 (2023 - Nil).

26.15 Amount of contractual commitment for acquisition of property, plant and equipment

Refer Note 51 for contractual commitment for acquisition of property, plant and equipment as at the reporting date.

26.16 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date. (2023 - Nil).

26.17 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of property, plant and equipment (2023 - Nil).

26.18 Compensation from third parties for items of property, plant and equipment

There was no compensation received / receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

26.19 Property, plant and equipment under construction

As at the reporting date, there was no property, plant and equipment under construction (2023 - Nil).

26.20 Property, plant and equipment pledged as security for liabilities

None of the property, plant and equipment has been pledged as securities for liabilities as at the reporting date (2023 - Nil).

26.21 Property, plant and equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2023 - Nil).

26.22 Permanent fall in value of property, plant and equipment

There has been no permanent fall in the value of property, plant and equipment which require an impairment provision recognised in the Financial Statements as at 31 December 2024 (2023 - Nil).

26.23 Fully depreciated property, plant and equipment in use

As at 31 December	2024 Rs. '000	2023 Rs. '000
Computer hardware	159,034	132,142
Office equipment	243,887	195,222
Furniture and fittings	63,439	50,549
Fixtures and fittings	491,533	355,296
Motor vehicles	94	94
Total	957,987	733,303

26.24 Fair value of property, plant and equipment

The carrying amount of property, plant and equipment disclosed in Note 26.10 approximate their fair value as at the reporting date.

26.24.1 Revaluation of property, plant and equipment

Latest revaluation was carried out by the Company for its all freehold land and freehold building as at 31 December 2023 (Next revaluation date will be due on 31 December 2025).

26.24.2 Fair value hierarchy

Fair value of the land and building was determined by an external independent property valuer, having appropriate recognised professional qualifications and experience in the category of the property being valued. The valuer involved in the aforesaid valuation possesses the relevant professional and academic qualifications and service records In compliance of the Circular no: 30 (in the year dated 2014) issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), which specifies the qualifications of valuers to value land and buildings of the insurance companies.

The valuer provides the fair value of the land and building. Based on the valuation techniques used, it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 26.24.4.

26.24.3 The details of freehold land and buildings which are stated at valuation

(As required by the Rule No. 76 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange)

Location	Number of land & buildings	Extent perches (Land)	Square feet (Building)	Method of valuation	Effective date of valuation	Name of the independent professional valuer / location and address	Revalued amount		Net book value of before revaluation		Revaluation gain on	
							Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Land	1	12	N/A	Market comparable method and Investment Method	31 December 2023	Mr. Anuradha Senevirathne Chartered Valuation Surveyor No: 59/3, Urapola, Pilimalawa, Kandy	180,000	131,000	160,000	107,216	20,000	23,783
Building Situating at No. 283, R. A De Mel Mawatha, Colombo - 03	1	N/A	11,824									

26.24.4 Valuation techniques and significant unobservable inputs used in measuring fair value

(As required by the Rule No. 76 (viii) of the "Continuing Listing Requirements" of Colombo Stock Exchange)

The following table shows the valuation techniques used in measuring fair values, the significant unobservable inputs and sensitivity of the fair value measurement to changes in significant unobservable inputs.

Property	Effective date of valuation	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement	Sensitivity of the fair value measurement to inputs
Land (Situating at No. 283, R. A De Mel Mawatha, Colombo - 03)	31 December 2023	Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated, since the price may not adequately reflect the fair market value.	Market value per perch	Rs. 15 Million (Estimated price per perch)	Positive correlated sensitivity	Estimated fair value would increase/ (decrease) if price per perch would increase / (decrease)
Building (Situating at No. 283, R. A De Mel Mawatha, Colombo - 03) (Number of Building - 01)"	31 December 2023	Investment method This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Price per square foot for building	Rs. 125 - 300 (Estimated price per square foot)	Positive correlated sensitivity	Price per square foot would increase/ (decrease) if gross annual rentals would increase / (decrease)

NOTES TO THE FINANCIAL STATEMENTS

26.25 Revaluation surplus

Class of asset	2024		
	Land Rs. '000	Building Rs. '000	Total Rs. '000
Revalued amount	180,000	131,000	311,000
Carrying value (prior to revaluation)	160,000	107,216	267,216
Revaluation surplus for 2023 Recognised in the OCI	20,000	23,783	43,783
Revaluation surplus for 2023 Recognised in Income Statement	-	-	-

According to the Company's policy on revaluation model as described above, no revaluation was carried out resulting no gain or loss recognised in the financial statements for the year ended 31 December 2024.

26.26 If land and Building were stated at historical cost, the amounts would have been as follows:

Class of asset	2024	
	Land Rs. '000	Building Rs. '000
Cost	85,620	121,167
Accumulated depreciation	-	(60,584)
Carrying value	85,620	60,583

Class of asset	2023	
	Land Rs. '000	Building Rs. '000
Cost	85,620	121,167
Accumulated depreciation	-	(54,525)
Carrying value	85,620	66,642

26.27 The effect of revaluation of freehold buildings on the Income Statement in the subsequent period is as follows:

Class of asset	2024 Rs. '000	2023 Rs. '000
Cost	12,778	12,778
Accumulated depreciation	10,458	10,458
Carrying value	2,320	2,320

26.28 Investment properties

As at the reporting date, the Company has not invested in investment properties (2023 - Nil)

27. RIGHT OF USE ASSETS

Accounting Policy

27.1 General

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

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for the leases of property and equipment, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

27.2 Amortisation expenses

Amortisation expenses has been charged to Income Statement under other operating and administration expenses.

27.3 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Incremental borrowing rate ranges between 9.2% to 17.40%.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured, when there is a change in:

- future lease payments arising from a change in an index or rate,
- the Company's estimate of the amount expected to be payable under a residual value guarantee,

- the Company's assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment, guarantee,
- its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

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

27.4 Interest expenses on lease liabilities

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

27.5 Presentation of ROU asset and lease liabilities

The Company presents right-of-use assets that do not meet the definition of investment property in separate line as 'Right-of-use assets' and lease liabilities within 'Other Liabilities' in the Statement of Financial Position.

27.6 Short term leases and leases of low-value assets

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

27.7 Nature of the leasing activities

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

The Company has lease contracts for the head office, branches and motor vehicles, typically made in between 1 to 5 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

27.8 Reconciliation of carrying amounts of Right-of-Use assets

As at 31 December	2024			2023		
	Building	Motor Vehicle	Total	Building	Motor Vehicle	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 January	600,973	10,688	611,661	539,477	17,438	556,915
Additions to right-of-use assets	954,758	-	954,758	360,266	-	360,266
Amortisation charge for the year	(365,905)	(6,750)	(372,655)	(298,770)	(6,750)	(305,520)
Derecognition of right-of-use assets	-	-	-	-	-	-
Modification	-	-	-	-	-	-
Balance as at 31 December	1,189,826	3,938	1,193,764	600,973	10,688	611,661

NOTES TO THE FINANCIAL STATEMENTS

27.9 Amounts recognised in profit or loss

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Interest expense on lease liabilities	112,807	111,448
Variable lease payments not included in the measurement of lease liabilities	-	-
Amortisation of right-of-use assets	372,655	305,520
Income from sub-leasing right-of-use assets presented in other operating income	-	-
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	485,462	416,968

27.10 Amounts recognised in statement of cash flows

Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Company has classified the principal portion of lease payments within financing activities and the interest portion within operating activities. During the period, the Company did not receive cash from leases as the Company is the lessee.

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Total cash out flow for leases	414,472	376,117

27.11 Lease Terms - Extension Options

Refer Note 4.1 on page 286.

27.12 Impairment of ROU assets

As at the reporting date, no impairment loss has been recognised by the Company in respect of impairment of right of use assets, since each business unit is operating under the business continuity plans as per the Company risk management strategy.

27.13 Lease liabilities and related disclosures

The information relating to the movement of lease liabilities, maturity analysis and other related disclosures are provided in Notes 44.4.3.1, 44.4.3.2 and 44.4.3.4 respectively on pages 344 and 345.

27.14 Lease commitment for short term leases

As at the reporting date, there were no commitment for short term leases.

27.15 Restrictions and covenants imposed by the leases

There were no restrictions or covenants imposed under lease agreements which required to be disclosed in these Financial Statements.

27.16 Sale and lease back transaction

The Company does not have sales and leased back transactions as at the reporting date (2023 - Nil).

27.17 Sub lease

The Company does not have sub leased properties as at the reporting date (2023 - Nil).

28. DEFERRED TAXATION

Accounting Policy

28.1 General

Deferred tax is recognised by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the Income Statement. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

28.2 Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profit will be available against which they can be utilised. If taxable temporary differences are insufficient, the entity assesses future taxable profits (excluding those arising from deductible temporary differences) based on reliable business forecasts and budgets.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reduction are reversed when the probability of future taxable profits improves.

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

28.3 Recognition of deferred tax liabilities

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss:

28.4 Deferred tax is not recognised for;

Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

28.5 Computation of income tax of the Company

The computation of income taxes based on the specified rates are explained in Note 22.5 on page 298.

28.6 Recognition of deferred tax assets

The recognised deferred tax asset during the year 2023 on the impairment provision of the ISBs have been reversed since the ISB restructuring was completed (as explained in Note 29.11 on Page 324) with a 10% haircut on 70% of existing ISB principle amount which has been claimed for income tax, as a deduction of realised losses in the current Financial Statements. (Refer Note 22.8 on page 299 on the Income tax expense).

Further, a deductible temporary difference has been recognised on the initial recognition loss at the initial recognition of the restructured ISBs resulting in a deferred tax asset since any resulting gain or loss at the time of realisation will be subject to income tax at the time of realisation, despite the income of the restructured ISB is exempt for income tax. Details of the ISB restructuring is included in the Note 29.11.1 page 324.

The Directors are of the view that there will not be material temporary differences arising which will result in deferred tax liabilities to be recognised as at the reporting date (2023 - Nil).

28.7 Impact from the change in corporate income tax rate

There were no change in the corporate tax rate during the year.

28.8 Analysis of the deferred tax assets and liabilities including the movement during the year

As at 31 December	2024 Rs. '000	2023 Rs. '000
Deferred tax assets (refer Note 28.8.1)	468,263	838,938
Deferred tax liabilities	-	-
Net deferred tax asset	468,263	838,938

28.8.1 Analysis of recognised deferred tax assets / liabilities in the Statement of Financial Position

As at 31 December	2024		2023	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Deferred tax assets on;				
Carry forward tax losses	-	-	-	-
Other deductible temporary differences (Note 28.8 on page 311)	1,560,877	468,263	2,796,460	838,938
	1,560,877	468,263	2,796,460	838,938
Deferred tax liabilities on;				
Taxable temporary differences	-	-	-	-
	-	-	-	-
Net recognised deferred tax assets	1,560,877	468,263	2,796,460	838,938

28.8.2 Movement of deferred tax assets and liabilities

As at 31 December	Balance as at 1-Jan Rs. '000	2024					
		Recognised in Income Statement Rs. '000	Recognised in OCI Rs. '000	Utilised against tax on bonus declared to participating policyholders Rs. '000	Net balance Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000
Deferred tax assets on;							
Carry forward tax losses	-	-	-	-	-	-	-
Other deductible temporary differences (refer Note 28.8)	838,938	(370,675)	-	-	468,263	468,263	-
Deferred tax liabilities on;							
Taxable temporary differences	-	-	-	-	-	-	-
Net recognised deferred tax assets	838,938	(370,675)	-	-	468,263	468,263	-

NOTES TO THE FINANCIAL STATEMENTS

28.8.2 Movement of deferred tax assets and liabilities (Contd.)

As at 31 December	Balance as at 1-Jan Rs. '000	2023					
		Recognised in Income Statement Rs. '000	Recognised in OCI Rs. '000	Utilised against tax on bonus declared to participating policyholders Rs. '000	Net balance Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000
Deferred tax assets on;							
Carry forward tax losses	-	-	-	-	-	-	-
Other deductible temporary differences (refer Note 28.8)	-	838,938	-	-	838,938	838,938	-
Deferred tax liabilities on;							
Taxable temporary differences	-	-	-	-	-	-	-
Net recognised deferred tax assets	-	838,938	-	-	838,938	838,938	-

28.9 Unrecognised deferred tax liabilities

As at the reporting date, there is no unrecognised deferred tax liabilities (2023 - Nil).

28.10 Deferred tax and income tax on items directly recognised in equity

During the period ended 31 December 2024, the Company did not recognise any deferred tax and income tax expenses on transactions which are directly recorded in equity (2023 - Nil).

28.11 Unrecognised deferred tax assets

As at the reporting date, there is no unrecognised deferred tax assets (2023 - Nil).

28.12 Unrecognised tax losses and unused tax credits

As at the reporting date, there was no unrecognised tax loss as the Company has fully recognised all available tax losses during the year 2022. Further, there were no unused tax credits for the Company to recognise a deferred tax asset as at the reporting date.

28.13 Offsetting of deferred tax assets and liabilities

The Company does not offset any deferred tax assets and liabilities in its Statement of Financial Position.

29. FINANCIAL ASSETS

Accounting Policy

29.1 Date of recognition

The Company initially recognises all financial assets (including assets designated at fair value through profit or loss) on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

29.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

A financial asset is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9.

Transaction cost in relation to financial assets at fair value through profit or loss are dealt with the Income Statement.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below:

29.2.1 Initial recognition (Day 1) profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in income statement when the inputs become observable, or when the instrument is derecognised.

29.3 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company classifies all its financial assets based on the business model for managing the assets (refer Note 29.3.1) and the assets' contractual terms (refer Note 29.3.2) measured at either;

- Amortised cost (AC) - Refer Note 29.3.3 and 29.9.1 on page 314 and 319
- Fair value through other comprehensive income (FVOCI) - Refer Note 29.3.4 and 29.9.2 on page 314 and 321
- Fair value through profit or loss (FVTPL) - Refer Note 29.3.5 and 29.9.3 on page 315 and 322

Subsequent measurement of financial assets depends on the classification of each category of the financial asset. Refer Note 29.3.3.3, 29.3.4.4 and 29.3.5.3 on pages 314 to 315.

29.3.1 Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on an instrument-by-instrument basis, as this best reflects the way the business is managed and how information is provided to management.

As part of this assessment, the Company considers:

- Stated policies and objectives for the portfolio and how these policies operate in practice. Specifically, the Company evaluates whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of financial assets with the duration of liabilities funding those assets, realising cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the management;
- Risks that affect the performance of the business model and the financial assets held within it, along with how these risks are managed ;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- Frequency, volume, and timing of sales in prior periods, along with the reasons for such sales and expectations for future sales activity. However, sales activity is not considered in isolation but as part of an overall assessment of how the Company's stated objective for managing financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios, without considering 'worst-case' or 'stress-case' scenarios. If actual cash flows after initial recognition differ from the Company's original expectations, the classification of the remaining financial assets held in that business model does not change. However, the Company incorporates such information when assessing newly originated or newly purchased financial assets in the future.

29.3.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purpose of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.
- prepayment and extension terms

Refer Notes 29.9.1, 29.9.2 and 29.9.3 on pages 318, 321 and 322 for details on different types of financial assets recognised on the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL ASSETS (CONTD.)

Accounting Policy (Contd.)

29.3.3 Financial assets measured at amortised cost

29.3.3.1 General

As per SLFRS 9 'Financial Instruments', a financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

29.3.3.2 Initial measurement

Financial instruments classified as amortised cost are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of such instrument.

29.3.3.3 Subsequent measurement

After the initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment).

29.3.3.4 Gain or loss on derecognition

Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

29.3.3.5 Amortised cost and gross carrying amount

The "amortised cost" of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any ECL allowance.

29.3.3.6 Securities purchased under resale agreements (Repo)

When the Company purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (repo), the arrangement is accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Company. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/ receivable being recognised as interest income in the Income Statement.

29.3.4 Financial investments - Fair value through other comprehensive income

29.3.4.1 General

As per SLFRS 9, FVOCI comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

29.3.4.2 Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL;

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

29.3.4.3 Initial measurement

Financial Instruments classified as FVOCI are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of such instrument.

29.3.4.4 Subsequent measurement

Debt instruments at FVOCI

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, ECL and reversals are recognised in Income Statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Income Statement.

Equity instruments designated at FVOCI

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Dividends are recognised in Income Statement as investment income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

29.3.4.5 Gain or loss on derecognition of equity instruments designated at FVOCI

Gains and losses on these equity instruments are never recycled to Income Statement, instead directly transferred to Retained earnings from the fair value reserve at the time of derecognition.

29.3.5 Financial investments - Fair Value through Profit or Loss (FVTPL)

29.3.5.1 General

All financial assets other than those classified at amortised cost or FVOCI are classified at FVTPL. Financial assets at FVTPL include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

29.3.5.2 Initial measurement

These investments are initially recorded at fair value.

29.3.5.3 Subsequent measurement

Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded under 'Fair value gains and losses' in the Income Statement.

Interest is accrued and presented in finance income using the Effective Interest Rate (EIR). Dividend income is recorded in the "Finance Income" when the right to the payment has been established.

Net gains and losses, including any interest or dividend income, are recognised in the Income Statement.

29.3.5.4 Financial assets designated at FVTPL

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Certain investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded under the net fair value gain or loss on financial assets designated at FVTPL in the Income Statement.

The Company has not designated any financial assets upon initial recognition as FVTPL as at the end of the reporting period.

29.3.6 The Company's existing non-derivative financial assets and their classifications

Financial asset	Note	Category		
		AC	FVOCI*	FVTPL
Treasury bonds **		✓	✓	✓
Treasury bills		✓	-	-
Debentures *		✓	-	-
Perpetual debentures		-	-	✓
Restructured ISB **	29.11.1	-	✓	-
Commercial papers		✓	-	✓
Securitised papers		✓	-	-
Term deposits		✓	-	-
Repo		✓	-	-
Unit trusts		-	-	✓
Quoted shares		-	✓	-
Unquoted shares (till 09 January 2024)	47.6	-	✓	-
Loans to life policyholders		✓	-	-
Cash and cash equivalents		✓	-	-
Reinsurance receivables		✓	-	-
Premium receivables		✓	-	-
Other receivables		✓	-	-

*The Company classifies quoted debentures under amortised cost category since there is no active market for these instruments even though such instruments are listed.

**Since the Company's objective is to either hold the restructured ISBs and treasury bonds received under the DDO (both ISB and SLDB) until maturity or sell them, these instruments have been classified at FVOCI in accordance with SLFRS 9.

29.4 Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal, or termination of a business line.

29.4.1 Timing of reclassification of financial assets

Consequent to a change in the business model, the Company reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL ASSETS (CONTD.)

Accounting Policy (Contd.)

29.4.2 Reclassification of financial assets

Reclassification from	Reclassification to	Basis of reclassification
FVTPL	Amortised cost	The fair value on reclassification date becomes the new carrying amount. The Effective Interest Rate (EIR) is calculated based on the new gross carrying amount.
	FVOCI	The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognised in OCI.
FVOCI	Amortised cost	The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost.
	FVTPL	The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.
Amortised Cost	FVOCI	The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.
	FVTPL	The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

29.5 Derecognition of financial assets

The Company derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in the income statement.

However, cumulative gain / loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in the Income Statement on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Company retains all or substantially all risks and rewards of ownership of such assets.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

29.6 Modification of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the Income Statement.

29.7 Fair value of financial investments

Fair value measurement of financial instruments including the fair value hierarchy and valuation techniques is explained in Note 47 on pages 346 to 353.

29.8 Impairment of financial and non-financial assets

29.8.1 Overview of the ECL principles

Stage 1

A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2

If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for life time (LTECL).

Stage 3

If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for life time (LTECL), with probability of default at 100%.

Details of the ECL calculation are given in Note 29.15 on page 325.

29.8.2 Significant increase in credit risk (SICR)

Key judgements and assumptions adopted by the Company in addressing the requirements of SLFRS 9:

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and expert credit assessment and including forward looking information.

Accordingly, the assessment of credit risk and the estimation of ECL are unbiased and probability-weighted and incorporates all available information relevant to the assessment, including information about past events, current conditions, and reasonable and supportable forecasts of economic conditions at the reporting date considering the time value of money as well.

The Company individually reviews, financial assets above a predefined threshold at each reporting date to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include:

- when reasonable and supportable forecasts of future economic conditions directly affect the performance of the instruments.
- when there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of the instruments.

Exposures which have one or more of the above indicators are treated as SICR and assessed accordingly in the ECL computations. The Company regularly monitors the effectiveness of the criteria used to identify the SICR to confirm that the criteria is capable of identifying SICR before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Company determines SICR based on the generally accepted investment / non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage 2, if their credit risk increases to the extent that they are no longer considered in investment grade.

29.8.3 Default and credit impaired assets

The Company classifies the financial investments under Stage 3, when the external credit rating assigned to the particular investment is "default".

29.8.4 Movement between the stages

Financial assets can be transferred between the different categories depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2, if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Financial instruments are transferred out of stage 3, when they no longer exhibit any evidence of credit impairment as described above.

29.8.5 Impairment charges on financial investments

The Company does not have historical loss experience on debt instruments at amortised cost and debt instruments at FVOCI. Thus, the Company considers the probability of default (PDs) published by the external sources. (i.e. Bloomberg and S & P).

Loss given default (LGD) for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%. However, LGD for foreign currency denominated securities [Sri Lanka Development Bonds (SLDBs) and International Sovereign Bonds (ISBs)] issued by the Government of Sri Lanka is considered as 20% till 14 August 2023 for SLDBs and for ISBs as 64% till 30 November 2024 (until SLDBs and ISBs are restructured). For all other financial investments, LGD is considered as 45% due to lack of detail inputs; similar to the guideline issued by the Central Bank of Sri Lanka (CBSL) for the banking sector.

Exposure at default (EAD) of a debt instrument is considered to be its gross carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL ASSETS (CONTD.)

Accounting Policy (Contd.)

29.8.6 Forward-looking information

The Company incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Quantitative economic factors are based on economic data and forecasts published by the CBSL and other reliable sources.

Quantitative drivers of credit risk	GDP growth
	Exchange rate
Qualitative drivers of credit risk	PDs published by the external sources
	Regulatory impact
	Government policies

29.8.7 The calculation of ECLs

The Company measures loss allowance at an amount equal to LTECL, except for following, which are measured as 12 months ECL:

- Debt instruments on which credit risk has not increased significantly since the initial recognition;
- Debt instruments that are determined to have low credit risk at the reporting date.

The Company considers a debt instrument to have a low credit risk, when they have an “investment grade” credit risk rating.

29.8.8 Purchased or originated credit impaired (POCI) financial assets

Impairment allowance on credit-impaired financial assets assessed on individual basis is computed as the difference between the asset's gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimates made by the Company as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Company regularly reviews the assumptions for projecting future cash flows.

Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the LTECL (Refer Note 29.8.10 on page 318 for credit impaired financial assets).

29.8.9 Financial assets that are not credit impaired at the reporting date

The Company calculates 12-months ECL allowance based on the expectation of a default occurring in the 12-months following the reporting date. These expected 12-month default probabilities are applied to EAD and multiplied by the economic factor adjustment, expected LGD and discounted by an approximation to the original EIR. When financial assets have shown a SICR since origination, the Company records an allowance for LTECLs based on PDs estimated over the lifetime of the instrument.

29.8.10 Financial assets that are credit-impaired at the reporting date

Impairment allowance on credit-impaired financial assets assessed on individual basis is computed as the difference between the asset's gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimates made by the Company as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Company regularly reviews the assumptions for projecting future cash flows.

The Company has not recognised any credit impaired financial assets as at the reporting date.

29.8.11 Write-off of financial assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

29.8.12 Impairment of non - financial assets

At each reporting date, the Company reviews the carrying amounts of its non- financial assets (other than biological assets, investment property, inventories, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For Impairment testing, assets are grouped together into the smallest group of assets that generates cash inflow from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGU). Goodwill arising from a business combination is allocated to the CGUs or companies of CGUs, that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets or CGU.

An impairment loss is recognised, if the carrying amount of an assets or CGU exceeds its recoverable amount. Impairment losses are recognised in the Income Statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reserved only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

29.9 Comparison of the fair values of the financial investments to their carrying values

As at 31 December	Note	2024		2023	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Amortised Cost (AC)	29.9.1	25,129,878	29,157,554	33,698,659	38,067,039
Fair Value Through Other Comprehensive Income (FVOCI)	29.9.2	13,552,944	13,552,944	5,174,882	5,174,882
Fair Value through Profit or Loss (FVTPL)	29.9.3	5,255,196	5,255,196	4,626,674	4,626,674
Total financial investments		43,938,018	47,965,694	43,500,215	47,868,595

29.9.1 Financial investments measured at amortised cost

As at 31 December	Note	2024		2023	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Fixed deposits	29.9.1.a	733,467	733,478	919,403	919,524
Debentures	29.9.1.b	5,988,905	5,921,998	6,552,746	6,233,015
Treasury bonds		14,355,429	18,249,992	18,408,368	22,990,696
Treasury bills		704,527	704,521	553,716	555,087
International sovereign bonds		-	-	3,928,615	4,032,845
Commercial papers		2,206,628	2,406,643	1,713,352	1,713,358
Securitised Papers		-	-	577,371	577,426
Repo		1,140,922	1,140,922	1,045,088	1,045,088
Total		25,129,878	29,157,554	33,698,659	38,067,039

Gross and net carrying amount of above financial investments are given in Note 29.15.1 on page 326.

29.9.1.a Fixed deposits

As at 31 December	2024		2023	
	Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Licensed commercial banks	705,041	705,052	919,403	919,524
Licensed finance company	28,426	28,426	-	-
Total	733,467	733,478	919,403	919,524

NOTES TO THE FINANCIAL STATEMENTS

29.9.1.b Debentures

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2024		2023	
					Carrying value	Fair value	Carrying value	Fair value
					Rs. '000	Rs. '000	Rs. '000	Rs. '000
Banks								
Commercial Bank of Ceylon PLC	BBB+	22-Jul-28	12.50	1,267,000	133,698	133,729	133,677	133,729
Commercial Bank of Ceylon PLC	BBB+	11-Dec-29	27.00	88,600	8,984	13,952	8,982	14,130
Commercial Bank of Ceylon PLC	BBB+	19-Dec-28	15.00	216,400	21,738	21,747	21,727	21,747
Commercial Bank of Ceylon PLC	BBB+	9-Jul-29	13.00	661900	70,157	70,316	-	
DFCC Bank PLC	BBB	29-Mar-25	13.00	2,000,000	219,436	219,732	219,390	219,732
DFCC Bank PLC	BBB	23-Oct-25	9.00	5,500,000	559,023	559,357	558,852	559,357
DFCC Bank PLC	A-	28-Mar-29	13.90	1,564,100	172,702	157,328	172,673	157,328
DFCC Bank PLC	BBB	24-Sep-27	12.00	344500	35,512	35,560	-	-
Hatton National Bank PLC	BBB+	22-Sep-26	12.80	1,077,200	111,329	111,497	111,310	111,497
Hatton National Bank PLC	BBB+	28-Jul-31	9.50	10,357,600	1,076,744	1,077,814	1,076,445	1,077,814
Hatton National Bank PLC	A	14-Dec-24	8.33	500,000	-	-	49,991	37,693
Hatton National Bank PLC	BBB+	26-Aug-29	13.00	4000000	417,216	416,547	-	-
National Development Bank	BBB	24-Sep-25	9.50	3,000,000	307,398	307,652	307,282	307,652
National Development Bank	BBB	1-Dec-29	13.00	4600000	464,464	464,918	-	-
Nations Trust Bank PLC	BBB	23-Dec-26	12.90	1,500,000	150,393	150,424	150,369	150,424
Nations Trust Bank PLC	BBB	9-Jul-26	9.15	2,891,600	301,542	301,846	301,493	301,846
Nations Trust Bank PLC	BBB	23-Dec-24	12.80	1,500,000	-	-	150,365	150,421
Sampath Bank PLC	BBB+	28-Feb-24	13.90	2,000,000	-	-	223,048	223,306
Seylan Bank PLC	BBB	18-Apr-24	15.00	1,500,000	-	-	165,797	154,644
Seylan Bank PLC	BBB	29-Mar-25	13.20	1,000,000	103,314	103,432	103,304	103,432
Seylan Bank PLC	BBB	16-Jul-29	13.25	260400	27,564	27,628	-	-
					4,181,214	4,173,479	3,754,705	3,724,752
Capital Goods								
Hayleys PLC	AAA	26-Aug-24	13.00	3,651,100	-	-	381,463	438,872
					-	-	381,463	438,872
Diversified Financials								
First Capital Holdings PLC	A	7-Feb-26	12.00	2,188,300	243,226	242,428	243,886	242,356
First Capital Treasuries PLC	A-	30-Jan-25	12.75	500,000	52,676	52,995	52,665	57,714
HNB Finance Limited	BBB-	30-Dec-24	13.20	1,000,000	-	-	99,994	100,036
LOLC Holdings PLC	A	24-Feb-31	12.00	8,000,000	881,043	815,353	880,644	580,837
LOLC Holdings PLC	A	27-Sep-24	15.00	3,000,000	-	-	311,461	287,712
Singer Finance PLC	BBB	25-Jun-26	8.96	2,000,000	213,079	218,655	222,134	218,655
Siyapatha Finance PLC	BBB-	8-Aug-24	13.33	500,000	-	-	52,535	56,808
					1,390,024	1,329,431	1,863,319	1,544,118
Food Beverage & Tobacco								
Kotagala Plantations PLC	CCC-	31-Aug-24	7.50	92,750	-	-	9,428	9,508
Kotagala Plantations PLC	CCC-	31-Aug-25	7.50	92,750	8,547	9,508	9,314	9,508
					8,547	9,508	18,742	19,016
Insurance								
Softlogic Capital PLC	BBB-	19-Dec-24	15.00	1,000,000	-	-	100,368	71,574
					-	-	100,368	71,574
Telecommunication Services								
Sri Lanka Telecom PLC	A	19-Apr-28	12.75	2,250,000	244,744	245,120	244,705	245,120
Sri Lanka Telecom PLC	A	19-Apr-28	12.75	1,603,700	164,376	164,460	164,350	164,460
					409,120	409,580	409,055	409,580
Consumer durables and apparel								
Abans PLC	AA-	19-Dec-24	12.50	250,000	-	-	25,094	25,103
					-	-	25,094	25,103
Total					5,988,905	5,921,998	6,552,746	6,233,015

Sector classifications are based on the classifications published by the Colombo Stock Exchange (CSE).

29.9.1.2 Maturity analysis

The maturity analysis of financial assets measured at amortised cost is given in Note 48.4.3.1 (Table 20) on page 370.

29.9.1.1 Re-classification of financial Instruments at amortised cost

During the year, the Company did not re-classify any financial instruments from or to amortised cost.

29.9.2 Financial investments - Fair value through other comprehensive income (FVOCI)

As at 31 December	Note	2024		2023	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		5,959,358	5,959,358	3,087,969	3,087,969
International Sovereign Bonds (ISBs)	29.9.2.a	3,378,691	3,378,691	-	-
Equity securities	29.9.2.b	4,214,895	4,214,895	2,086,913	2,086,913
Total		13,552,944	13,552,944	5,174,882	5,174,882

29.9.2.a International Sovereign Bonds

As at 31 December	Note	Maturity Date	Face Value USD	2024		2023	
				Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
ISIN							
XS2966242682 (Step-up bond)	29.11.1	15-Jun-38	13,941,900	2,597,627	2,597,627	-	-
XS2966242500 (PDI bond)	29.11.1	15-Apr-28	2,816,264	781,064	781,064	-	-
Total			16,758,164	3,378,691	3,378,691	-	-

29.9.2.b Equity securities

As at 31 December	2024				2023			
	Market price Rs.	No. of Shares	Cost Rs. '000	Carrying value / Fair value Rs.'000	Market price Rs.	No. of Shares	Cost Rs. '000	Carrying value / Fair value Rs. '000
Unlisted								
Cargills Bank Limited	-	-	-	-	-	26,600,000	369,700	326,914
				-	-	26,600,000		326,914
Listed								
Banks								
National Development Bank PLC	113.25	31,009,658	3,669,976	3,511,844	64.90	20,023,117	3,038,640	1,299,500
Cargills Bank PLC	8.50	26,600,000	369,700	226,100	-	-	-	-
		57,609,658	4,039,676	3,737,944		20,023,117	3,038,640	1,299,500
Diversified Financials								
Softlogic Finance PLC	5.90	15,688,030	297,498	92,559	5.90	15,688,030	297,498	92,560
		15,688,030	297,498	92,559		15,688,030	297,498	92,560
Healthcare Equipment & Services								
Asiri Hospitals Holdings PLC	25.70	14,956,877	273,127	384,392	24.60	14,956,877	273,127	367,939
		14,956,877	273,127	384,392		14,956,877	273,127	367,939
Total investments in equity securities			4,610,301	4,214,895			3,609,265	2,086,913

NOTES TO THE FINANCIAL STATEMENTS

29.9.2.b Equity securities (Contd.)

In 2024, the equity market demonstrated a significant positive performance compared to the previous year. The All Share Price Index (ASPI) rose from 10,654.16 in 2023 to 15,944.61 in 2024, positively impacting the company's equity portfolio. A detailed assessment of equity-related risks is provided under "Equity Risk" in Note 48.4.4.3 on page 375.

The table above presents the company's investment in equity securities, for which fair value changes have been recognised in Other Comprehensive Income (OCI). This classification was elected as the investments are intended to be held for long-term strategic purposes.

29.9.2.1 Fair value of unlisted financial instruments

In accordance with SLFRS 9, all equity instruments, including unlisted investments, are required to be measured at fair value. Accordingly, the fair value of the company's investment in Cargills Bank was assessed in 2023 based on the net assets per share, adjusted for illiquidity. Following the listing of Cargills Bank shares on the Colombo Stock Exchange (CSE) on January 9, 2024, the fair

value of the investment has been determined based on the listed market prices, as detailed in Note 47.3 on Page 347.

Please Refer Note 47.7.2 on page 351 for valuation method and techniques followed by the Company in determining the fair value of unlisted financial instruments for the year 2024.

29.9.2.2 Derecognition of equity investments classified at FVOCI

No investments were disposed of during 2024, and there were no transfers of any cumulative gain or loss within equity relating to those instruments.

29.9.2.3 Reclassification of financial investments at FVOCI

During the financial year, the Company has not re-classified any financial instruments from or to this category.

29.9.2.4 Maturity analysis

The maturity analysis of financial investments at FVOCI is given in Note 48.4.3.1 (Table 20) on page 370.

29.9.3 Financial investments - Fair value through profit or loss (FVTPL)

As at 31 December	Note	2024		2023	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		358,684	358,684	318,208	318,208
Unlisted perpetual debentures		722,416	722,416	794,476	794,476
Commercial papers		175,755	175,755	-	-
Unit trusts	29.9.3.a	3,998,341	3,998,341	3,513,990	3,513,990
Total		5,255,196	5,255,196	4,626,674	4,626,674

29.9.3.a Unit trusts

As at 31 December	2024				2023			
	Unit price Rs.	No. of Shares	Cost Rs. '000	Carrying value / Fair value Rs. '000	Unit price Rs.	No. of Shares	Cost Rs. '000	Carrying value / Fair value Rs. '000
Unlisted								
Capital Alliance - Investment Grade Fund	35.54	36,975,883	1,138,669	1,314,237	31.78	36,975,883	807,348	1,175,064
Capital Alliance Fixed Income Opportunities Fund	37.29	40,270,364	1,361,942	1,501,585	32.93	40,270,364	1,165,783	1,326,023
NDB Wealth Money Fund	35.13	22,693,262	785,227	797,294	31.69	17,437,790	546,532	552,569
First Capital Money Market Fund	3,281.91	117,378	378,413	385,225	-	-	-	-
Softlogic Money Market Fund	-	-	-	-	152.73	3,014,051	328,109	460,334
Total investment			3,664,251	3,998,341			2,847,772	3,513,990

29.9.3.1 Maturity analysis

The maturity analysis of financial assets at FVTPL is given in Note 48.4.3.1 (Table 20) on page 370.

29.9.3.2 Fair value measurement

Methodologies and assumptions used to determine the fair value of the financial investments are disclosed in Note 47 on page 346 to 353 to the Financial Statements.

29.10 Movement of financial investments during the year

As at 31 December	Amortised cost Rs. '000	Fair value through other comprehensive income Rs. '000	Fair value through profit or loss Rs. '000	Total Rs. '000
As at 1 January 2023	37,065,567	2,082,779	3,451,509	42,599,855
Purchases	37,026,900	2,089,354	2,501,362	41,617,616
Maturities	(36,615,397)	-	(601,898)	(37,217,295)
Disposals	(3,396,021)	-	(1,366,037)	(4,762,058)
ECL adjustment as per SLFRS 9	(995,255)	-	-	(995,255)
Initial recognition loss on restructured financial investments	(86,522)	-	-	(86,522)
Foreign exchange gains / (losses)	(1,201,691)	-	-	(1,201,691)
Fair value gains / (losses) recorded in the Income Statement	-	-	702,787	702,787
Fair value gains / (losses) recorded in the OCI	-	911,580	-	911,580
Amortisation adjustment	1,901,078	91,169	(61,049)	1,931,198
As at 31 December 2023	33,698,659	5,174,882	4,626,674	43,500,215
As at 1 January 2024	33,698,659	5,174,882	4,626,674	43,500,215
Purchases	66,239,590	9,738,984	8,878,317	84,856,891
Maturities	(66,126,741)	-	(10,000)	(66,136,741)
Disposals	(10,549,874)	(2,896,294)	(7,858,185)	(21,304,353)
ECL adjustment as per SLFRS 09	3,014,833	(9,849)	-	3,004,984
Initial recognition loss on restructured financial investments	(2,237,532)	-	-	(2,237,532)
Foreign exchange gains / (losses)	(834,278)	21,287	-	(812,991)
Fair value gains / (losses) recorded in the Income Statement	-	-	(369,518)	(369,518)
Fair value gains / (losses) recorded in the Other Comprehensive Income	-	1,380,630	-	1,380,630
Amortisation adjustment	1,925,221	143,304	(12,092)	2,056,433
As at 31 December 2024	25,129,878	13,552,944	5,255,196	43,938,018

NOTES TO THE FINANCIAL STATEMENTS

29.11 Debt restructuring programme and the impact to the Company

29.11.1 Restructuring of the ISB investment

On July 26, 2024, the Ministry of Finance, Planning, and Economic Development formally announced the restructuring of ISBs. This announcement followed negotiations conducted under the joint working framework with ISB holders. Subsequently, the Government of Sri Lanka issued an Invitation Memorandum (IM) to ISB holders and finalised the restructuring process by issuing new bonds in December 2024. As outlined in the IM, ISB holders were offered 2 settlement options namely local bonds option and global bonds option and the Company decided to proceed with the local bonds option.

As part of the local bonds option in the restructuring process, 4 types of bonds were issued for exchanging the existing bonds. These included a USD Step-up Bond (accounting for 70% of the principal amount of the existing bonds) and LKR Bonds (comprising the remaining 30%). Additionally, a PDI Bond was issued to cover accrued unpaid interest on the existing bonds and an exchange fee Bond which matured on 20 December 2024.

A key aspect of this restructuring was the application of a 10% reduction to the face value of the USD Step-up Bond, while the LKR Bonds were issued at their full value without any reduction. Such 10% reduction as the haircut has been claimed for income tax.

Description	Note	Page
Loss arising from derecognition of ISB	18	297
Maturity years and interest rates of restructured USD and LKR bonds	29.11.1	324
Impact under the ISB restructuring plan	29.11.2	324
Income tax implications from the haircut	22.7	299
Sensitivity on the discount factor for Impact on the initial recognition gain/(loss)	29.11.3	325
Impairment implications	29.15	325

29.11.1.1 Maturity years and interest rates of restructured USD and LKR bonds

Bond Type	USD Step-up Bond (ISIN No - XS2966242682)	LKR Bonds	USD PDI Bond (ISIN No - XS2966242500)
Face Value (In USD)	13,941,900	6,639,000	2,816,264
Maturities	15-Jun-2029 to 15-Jun-2038	15-Mar-2036 to 15-Sep-2043	15-Oct-2024 to 15-Apr-2028
Interest Rates	2024-2025 1.00%	SLFR + 0.5%	4%
	2026 1.50%		
	2027 1.75%		
	2028 2.00%		
	2029-2030 2.25%		
	2031-2032 2.75%		
	2033-2035 3.00%		
	2036-2038 3.50%		

29.11.1.2 Impact to the Company under the ISB restructuring plan

Caption	Amount in USD' 000				Amount in LKR'000			
	USD Step-up Bond	LKR Bond	PDI Bond	Total	USD Step-up Bond	LKR Bond	PDI Bond	Total
Gross carrying value (before haircut)	15,491	6,639	3,189	25,319	4,497,186	1,927,382	935,088	7,359,656
Haircut	(1,549)	-	(373)	(1,922)	(449,719)	-	(117,501)	(567,220)
Gross carrying value (after haircut)	13,942	6,639	2,816	23,397	4,047,467	1,927,382	817,587	6,792,436
Initial recognition loss	(5,425)	-	(328)	(5,753)	(1,574,957)	-	(95,355)	(1,670,312)
Initial recognition value of restructured ISBs	8,517	6,639	2,488	17,644	2,472,510	1,927,382	722,232	5,122,124

29.11.1.3 Sensitivity on the discount factor for Impact on the initial recognition gain/(loss) from the ISB restructuring

As at 31 December 2024	Impact on initial recognition gain/(loss) from the ISB restructuring		
	USD Step-up bond Rs. '000	USD PDI bond Rs. '000	Total Rs. '000
Change in Discount Factor:			
1% increase	(187,955)	(15,433)	(203,388)
1% decrease	207,806	16,015	223,821

29.11.2 Restructuring of the SLDB investment

On 15 August 2023, under the Domestic Debt Optimisation Programme (DDO) for Sri Lanka Development Bonds (SLDB), five series of Treasury Bonds at SLFR + 1% was offered which have been recognised under FVOCI category.

29.12 Collateral for financial investments

Refer Note 48.4.2.4 on page 363 for collateral details for Repo investment held at the reporting date.

Refer Note 36.3 on page 331 for composition of investments supporting the Restricted Regulatory Reserve as per the direction issued by the IRCSL dated 20 March 2018.

29.13 Fair value of financial instruments

Valuation techniques, fair value hierarchy, methodologies and assumptions used to determine the fair value of the financial investments are disclosed in Note 47 on pages 346 to 353 of these Financial Statements.

29.14 Disclosure of financial risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 48.4 on pages 359 to 376 of these Financial Statements.

29.15 Allowance for expected credit loss (ECL)/ impairment

As the default data set is low or near zero for the investment portfolio, company used external ratings for assessment of forward looking Probability of Defaults (PD) to estimate ECL. The 12-month PD estimates were obtained from Fitch/Moody's/S&P's ratings corresponding to the external ratings of the instrument. For the computation of forward looking adjustments, the Company used Vasicek's model (Vasicek's, 2007) to calculate point in time PD. GDP Growth Rate is considered as one of the key macroeconomic input factors for arriving at forward looking point in time PDs. Long term issuer default rating of Sri Lanka it is considered for adjusted for sovereign PD has been upgraded from 'RD' to 'CCC+' by Fitch ratings during the year.

Following the completion of the ISB restructuring, the existing ISBs were derecognised, and the related impairment provision was reversed. Till the conditions which led to change the Stage 2 classification continued during the year 2023 was not been changed; the Company has not upgraded the USD denominated restructured ISB (Step up and PDI bond) during the year 2024 as well despite of not having a significant increase in the credit risk. Further, the LKR denominated ISB restructured treasury bonds as well as the USD denominated Step up bond due to its LKR settlement option have not been subject to ECL provisioning upon the restructuring. However, an impairment provision based on the country's sovereign rating has been considered in measuring ECL for the PDI bond amounting to Rs. 9.8 Million. Refer 29.11.1 on page 324 for the further details on the ISB restructuring.

Further, till the execution of DDO as stated above, the company had continued to recognise the SLDB at stage 1 during the year 2023 till its derecognition.

NOTES TO THE FINANCIAL STATEMENTS

29.15.1 Movement in the carrying values of the financial investments subject to ECL allowance during the year

As at 31 December	2024								
	Gross carrying amount Rs. '000	ECL							Net carrying amount Rs. '000
		As at 1 January 2024 Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000	Recognised in OCI Rs. '000	As at 31 December 2024 Rs. '000	
Financial investment at amortised cost									
Fixed deposits	733,478	121	(110)	-	-	(110)		11	733,467
Debentures	5,990,181	1,631	(1,048)	693	-	(355)		1,276	5,988,905
Treasury bonds	14,355,429	-	-	-	-	-		-	14,355,429
Treasury bills	704,527	-	-	-	-	-		-	704,527
International sovereign bonds	-	3,214,321	-	(3,214,321)	-	(3,214,321)		-	-
Commercial papers	2,406,643	6	9	200,000	-	200,009		200,015	2,206,628
Securitised papers	-	56	(56)	-	-	(56)		-	-
Repo	1,140,922	-	-	-	-	-		-	1,140,922
Total amortised cost	25,331,180	3,216,135	(1,205)	(3,013,628)	-	(3,014,833)		201,302	25,129,878
Financial investment at FVOCI									
Treasury bonds	5,959,358	-	-	-	-	-	-	-	5,959,358
International sovereign bonds	3,378,691	-	-	(9,849)	-	(9,849)	9,849	-	3,378,691
Total FVOCI	9,338,049	-	-	(9,849)	-	(9,849)	9,849	-	9,338,049

As at 31 December	2023								
	Gross carrying amount Rs. '000	ECL							Net carrying amount Rs. '000
		As at 1 January 2023 Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000	Recognised in OCI Rs. '000	As at 31 December 2023 Rs. '000	
Financial investment at amortised cost									
Fixed deposits	919,524	22	99	-	-	99	-	121	919,403
Debentures	6,554,377	10,609	(2,941)	(6,037)	-	(8,978)	-	1,631	6,552,746
Treasury bonds	18,408,368	-	-	-	-	-	-	-	18,408,368
Treasury bills	553,716	-	-	-	-	-	-	-	553,716
Sri Lanka development bonds	-	139,875	(139,875)	-	-	(139,875)	-	-	-
International sovereign bonds	7,142,936	2,069,840	-	1,144,481	-	1,144,481	-	3,214,321	3,928,615
Commercial papers	1,713,358	51	(45)	-	-	(45)	-	6	1,713,352
Securitised papers	577,427	483	(427)	-	-	(427)	-	56	577,371
Repo	1,045,088	-	-	-	-	-	-	-	1,045,088
Total	36,914,794	2,220,880	(143,189)	1,138,444	-	995,255	-	3,216,135	33,698,659
Financial investment at FVOCI									
Treasury bonds	3,087,969	-	-	-	-	-	-	-	3,087,969
Total FVOCI	3,087,969	-	-	-	-	-	-	-	3,087,969

29.15.2 Sensitivity analysis

Effect of significant changes in the gross carrying amount

Following table illustrates the impact to loss allowance due to changes in the gross carrying amounts of financial instruments.

As at 31 December 2024	Increase/ (decrease) in loss allowance			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	18	21,132	-	21,150
5 % decrease in gross carrying amount	(18)	(21,132)	-	(21,150)

As at 31 December 2023	Increase/ (decrease) in loss allowance			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	78	160,729	-	160,807
5 % decrease in gross carrying amount	(78)	(160,729)	-	(160,807)

Refer Note 48.4.2.8 on page 367 for sensitivity of ECL to future economic conditions.

29.15.3 Reconciliation to gross carrying amounts by class of financial instrument and impairment allowances

Refer Notes 48.4.2.6 to 48.4.2.7 on pages 365 to 366 for reconciliation.

30. LOANS TO LIFE POLICYHOLDERS

Accounting Policy

30.1 General

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

30.2 Movement of the Loans to policyholders

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	331,301	265,060
Loans granted during the year	128,652	146,660
Repayments and cancellations during the year	(175,458)	(119,758)
Change in interest receivable	65,639	39,339
Balance as at 31 December	350,134	331,301

30.3 Maturity analysis

Maturity analysis of the loans to policyholder is given in Note 48.4.3.1 (Table 20) on page 370.

30.4 Collateral details

The surrender value of the policy loans granted to policyholders as at 31 December 2024 amounted to Rs. 544 Million. (2023 - Rs. 500 Million).

30.5 Financial risk disclosure on loans to life policyholders

If the total receivable of the loan including interest due and accrued exceeds the cash surrender value; the policy terminates and becomes void. The Company has the first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on policy loans. For more information please refer risk management in Note 48.4.2.10 on page 367.

30.6 Fair value of loans to life policyholders

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

30.7 Concentration risk of loans to life policyholders

There is a lower concentration of credit risk with respect to policyholders as the Company has a large number of dispersed receivables. Refer Note 48.3.2 on page 356 for risk management related disclosures.

30.8 Number of policy loans

Number of policy loans due as at 31 December 2024 was 1,639 (2023 - 1,563).

NOTES TO THE FINANCIAL STATEMENTS

30.9 Impairment of loans to life policyholder

Policyholder loans are reviewed for impairment at each reporting date. The Board of Directors has assessed potential impairment loss as at 31 December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of loans to life policyholders.

31. REINSURANCE RECEIVABLES

Accounting Policy

31.1 General

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

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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

31.1.1 Impairment of reinsurance receivables

Reinsurance assets are reviewed for impairment based on the ECL model at each reporting date. The impairment loss, if any is recorded in the Income Statement.

31.2 Breakup of the reinsurance receivables

As at 31 December	2024 Rs. '000	2023 Rs. '000
Reinsurance receivables on settled claims (Note 32.2.1)	341,076	360,639
Reinsurance receivables on outstanding claims	177,240	104,572
Total Reinsurance Receivables	518,316	465,211

31.2.1 Age analysis of the reinsurance receivables on settled claims

As at 31 December	2024 Rs. '000	2023 Rs. '000
Up to 180 days	308,509	330,555
More than 180 days	32,567	30,084
Total	341,076	360,639

31.2.2 Reinsurance receivables on outstanding claims

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

31.3 Collateral details

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

31.4 Impairment of reinsurance receivables

The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31 December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of reinsurance receivables.

31.5 Fair value of reinsurance receivables

The carrying value of reinsurance receivables approximate the fair value as at the reporting date.

31.6 Reinsurance receivables overdue but not subject to impairment (on paid claims)

As at 31 December 2024, there were no impairment provision on reinsurance receivable over 180 days due (2023 - Nil), since these relate to parties where there were no recent history of default.

31.7 Risk management practices

Risk management practices on reinsurance receivables are discussed under Note 48.4.2.11 on page 368.

32. PREMIUMS RECEIVABLES

Accounting Policy

32.1 General

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

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

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

32.1.1 Impairment of premiums receivables

Impairment losses on premium receivables are calculated based on the simplified model in line with SLFRS 9 and recognised in the Income Statement.

32.2 Analysis on the premiums receivables

As at 31 December	2024 Rs. '000	2023 Rs. '000
Individual debtors	411,811	375,346
Institutional debtors	2,560,395	2,152,202
Gross premium receivables (Note 32.2.1)	2,972,206	2,527,548
Impairment provision (Note 32.3)	(67,693)	(78,459)
Total Premiums Receivables	2,904,513	2,449,089

32.2.1 Age analysis of premiums receivables

As at 31 December	2024 Rs. '000	2023 Rs. '000
Less than 30 days	2,503,521	2,197,906
30 - 60 days	173,877	158,668
60 - 90 days	145,906	107,880
90 - 365 days	137,184	45,977
Over 365 days	11,718	17,117
Total	2,972,206	2,527,548

32.3 Impairment of premiums receivables

The Board of Directors has assessed potential impairment loss of premium receivables of the Company as at 31 December 2024. Based on the assessment, the details of the impairment is stated below.

	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	78,459	42,042
Provision/ (reversal) during the year	(10,766)	36,417
Balance as at 31 December	67,693	78,459

32.4 Collateral details

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

32.5 Fair value of premiums receivables

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

32.6 Risk management initiatives relating to premiums receivables

Risk management practices on premium receivables are discussed under Note 48.4.2.12 on page 368.

33. RECEIVABLES AND OTHER ASSETS

Accounting Policy

33.1 Inventories

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

33.2 Other receivables and other assets

All other receivables and other assets excluding inventories are recognised at cost less accumulated impairment losses.

33.3 Analysis of receivables and other assets

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Financial assets			
Refundable deposits		87,772	70,315
Receivable from Fairfirst Insurance Ltd		-	1,800
Total financial assets		87,772	72,115
Non financial assets			
Inventories		13,728	9,141
Tax recoverable	33.3.1	22,778	16,787
Advances and prepayments		965,924	882,560
Others*		568,098	352,934
Total non financial assets		1,570,528	1,261,422
Total receivables and other assets		1,658,300	1,333,537

*Others include the interest receivable on financial investments.

33.3.1 Tax recoverable

As at 31 December	2024 Rs. '000	2023 Rs. '000
Withholding Tax receivable	22,778	16,787
	22,778	16,787

33.4 Maturity analysis

Refer Note 48.4.3.1 (Table 20) on page 370 for maturity analysis of other financial assets.

33.5 Fair value of receivables and other assets

Other financial receivables are carried at notional amounts, and are generally settled within one year. The notional and fair value amounts do not vary significantly.

NOTES TO THE FINANCIAL STATEMENTS

33.6 Loans granted to directors

No loans have been granted to the Directors of the Company.

33.7 Security for liabilities

None of the inventories have been pledged as securities for liabilities as at the reporting date (2023 - Nil).

33.8 Impairment of receivables and other assets

The Board of Directors has assessed potential impairment loss of receivables and other assets as at 31 December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of receivables and other assets (2023-Nil).

34. CASH AND CASH EQUIVALENTS

Accounting Policy

34.1 General

Cash and cash equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Bank overdrafts, if any, which form an integral part of cash management, are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under the liabilities.

34.2 Analysis of cash and cash equivalents

As at 31 December	2024 Rs. '000	2023 Rs. '000
Cash in hand	8,700	7,978
Cash at bank	1,860,952	1,091,701
Total cash and cash equivalents	1,869,652	1,099,679

34.3 Cash and cash equivalents in the Statement of Cash Flows

As at 31 December	2024 Rs. '000	2023 Rs. '000
Cash in hand and at bank	1,869,652	1,099,679
Bank overdrafts used for cash management purpose	(368,315)	(376,690)
Cash and cash equivalents in the Statement of Cash Flows	1,501,337	722,989

34.4 Fair value of cash and cash equivalents

The carrying amounts disclosed above reasonably approximates to fair value at the reporting date.

34.5 Risk management initiatives relating to cash and cash equivalents

Refer Note 48.4.2.4 on page 369 for risk management initiatives relating to cash and cash equivalents.

34.6 Unutilised bank facilities

Refer Note 48.4.3.3 on page 371 for unutilised bank facilities that are available as at the reporting date. There are no restrictions on the use of these facilities.

34.7 Non-cash investing and financing activities

During the year, the Company has entered into new leases of Rs. 955 Million (2023 - Rs. 360 Million).

35. STATED CAPITAL

Accounting Policy

35.1 General

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

35.2 Rights of ordinary shareholders

The shares of Softlogic Life Insurance PLC are quoted in the Colombo Stock Exchange (CSE) Diri Savi Board. All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the Company.

35.3 Movements in ordinary voting shares

As at 31 December	Note	No. of Shares	Amount Rs. '000
Fully paid ordinary shares			
As at 1 January 2023		375,000,000	1,062,500
Share issue / (Re purchase)		-	-
Own shares acquired in the year		-	-
As at 31 December 2023		375,000,000	1,062,500
Share issue / (Re purchase)	35.4	(58,593,750)	-
Own shares acquired during the year		-	-
As at 31 December 2024		316,406,250	1,062,500

35.4 Share Repurchase

As approved by the Board of Directors and subsequently by the shareholders at an Extraordinary General Meeting (EGM) held on 17 July 2024, the Company successfully completed its share repurchase programme on 20 September 2024 with the objective of optimising the Company's capital structure while maintaining regulatory compliance. Accordingly, the Company repurchased 58,593,750 ordinary voting shares at a price of Rs. 102.40 per share, amounting to a total consideration of Rs. 6,000 Million.

Following the repurchase, the total number of outstanding shares was reduced from 375,000,000 to 316,406,250. The effect of weighted average number of shares is disclosed in Note 23.2.1 on page 301.

The accounting treatment and presentation of this transaction is complied with Sri Lanka Accounting Standards LKAS 1 "Presentation of Financial Statements" and LKAS 33 "Earnings per Share", reflecting its impact on basic and diluted earnings per share. The transaction was carried out in compliance with Section 64 and Section 529 of the Companies Act No. 7 of 2007; CSE Listing Rule No. 7.10.1 and Article 4 of the Articles of Association of the Company. Refer share information section on page 331 for more information on the composition of shares in issue as at 31 December 2024.

36. RESTRICTED REGULATORY RESERVE

36.1 Nature and purpose of reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No. 16 on 20 March 2018 on "Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new Direction. Based on the guideline, Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Shareholder Fund as at the reporting year ended 31 December 2017. The transfer has been presented as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the Direction 16. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the requirements disclosed in Note 39.16.5 are met. As required by the said Direction, the Company received the approval for this transfer on 29 March 2018.

36.2 Analysis of the restricted regulatory reserve

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	798,004	798,004
Transfer of One-off Surplus from the policyholder fund	-	-
Balance as at 31 December	798,004	798,004

36.3 Composition of investments supporting the restricted regulatory reserve

As per the IRCSL Direction 16 following the transfer of one off surplus to the Shareholder Fund, the Shareholder Fund is required to maintain such investment in government debt securities and deposits to fully support the amount of one off surplus at any given time. Accordingly, the Company has allocated adequate assets to support the restricted reserve as at 31 December 2024 as follows.

As at 31 December	Face value 2024 Rs. '000	Market value 2024 Rs. '000
ISIN No		
LKB00628A153	100,000	128,814
LKB00628A153	110,000	141,695
LKB00628A153	100,000	128,814
LKB00628A153	100,000	128,814
LKB00931E153	100,000	133,446
LKB00931E153	100,000	133,446
LKB00931E153	120,000	160,137
LKB00931E153	100,000	133,446
LKB00931E153	100,000	133,446
LKB00931E153	100,000	133,446
Total market value of the assets		1,355,504
Restricted regulatory reserve		798,004
Excess assets		557,500

37. OTHER RESERVES

37.1 Composition of the other reserves

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Fair value reserve	37.2	(937,778)	(2,318,408)
Revaluation reserve	37.3	173,516	173,516
Total other reserves		(764,262)	(2,144,892)

37.2 Fair value reserve

37.2.1 Nature and purpose of fair value reserve

The Company has adopted SLFRS 9 "Financial Instruments" Accounting Standard with effect from 1 January 2019. Accordingly, the fair value reserve comprises the balance transferred from available for sale reserve as a result of transition to SLFRS 9 from LKAS 39 "Financial Instruments - Recognition and measurement" as at 1 January 2019 and cumulative net change in fair value of financial assets measured at FVOCI until such investments are derecognised or impaired.

NOTES TO THE FINANCIAL STATEMENTS

37.2.2 Movement of the FVOCI reserve

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	(2,318,408)	(3,229,988)
Net fair value gains / (losses) on remeasuring financial assets at FVOCI;		
Equity instruments	1,496,646	649,841
Debt instruments	(116,248)	261,028
Reclassification from OCI to income statement - Debt instruments	232	711
Reclassification of realised gain from fair value reserve to retained earning - Equity instruments	-	-
Balance as at 31 December	(937,778)	(2,318,408)

37.2.3 Asset wise break down of the FVOCI reserve

As at 31 December	2024 Rs. '000	2023 Rs. '000
Treasury bonds	(615,847)	(426,124)
International sovereign bonds	73,475	-
Debentures	-	(232)
Equity investments	(395,406)	(1,892,052)
Total	(937,778)	(2,318,408)

37.3 Revaluation reserve

Accounting Policy

37.3.1 General

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings as at the date of revaluation.

37.3.2 Movement of the revaluation reserve

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January		173,516	129,733
Gain on revaluation of land and building	26.25	-	43,783
Balance as at 31 December		173,516	173,516

37.3.3 Nature and purpose of revaluation reserve

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

38. RETAINED EARNINGS

38.1 Movement of the retained earnings

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	13,617,734	12,112,675
Realised gain on equity instruments directly recognised in equity	-	-
Profit for the year	4,521,797	2,838,403
Defined benefit plan actuarial gain / (losses) on net of tax	(51,141)	(20,844)
Dividend paid	(2,830,078)	(1,312,500)
Repurchase of shares	(6,000,000)	-
Balance as at 31 December	9,258,312	13,617,734

39. INSURANCE CONTRACT LIABILITIES

Accounting Policy

39.1 Recognition, measurement and derecognition

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 (RBC) with effect from 1 January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

As per RBC rules, with effect from 1 January 2016, the value of the life insurance liabilities are determined as follows;

Life insurance liabilities = Best Estimate long term Liability (BEL) + Risk Margin for adverse deviation (RM)

Best estimate liability is measured at the sum of the present value of all future best estimate cash flows calculated as per the RBC principles and the discount rate estimated as per the clarification note issued by CA Sri Lanka on financial reporting.

Measurement is usually done based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for the calculation includes, in particular, assumptions relating to;

- mortality rates
- persistency rates
- morbidity rates
- expense and future inflation
- participating fund yield
- discount rates

Assumptions are estimated on a realistic basis at the end of the financial year with a provision for adverse deviation to make allowance for the risks of change and random fluctuations.

Further, in valuing the policy liabilities, provisions for reinsurance have been allowed in accordance with applicable reinsurance terms as per current reinsurance arrangements.

There are no implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC). However, any negative liabilities that arise have been zeroed at product level when determining the aggregate liability.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by performing the liability adequacy test.

The liability is derecognised when the contract is expired, discharged or cancelled.

39.2 Subsequent classification

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

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

39.2.1 Discretionary participating features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following criteria:

- constitute a significant portion of the total contractual benefits;
- amount or timing is contractually at the discretion of the issuer;

- contractually based on at least one of the following factors;
 - » performance of a specified pool of contracts or a specified type of contract;
 - » realised and/or unrealised investment returns on a specified pool of assets held by the issue;
 - » profit or loss of the company, fund, or other issuing entity.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities as appropriate.

39.3 Accounting judgements

39.3.1 Product classification

39.3.1.1 Insurance contracts

SLFRS 4 requires the contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred. Insurance contracts are contracts under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Significant insurance risk exists, if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Company issues and reinsurance contracts that the company holds.

39.3.1.2 Investment contracts

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings, credit index or other variables; provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE CONTRACT LIABILITIES (CONTD.)

Accounting Policy (Contd.)

39.4 Methodology used in determination of market value of liability

Discounted cash flow approach, equivalent to a gross premium valuation methodology has been used for calculating the liabilities for the existing business as at 31 December 2024.

In determining the policy liabilities, provisions for reinsurance have been allowed according to the applicable reinsurance terms as per the current agreements.

Negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities held have been floored to zero at a product level for accounting standards purpose in arriving at the surplus calculation.

No implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

39.4.1 Details of calculation of policy liability and net cash flows for each class of products

Details of product category	Basis of determinants of policy liability	Basis of calculating net cash flows
Individual traditional non-participating products discounting "net cash flows" using a discount rate	Discounting "net cash flows" using a discount rate	Future premium income (-) Death benefit outgo (+) Rider benefit outgo (+) Surrender benefit outgo (+) Maturity benefit outgo (+) Commission expense outgo (+) Policy expense outgo (+) Reinsurance recoveries (-) Reinsurance premium outgo (+) Reinsurance commission (-) Net cash flows = sum of the above
Individual traditional participating products	Max (guaranteed benefit liability, Total benefit liability)	Future premium income (-) Death benefit outgo inclusive of dividend accumulations (+) Rider benefit outgo (+) Surrender benefit outgo inclusive of dividend accumulations (+) Maturity benefit outgo inclusive of dividend accumulations (+) Commission expense outgo (+) Policy expense outgo (+) Net cash flows = sum of the above
Individual universal life non-participating products	Discounting "net cash flows" using a discount rate	Future premium income (-) Death benefit outgo inclusive of dividend accumulations (+) Rider benefit outgo (+) Surrender benefit outgo inclusive of dividend accumulations (+) Maturity benefit outgo inclusive of dividend accumulations (+) Commission expense outgo (+) Policy expense outgo (+)
	Max (account value, discounted cash flow liability)	Reinsurance recoveries (-) Reinsurance premium outgo (+) Reinsurance commission (-) Net cash flows = sum of the above
Group traditional non-participating products - group term (life) and per day insurance	Discounting "net cash flows" using a discount rate	Future premium income (-) Death benefit outgo (+) Rider benefit outgo (+) Commission expense outgo (+) Policy expense outgo (+) Reinsurance recoveries (-) Reinsurance premium outgo (+) Reinsurance commission (-) Net Cash flow = Sum of the above
Group traditional non-participating products - group hospitalisation cover	Policy liability has been set equal to unearned premium reserve (UPR)	Not applicable

39.5 Key assumptions used in determinations of Best Estimate Liability (BEL)

Details of the key assumptions used and basis of arriving the same are summarised below:

Assumption	Basis of estimation
Economic assumptions	
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 39.5.1.
Participating fund yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.
Operating assumptions	
Mortality rate	A67/70 Mortality rates table was used. Calibrated to experience of the products.
Morbidity rates	The morbidity rates have been set based on loss ratios whereby loss ratio is calculated as the ratio of settled and pending claims to earned premiums.
Expenses	Based on the expenses incurred during 2024. For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been done on the basis of inputs from various department heads of each cost centre to determine a reasonable activity-based split of expense. These have been further identified as either being premium or policy-count driven based on the nature of expenses to determine a unit cost loading for use in the valuation.
Bonus rates	Bonus rate scale assumed has been arrived based on bonus declared as at 31 December 2024, based on the Company management's views on policyholder reasonable expectations. This assumes that company is expecting to maintain the current bonus levels into the future and is unchanged from the previous valuation.
Persistency ratio	The discontinuance assumptions have been set with reference to actual experience and vary by policy duration.

39.5.1 Discount rate

Insurance contract liabilities shall be measured in terms of SLFRS 4 by applying current market interest rates where any changes to be recognised in Income Statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability.

39.5.1.1 Methodology

Noting the potential difficulties in establishing an appropriate 'liquid risk free yield curve' from the observable Sri Lankan market data, a 'top-down approach' is adopted for the determining the appropriate discount rates. Under such approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts.

39.5.1.2 Assumptions and bases of estimation used in arriving the discount rate

Assumption	Basis of estimation
Choice of reference portfolio	The current assets backing the Life Fund are taken as the initial reference portfolio. Assets within the life fund are split between participating, universal life and non-participating funds.
Rates of return implicit in a fair value measurement of the reference portfolio	Fair value of existing assets for the purpose of discount rate construction is assessed on a consistent basis as the fair value assessed for these assets in the Statement of Financial Position. Implied returns for existing assets are taken as the yields that would be required that would result in the discounted present value of asset flows to be equal to the reported fair value in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

39.5.1.2 Assumptions and bases of estimation used in arriving the discount rate (Contd.)

Assumption	Basis of estimation
Adjustment for credit risk	Fair value of corporate bonds include an allowance for potential credit risk of the issuer. Allowance for risk of default within the corporate bond spreads has been removed from the implied yields as it is not relevant for valuation of the insurance contracts. Total spread is assumed to comprise a spread for default risk and illiquidity – the spread in respect of default risk is estimated by isolating the illiquidity premium.
Assets representing future (re) investments	<p>The initial reference portfolio of existing assets is extended to include future (re)investments of net positive future cash flows required to cover any subsequent shortfalls. These (re)investments are assumed to generate a risk-adjusted return, determined by:</p> <ul style="list-style-type: none"> considering historical mean reversion trends of published government bond yields over the short to medium term. applying a long-term Ultimate Forward Rate (UFR) assumption. assuming a 40-year convergence period, during which the short/medium-term historical average yields gradually transition toward the ultimate forward rate over the long term.
Yield curve	A complete term structure is derived based on the effective overall 'time-weighted rate of return' for the reference portfolio assets.

39.6 Financial reinsurance arrangement

39.6.1 Recognition of initial commission

Reinsurance commission income is recognised in the Income Statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. Accordingly, initial commission income generated from life quota share agreement is recognised when it is received or due in full.

39.6.2 Subsequent amortisation

Initially the Company has made one off release from the initial reinsurance commission to absorb into the new business strain arising from newly launched non-participating universal life product. The remaining unallocated surplus arising from initial commission of reinsurance agreement will be released to the Income Statement over the period (as best estimate duration) of quota share agreement on equal instalments.

39.7 Valuation of life insurance fund

Long duration contract liabilities included in the life insurance fund, primarily consist of traditional participating and non-participating life insurance products. The actuarial reserves have been certified by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Willis Towers Watson India Private Limited as at 31 December 2024.

39.8 Insurance contract liabilities in the Financial Statements

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Life insurance fund		31,233,665	26,145,333
Surplus created due to change in valuation method from NPV to GPV	39.16.2	1,056,535	1,056,535
Life fund with one-off surplus	39.8.1	32,290,200	27,201,868
Claims payables	39.18	1,000,078	723,606
Total insurance contract liabilities		33,290,278	27,925,474

39.8.1 Details of policy liabilities for the participating and non-participating funds

As at 31 December	2024			2023		
	Participating Rs. '000	Non-participating Rs. '000	Total Rs. '000	Participating Rs. '000	Non-participating Rs. '000	Total Rs. '000
Policy liabilities	12,405,995	18,827,670	31,233,665	10,783,705	15,361,628	26,145,333
One-off surplus	1,056,535	-	1,056,535	1,056,535	-	1,056,535
Total policy liabilities	13,462,530	18,827,670	32,290,200	11,840,240	15,361,628	27,201,868

39.8.2 Movement in life insurance fund

As at 31 December	Note	2024			2023		
		Insurance contract liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Insurance contract liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000
As at 1 January		33,257,424	(6,055,556)	27,201,868	28,879,985	(4,411,287)	24,468,698
Premiums received	8	31,573,467	(2,509,698)	29,063,769	26,341,321	(2,490,889)	23,850,432
Liabilities released for payments on death, surrender and other terminations in the year	14.3	(14,993,591)	743,878	(14,249,713)	(13,396,642)	553,304	(12,843,338)
Net finance and other income		7,143,166	-	7,143,166	5,768,826	-	5,768,826
Net acquisition and other expenses		(12,758,691)	358,936	(12,399,755)	(11,226,154)	293,316	(10,932,838)
Surplus distributed to shareholders	39.12	(4,287,000)		(4,287,000)	(3,015,000)	-	(3,015,000)
Change in contract liabilities life fund	15.3	6,677,624	(1,406,884)	5,270,740	4,472,351	(1,644,269)	2,828,082
Tax on policyholder bonus		(182,135)		(182,135)	(94,912)	-	(94,912)
Balance as at 31 December		39,752,640	(7,462,440)	32,290,200	33,257,424	(6,055,556)	27,201,868

39.9 Analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance

As at 31 December	2024 Rs. '000	2023 Rs. '000
< 1 year	1,517,706	855,192
1 to 3 years	2,731,507	2,374,545
> 3 years	16,323,458	11,955,754
Total	20,572,671	15,185,491

39.10 Impact of uncertain macro economic conditions

Refer risk management report on pages 56 and 84 for more details on the risk and risk management initiatives on uncertain macro economic conditions

39.11 Sensitivity analysis

Sensitivity analysis of life insurance fund is provided in Note 48.3.1 on page 356.

39.12 Recommendation of surplus transfer

The valuation of life insurance fund as at 31 December 2024 was made by the appointed actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Willis Towers Watson India Private Limited. Based on the recommendation, the Company transferred surplus from the policyholder fund to the shareholder fund as follows;

As at 31 December	2024 Rs. '000	2023 Rs. '000
Participating life insurance fund to the shareholder fund	-	-
Non-participating life insurance fund to shareholder fund	4,287,000	3,015,000
Total	4,287,000	3,015,000

Subsequent to the transfer the surplus transfer of Rs. 4,287 Million (2023 - Rs. 3,015 Million), life fund stands as Rs. 32,290 Million as at 31 December 2024 (2023 - Rs. 27,202 Million), including the liability in respect of bonuses and dividends declared up to and including for the year 2024 as well as surplus created due to change in valuation method of policy liabilities from NPV to GPV in the participating fund.

39.13 Taxation on surplus distributed to the life insurance policyholder who shares the profits

According to the Section 67 (2) of the Inland Revenue Act No. 24 of 2017, the surplus distributed to the life insurance policyholder who shares the profits of a person engaged in the business of life insurance in a given year, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of that person from the business and subject to tax at 30% from 01 October 2022 as described in the Note 22.5 on page 298.

As recommended by the Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI of Messrs. Willis Towers Watson India Private Limited, the Company has declared a bonus of Rs 607 Million (2023 - Rs. 518 Million). Please refer point (f) of the Actuarial report provided on page 268 for the year 2024 to life insurance policyholders who participating in the profit of life insurance business. Accordingly, the Company has adjusted the tax liability in to the life insurance fund.

NOTES TO THE FINANCIAL STATEMENTS

39.14 Solvency margin

The Company maintains a Capital Adequacy Ratio (CAR) 298% on regulatory basis and Total Available Capital (TAC) of Rs. 31,892 Million as at 31 December 2024, which exceed the minimum requirement of 120% and Rs. 500 Million respectively as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

39.15 Liability Adequacy Test (LAT)

Accounting Policy

39.15.1 General

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 "Insurance Contracts". The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses.

In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

39.15.2 Valuation

A liability adequacy test for life insurance contract liability was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Willis Towers Watson India Private Limited as at 31 December 2024. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability.

According to the Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31 December 2024.

No additional provision was required against the LAT as at 31 December 2024.

Details of the LAT report is provided on page 269.

39.16 Surplus created due to change in valuation method - One-off surplus zeroed at product level

Accounting Policy

Refer Note 39.1 for the accounting policy

39.16.1 Basis of measurement

Surplus created due to change in valuation method of policy liabilities from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) is measured based on the difference in the policy liability valuation by the independent Actuary based on NPV and GPV bases valuation as at 31st December 2015 according to the Direction 16 'Identification and treatment of one-off surplus' issued by IRCSL. According to Direction 16, Company has determined the One-off Surplus as the difference between NPV Solvency basis liability and GPV Distribution basis liability for both Participating business and other than Participating business.

39.16.2 One-off surplus

	Participating fund Rs. '000	Non- participating fund Rs. '000	Total Rs. '000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	3,866,780	2,472,575	6,339,355
Less: Value of Insurance contract liability based on Independent Actuary - GPV 31 December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 1 January 2016	1,056,535	798,004	1,854,539

39.16.3 Transfer of one-off surplus from non participating fund to shareholder fund

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on "Guidelines/Directions for Identification and Treatment of One-off Surplus" and has instructed all life insurance companies to comply with the direction. Based on the guidelines, life insurance companies are directed to transfer one-off surplus attributable to policyholder non-participating fund to shareholder fund as at the reporting year ended 31 December 2017. The transfer has been presented as a separate line item in the Income Statement as "change in contract liability due to transfer of one-off surplus" and as a separate reserve in the Statement of Financial Position as "restricted regulatory reserve" under Equity in accordance with the above Direction.

Further, distribution of one-off surplus to shareholders, held as part of the restricted regulatory reserve, is subject to meeting governance requirements (Refer Note 39.16.5).

stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The one-off surplus in the shareholder fund will remain invested in government debt securities and deposits as disclosed in Note 36.3 on page 331 as per the Directions of the IRCSL.

The financial ratios have been determined in accordance with Sri Lanka Accounting Standards. Additionally, the Company has voluntarily presented financial ratios without considering the one-off surplus impact.

One-off surplus in respect of participating business is held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the shareholder fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

39.16.4 Movement of one-off surplus after transfer

	Participating fund Rs. '000	Non-participating fund Rs. '000	Total Rs. '000
Surplus created due to change in valuation method - One-off surplus as at 1 January 2016 (Note 39.16.2)	1,056,535	798,004	1,854,539
Transfer of One-off Surplus from long term fund to Restricted Regulatory Reserve	-	(798,004)	(798,004)
Remaining One-off Surplus in insurance contract liabilities as at 31 December 2024	1,056,535	-	1,056,535

39.16.5 Distribution of one-off surplus

The distribution of one-off surplus to shareholders as dividends shall remain restricted until a company develops appropriate policies and procedures for effective management of its business, as listed below:

- Expense allocation policy setting out basis of allocation of expenses between the shareholder fund and the policyholder fund as well as between different lines of business within the policyholder fund, particularly participating and non-participating;
- Dividend declaration policy for universal life business;
- Bonus policy for the participating business, which should include treatment of one-off surplus for the purpose of bonus declaration;
- Asset-liability management policy;
- Policy on internal target capital adequacy ratio;
- Considerations for transfer of funds from policyholder fund to shareholder fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further IRCSL will reconsider the distribution of one-off surplus when the RBC rules are revised. The IRCSL will permit distribution of one-off surplus subject to yearly distribution caps on a case-by-case basis.

39.17 Disclosures as required by Direction 16 issued by IRCSL

Disclosure in financial statements	Compliance with the requirement	Note	Page
Equity and statement of changes in equity to include as a new line item called 'Restricted Regulatory Reserve' with value equal to one - off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Complied		339
The transfer of one - off surplus to be treated as a release permitted by the IRCSL during the relevant period and accounted through Income Statement.	N/A for current year		
Income Statement to carry a new line item 'change in contract liability due to transfer of one - off surplus'.	N/A for current year		
Disclosure stating 'distribution of one - off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied	39.16.5	339
The basis of computation of one - off surplus. Any deviation from the direction in respect of determining the 'minimum one - off surplus'.	Complied	39.16	338
One-off surplus relating to participating and other than participating should be disclosed separately	Complied	39.16	338
Financial ratios, excluding the impact of transfer of one - off surplus may be disclosed separately.	Complied		
Disclosure on composition of investments supporting the restricted regulatory reserve.	Complied	36.3	331

NOTES TO THE FINANCIAL STATEMENTS

39.18 Direction 18 - Unclaimed benefits of long term insurance business

Unclaimed benefits of long term insurance business are recorded in the life insurance fund. There were no transfer of any unclaimed benefits from the policyholder fund to shareholder fund during the period ended 31 December 2024 (31 December 2023 - Nil) are as follows:

As at 31 December	2024 carrying value Rs. '000	2023 fair value Rs. '000
Unclaimed benefits	106,093	79,766
Other claim payables	893,985	643,840
Total	1,000,078	723,606

40. EMPLOYEE BENEFIT LIABILITIES

40.1 Defined contribution plans - Provision for employee benefit liabilities

Accounting Policy

40.1.1 General

Refer Note 17.3 for the accounting policy. On the defined contribution plans.

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

40.2 Contributions to EPF and ETF

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Employees' provident fund		
Employer's contribution (12%)	136,837	125,011
Employees' contribution (8%)	91,225	83,341
Employees' trust fund		
Employer's contribution (3%)	34,209	31,251

40.3 Defined benefit plans - Provision for employee benefit liabilities

Accounting Policy

40.3.1 General

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 separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded and is a final salary defined benefit plan. The calculation is performed annually by a qualified independent actuary using the Projected Unit Credit method.

40.3.2 Recognition of actuarial gain / (losses), current services cost and interest cost

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in the Statement of Profit or Loss and Other Comprehensive Income. Current services cost and interest cost related to defined benefit plans in employee benefit are expensed in the Income Statement.

When the benefits of a plan is changed or when a plan is curtailed, resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

40.4 Valuation of employee benefit liabilities

The actuarial valuation involves making assumptions. Further, the Company has considered the impact of the economic crisis on the defined benefit obligations. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

40.5 Risks exposed by the defined benefit plans

Type of the risk	Exposure
Interest risk	Present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term interest rate. Accordingly, a decrease in the long-term interest rate will increase the plan liability.
Longevity risk	Present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	Present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

An actuarial valuation of the retirement gratuity payable as at 31 December 2024 was carried out by Mr. M. Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the Actuaries to value the liability is the 'Projected Unit Credit Method (PUC)', the method recommended by the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'.

40.6 Actuarial assumptions and criteria for the valuation of retirement gratuity

Actuarial assumptions	Criteria	2024	2023	Description
Demographic assumptions	Mortality - In service			1967/70 Mortality table issued by the Institute of Actuaries, London.
	Staff turnover	22%	25%	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement.
	Normal retirement age	60	60	The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays.
Financial assumptions	Rate of discount	9.0%	13.5%	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	10%	10%	In respect of active employees.

40.7 Analysis of the employee benefit liabilities

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Present value of unfunded obligation		372,315	276,302
Defined benefit obligations as at 1 January		276,302	208,959
Expenses recognised in income statement	40.8	72,318	67,029
Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income	40.9	51,141	20,844
Other			
Gratuity payments during the year		(27,446)	(20,530)
Defined benefit obligations as at 31 December		372,315	276,302

40.8 Expenses recognised in the Income Statement

As at 31 December	2024 Rs. '000	2023 Rs. '000
Interest cost	37,301	38,657
Current service costs	35,017	28,372
Total expenses recognised in income statement	72,318	67,029

40.9 Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income

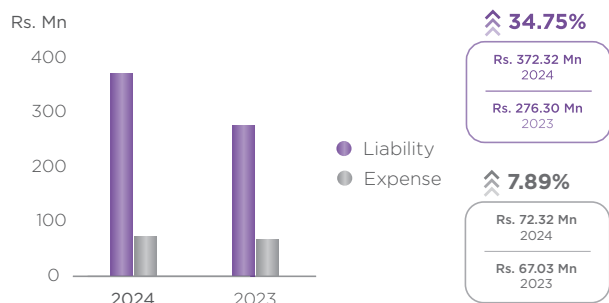
As at 31 December	2024 Rs. '000	2023 Rs. '000
Actuarial (gain) / loss arising from;		
Change in demographic assumptions	2,345	5,844
Change in financial assumptions	51,403	9,066
Change in experience adjustment	(2,607)	5,934
Total	51,141	20,844

40.10 Maturity analysis of the payments

As at 31 December	2024 Rs. '000	2023 Rs. '000
Within next 12 months	85,097	87,233
Between 1 to 2 years	113,049	95,092
Between 2 to 5 years	80,493	53,683
Between 5 to 10 years	70,482	33,507
Beyond 10 years	23,194	6,787
Total expected payments	372,315	276,302
Weighted average duration of defined benefit obligation	3.93 years	3.00 years

NOTES TO THE FINANCIAL STATEMENTS

EMPLOYEE BENEFIT LIABILITY



40.11 Expected contributions to defined contribution and defined benefit plans

For the year ended 31 December	2025 Rs. '000
Employees' provident fund	
Employer's contribution (12%)	164,886
Employees' contribution (8%)	109,924
Employees' trust fund	
Employer's contribution (3%)	41,221
Defined benefit plans	57,381

40.12 Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the discount rate and salary increment rates assuming all other variables held constant in the employment benefit liability measurement.

As at 31 December	2024	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
Discount rate		
1% increase in discount rate	(12,968)	359,347
1% decrease in discount rate	14,046	386,361
Salary increment rate		
1% increase in salary increment rate	15,540	387,855
1% decrease in salary increment rate	(14,616)	357,699

As at 31 December	2023	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
Discount rate		
1% increase in discount rate	(7,045)	269,257
1% decrease in discount rate	7,478	283,780
Salary increment rate		
1% increase in salary increment rate	8,984	285,286
1% decrease in salary increment rate	(8,579)	267,723

40.12.1 Methods and assumptions used in preparing the sensitivity analysis

The above sensitivity analysis are based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The Company has used "Projected Unit Credit method (PUC)" when calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions as at 31 December 2024.

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

40.13 Employee benefits for key management personnel

Employee benefits of key management personnel is disclosed in Note 50.6 on page 383.

41. LOANS AND BORROWINGS

Accounting Policy

41.1 General

Refer Note 45 on page 345 for the accounting policy.

41.2 Nature and purpose the transaction

The Company entered into a long-term financing agreement with the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and the Norwegian Investment Fund for Developing Countries for USD 15 Million Tier II subordinated debt transaction to provide funding to future development of business objectives of the Company. The facility was signed on 24 August 2020.

41.3 Tier II capital securities

Tier II capital securities are either perpetual or dated subordinated securities on which there is an obligation to pay coupons. According to the RBC rule, the Company's subordinated debt securities are included within the Company's regulatory capital base as Tier II capital.

41.4 Security and repayment terms

Item	Details
Nominal Interest rate	6 months SOFR + CAS + margin
Repayment terms	The loan shall be repaid in full on the maturity date
Carrying value of collaterals	None of assets have been pledged as securities for these liabilities
Interest payable frequency	Bi annually
Allotment date	2 October 2020
Maturity Date	2 October 2025

41.5 Defaults and breaches

The Company did not have any defaults of principal or interest or other breaches with respect to its loans and borrowings during the years ended 31 December 2024 (2023 - Nil).

41.6 Loan movement during the year

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	5,014,997	5,643,918
Cash movement		
Loans obtained / (capital repayments)*	(1,454,000)	-
Interest payments	(621,210)	(599,383)
Non cash movement		
Interest expenses	579,243	616,295
Exchange rate adjustments	(502,587)	(645,833)
Balance as at 31 December (Note 41.6.1)	3,016,443	5,014,997

*As stated above, the Company has early settled USD 5 Million during the year.

41.6.1 Analysis of the repayable period

As at 31 December	2024 Rs. '000	2023 Rs. '000
Repayable within one year	3,016,443	155,338
Repayable after one year	-	4,859,659
Total	3,016,443	5,014,997

41.7 Maturity analysis

The maturity analysis of loans and borrowings is given in Note 48.4.3.1 (Table 20) on pages 370.

42. REINSURANCE PAYABLE

Accounting Policy

42.1 General

Reinsurance payable represents balances due to reinsurance companies. Payable amounts are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related insurance contracts.

Reinsurance liabilities are derecognised when the contractual liabilities are extinguished or expired, or when the contract is transferred to other party.

42.2 Movement of the reinsurance payable

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
As at 1 January	718,855	2,246,237
Arose during the year	2,509,698	2,490,889
Utilised during the year	(2,474,494)	(4,018,271)
Balance as at 31 December	754,059	718,855

43. INCOME TAX LIABILITIES

As at 31 December	2024 Rs. '000	2023 Rs. '000
Income tax payable	979,770	927,170
	979,770	927,170

44. OTHER LIABILITIES

Accounting Policy

44.1 Financial liabilities

Refer Note 45 for accounting policy relating to financial liabilities.

44.2 Other liabilities

Other liabilities include accruals and advances. These liabilities are recorded at the amounts that are expected to be paid.

NOTES TO THE FINANCIAL STATEMENTS

44.3 Analysis of the financial and non-financial liabilities

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Financial liabilities			
Commission / Incentive payable	44.4.1	1,024,457	923,022
Premium deposits		363,778	300,384
Amounts due to related parties	44.4.2	21,836	15,846
Other payables		1,364,683	634,499
Lease liabilities	44.4.3	1,190,336	606,519
Total financial liabilities		3,965,090	2,480,270
Non financial liabilities			
Accruals		156,806	166,269
Tax and other statutory payables	44.5.1	336,518	120,049
Total non financial liabilities		493,324	286,318
Total other liabilities		4,458,414	2,766,588

44.4 Financial liabilities

44.4.1 Commission / Incentive payable

Movement of the provision during the year is stated below:

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
As at 01 January	923,022	1,024,564
Provision made during the year	2,115,879	4,256,368
Payments made during the year	(2,014,444)	(4,357,910)
Balance as at 31 December	1,024,457	923,022

44.4.2 Amounts due to related companies

Amounts due to related companies represents fund management fees and rent payable to group companies as follows.

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Softlogic Asset Management (Pvt) Ltd	50.11.1.2	21,836	15,846
Total		21,836	15,846

44.4.3 Lease liabilities

Accounting Policy

Please refer Note 27 for accounting policy relating to leases under SLFRS 16.

44.4.3.1 Analysis of the lease liabilities

As at 31 December	2024			2023		
	Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000
Lease liabilities as at 1 January	603,297	3,222	606,519	581,650	8,389	590,039
Recognition of new lease agreement during the period*	885,482	-	885,482	281,150	-	281,150
Interest Expenses	112,716	91	112,807	110,933	515	111,448
Payment of lease liabilities	(411,159)	(3,313)	(414,472)	(370,436)	(5,682)	(376,118)
Modification	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-
Cumulative lease liabilities as at 31 December	1,190,336	-	1,190,336	603,297	3,222	606,519

*Rent prepayments has been recognised as right-of-use (RoU) assets and therefore additions to lease liabilities are not equivalent to newly recognised RoU assets.

44.4.3.2 Maturity analysis – Contractual undiscounted cash flows

As at 31 December	2024 Rs. '000	2023 Rs. '000
Less than one year	341,347	357,402
Between one and five years	1,145,400	437,477
More than five years	-	-
Total undiscounted lease liabilities as at 31 December	1,486,747	794,879
Lease liabilities included in the Statement of Financial Position as at 31 December	1,190,336	606,519
Undiscounted cash flows		
Current	341,347	357,402
Non current	1,145,400	437,477
Total	1,486,747	794,879

44.4.3.3 Maturity Analysis – Discounted cash flows

Refer Note 48.4.31 on (Table 20) page 370.

44.4.3.4 Sensitivity analysis of lease liabilities

The following table demonstrate the impact arising from the possible changes in the incremental borrowing rate on the lease liabilities of the Company as at 31 December 2024 and 2023 assuming all other variables are remain constant.

As at 31 December	2024		2023	
	Effect on Profit Before Tax Rs. '000	Estimated lease liabilities Rs. '000	Effect on Profit Before Tax Rs. '000	Effect on Profit Before Tax Rs. '000
1% increase in discount rate	(14,949)	1,175,387	(7,216)	599,303
1% decrease in discount rate	15,403	1,205,740	7,428	613,947

44.4.4 Maturity Analysis

Maturity schedules of other financial liabilities are disclosed in Note 48.4.31 (Table 20) on page 370.

44.5 Non-financial liabilities

44.5.1 Tax and other statutory payables

As at 31 December	2024 Rs. '000	2023 Rs. '000
Stamp duty	1,517	1,300
Crop insurance levy	10,712	3,504
EPF / ETF payable	22,362	20,455
CESST payable	18,324	14,329
PAYE tax payable	70,216	65,010
WHT Payable	212,143	14,207
Other	1,244	1,244
Total	336,518	120,049

45. FINANCIAL LIABILITIES

Accounting Policy

45.1 Initial recognition and measurement

Financial liabilities are initially recognised, when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs, except in the case of financial liabilities at fair value through profit or loss as per SLFRS 9.

45.2 Classification

The Company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at FVTPL, and within this category as Held for trading; or designated at FVTPL;
- Financial liabilities measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

45. FINANCIAL LIABILITIES (CONTD.)

Accounting Policy (Contd.)

45.3 Subsequent measurement

Subsequent measurement of financial liabilities depends on their respective classification.

45.3.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest expense, are recognised in the Income Statement.

The Company does not have financial liabilities classified at FVTPL as at the reporting date (2023 - Nil).

45.3.2 Financial liabilities measured at amortised cost

All other financial liabilities are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gain or loss on derecognition, interest expense and foreign exchange gains and losses are recognised in the Income Statement.

45.4 Reclassification of financial liabilities

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

45.5 Derecognition of financial liabilities

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

45.6 Modification of financial liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with the modified terms is recognised in the Income Statement.

45.7 Financial liabilities of the Company by categories

As at 31 December	Note	2024	
		Amortised cost	
		Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	41.6	3,016,443	3,016,443
Reinsurance payable	42.2	754,059	754,059
Bank overdraft	34.3	368,315	368,315
Other liabilities	44.3	3,965,090	3,965,090
Total financial liabilities		8,103,907	8,103,907

As at 31 December	Note	2023	
		Amortised cost	
		Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	41.6	5,014,997	5,014,997
Reinsurance payable	42.2	718,855	718,855
Bank overdraft	34.3	376,690	376,690
Other liabilities	44.3	2,480,270	2,480,270
Total financial liabilities		8,590,812	8,590,812

46. FOREIGN CURRENCY TRANSACTIONS

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

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences are generally recognised in the Income Statement.

47. FAIR VALUE MEASUREMENT

Accounting Policy

47.1 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability is settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 29 : Financial instruments (Page 312 to 327);
- Note 26 : Freehold property measured at fair value (Page 303 to 308).

47.2 Fair value hierarchy and the techniques

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the assets or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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

47.2.1 Level 1

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

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active, if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

47.2.2 Level 2

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

This category includes instruments valued using:

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

47.2.3 Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs which have a significant effect on the instrument's valuation.

Accordingly, it is applicable for instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

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

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

As disclosed in Note 29.11.1 on page 324, the company has recorded an initial recognition loss on the ISB restructured financial instruments in the current year financial statements and on SLDB restructured financial instruments on the previous year as stated in Note 29.11.2 on page 325.

47.3 Fair value measurement of the Company

Instrument category	Fair value basis	Fair value hierarchy
Government securities		
Treasury bills and bonds	Valued using the market yield	Level 1
ISB	Valued using the market yield	Level 2*
Investment in shares		
Listed shares	Closing market prices	Level 1
Unlisted shares	Adjusted net assets for Illiquidity	Level 3
Investment in units		
Investment in unlisted redeemable units	Published Net Assets Values (NAV)	Level 2
Corporate debt		
Listed debentures	Published Market Prices	Level 2**
Unlisted perpetual debentures	Adjusted interest rate for Illiquidity	Level 3
Commercial papers	Adjusted interest rate for Illiquidity	Level 3
Land and Building	Market Comparable Method and Investment Method	Level 3

*ISBs even upon the restructuring have been classified under level 2 in the fair value hierarchy, since there is no active secondary market with sufficient frequency yet for the said instrument. Please refer Note 29.11.1 on page 324 for ISB restructuring.

**Listed debentures have been classified under level 2 in the fair value hierarchy since there is no active market for these instruments even though such instruments are listed.

NOTES TO THE FINANCIAL STATEMENTS

47.3.1 Valuation techniques used in measuring Level 2 and 3 fair value

Same valuation techniques as mentioned in the above table have been used by the Company in measuring Level 2 and 3 fair values for the current and comparative financial period.

47.3.2 Financial assets and liabilities not considered for fair value measurement

It is assumed that the carrying amount of following financial assets and liabilities are reasonable approximation of fair value since they are short-term in nature or are re-priced to current market rates frequently:

Assets	Liabilities
Sri Lanka development bonds (prior to DDO)	Loans and borrowings
International sovereign bonds (prior to ISB restructuring)	Reinsurance creditors
Fixed deposits	Other liabilities (Excluding government levies and accruals)
Commercial papers	Bank overdraft
Securitised papers	
Repo	
Cash and cash equivalents	
Loans to life policyholders	
Reinsurance receivables	
Premium receivables	

47.3.3 Carrying amounts of the Company's financial assets and financial liabilities

Carrying amounts and classification of the Company's financial assets and financial liabilities are given in Note 29 on page 312 and Note 45 on page 345 respectively.

47.4 Valuation framework of the Company

The Company has an established control framework for the measurement of fair values. This framework includes involving a valuation team i.e. Treasury Back Office (TBO) which is an independent from Treasury Front Office (TFO), which reports to the Chief Financial Officer, with overall responsibility for overseeing and independently verifying all significant fair value measurements. Significant valuation issues are reported to the Audit Committee.

Specific controls include:

- Verification of observable pricing.
- Re-performance of model valuations.
- A review and approval process for new models and changes to models.
- Bi-annual calibration and back-testing of models against observed market transactions.
- Analysis and investigation of significant daily valuation movements.
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

When third party information (e.g. broker quotes, pricing services or independent property valuations) is used to measure fair value, the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the SLFRS.

This includes:

- Verifying that the broker, pricing service or independent property valuer is approved by the Company for use in pricing the relevant type of asset or liability;
- Understanding how the fair value has been arrived at, the extent to which it reflects actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- When prices for similar assets or liabilities are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the asset or liability subject to measurement; and
- If a number of quotes for the same asset or liability have been obtained, then understanding how fair value has been determined using those quotes.

47.5 Assets measured at fair value and the level in the fair value hierarchy

As at 31 December	Note	Page	2024				2023			
			Level 1	Level 2	Level 3	Total fair value/ carrying value	Level 1	Level 2	Level 3	Total fair value/ carrying value
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-financial assets										
Land and building	26.10	305	-	-	298,187	298,187	-	-	311,000	311,000
Total non-financial assets at fair value			-	-	298,187	298,187	-	-	311,000	311,000
Financial assets										
Financial investments at FVTPL										
Treasury bonds	29.9.3	322	358,684	-	-	358,684	318,208	-	-	318,208
Perpetual debentures	29.9.3	322	-	-	722,416	722,416	-	-	794,476	794,476
Unit trusts	29.9.3	322	-	3,998,341	-	3,998,341	-	3,513,990	-	3,513,990
Commercial papers			-	-	175,755	175,755	-	-	-	-
			358,684	3,998,341	898,171	5,255,196	318,208	3,513,990	794,476	4,626,674
Financial investments at FVOCI										
Treasury bonds	29.9.2	321	5,959,358	-	-	5,959,358	3,087,969	-	-	3,087,969
International sovereign bonds	29.9.2	321	-	3,378,691	-	3,378,691	-	-	-	-
Equity shares - listed	29.9.2	321	4,214,895	-	-	4,214,895	1,759,999	-	-	1,759,999
Equity shares - unlisted	29.9.2	321	-	-	-	-	-	-	326,914	326,914
			10,174,253	3,378,691	-	13,552,944	4,847,968	-	326,914	5,174,882
Total financial assets at fair value			10,532,937	7,377,032	898,171	18,808,140	5,166,176	3,513,990	1,121,390	9,801,556
Total assets at fair value			10,532,937	7,377,032	1,196,358	19,106,327	5,166,176	3,513,990	1,432,390	10,112,556

47.6 Transfer between levels

The Company has transferred the Unlisted Equity shares investment in Cargills Bank Ltd from level 3 into level 1 during the year 2024 as Cargills Bank Ltd share was listed on Colombo Stock Exchange on 09th January 2024. (2023 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

47.7 Level 3 fair value measurement

Reconciliation of fair value measurements of level 3 financial instruments

The Company carries unquoted equity shares, unquoted perpetual debentures, commercial papers and land and building in Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements except for the land and building is summarised below:

As at 31 December	2024			2023		
	Equity shares at FVOCI (Unlisted) Rs. '000	Commercial papers at FVTPL Rs. '000	Unquoted perpetual debentures at FVTPL Rs. '000	Equity shares at FVOCI (Unlisted) Rs. '000	Commercial papers at FVTPL Rs. '000	Unquoted perpetual debentures at FVTPL Rs. '000
Balance at 1 January	326,914	-	794,476	265,734	-	782,067
Purchases / (disposals)	-	175,000	-	-	-	-
Fair value gains / (losses)						
Recognised in the income statement - net fair value gains	-	-	(49,199)	-	-	534
Recognised in OCI - In equity investments at FVOCI	-	-	-	61,180	-	-
Net amount reclassified to the income statement	-	-	-	-	-	-
Amortisation adjustment	-	755	(22,861)	-	-	11,875
Transfers into / out of Level 3	(326,914)	-	-	-	-	-
Balance as at 31 December	-	175,755	722,416	326,914	-	794,476

*As stated in the Note 47.6 on page 349, investment in the Cargills Bank PLC has been moved from the level 3 to level 1 with the listing in the CSE.

47.7.1 Land and building at level 3 in the fair value hierarchy

Reconciliation from the opening balance to the ending balance and revaluation reserve pertaining to the Land and Building in Level 3 of the fair value hierarchy is available in Note 37.3.2 on page 322 and Note 26.24.3 on page 307 respectively.

47.7.2 Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorised in the Level 3 of the fair value hierarchy.

As at 31 December	Fair value		Valuation technique	Range of estimates (weighted average) for significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
	2024	2023			
	Rs. '000	Rs. '000			
Debt securities					
Perpetual debentures	722,416	794,476	Adjusted interest rate for illiquidity	Credit spread 3% to 4%	Estimated fair value would increase/ (decrease), if credit spread would (decrease) / increase
Commercial Papers	175,755	-	Adjusted interest rate for illiquidity	Credit spread 3% to 4%	Estimated fair value would increase/ (decrease), if credit spread would (decrease) / increase
Equity securities					
Unlisted equity securities	-	326,914	Adjusted net assets for illiquidity	"Illiquidity premium 5% - 10%"	Estimated fair value would increase/ (decrease), if Illiquidity premium would (decrease) / increase
Property, plant and equipment					
Land and building	298,187	311,000	Refer Note 26.24.4 on page 307		

47.7.3 Development of significant unobservable inputs

Debt securities	Credit spreads are derived from internally developed model and adjustments have been made to reflect the illiquidity condition of the instruments.
Unlisted equity securities	When deciding illiquidity premium the Company has considered the fact that recent acquisition of finance companies had taken place at more than the net asset value of target investee.
Land and Building	Refer Note 26.24.4 on page 307

NOTES TO THE FINANCIAL STATEMENTS

47.7.4 Sensitivity analysis of financial assets classified at Level 3

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in fair value of the level 3 financial instruments and significant unobservable inputs.

Sensitivity analysis of land and building classified at Level 3 is given in Note 26.24.4 on page 307.

As at 31 December	Significant unobservable input	2024			2023		
		Impact on income statement	Impact on OCI	Impact on equity	Impact on income statement	Impact on OCI	Impact on equity
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unlisted Equity Securities							
1% Increase in adjustment for illiquidity	Illiquidity premium	-	-	-	-	(3,458)	(3,458)
1% Decrease in adjustment for illiquidity	Illiquidity premium	-	-	-	-	3,458	3,458
Commercial Paper							
1% Increase in credit spread	Credit spread	(12,784)	-	(12,784)	-	-	-
1% Decrease in credit spread	Credit spread	14,965	-	14,965	-	-	-
Perpetual debentures							
1% Increase in credit spread	Credit spread	(59,117)	-	(59,117)	(52,090)	-	(52,090)
1% Decrease in credit spread	Credit spread	71,128	-	71,128	60,483	-	60,483

47.8 Financial instruments not measured at fair value and fair value hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

Fixed rate financial investments - Government securities

The fair value of fixed rate government securities carried at amortised cost are estimated by using daily market rate published by Central Bank of Sri Lanka.

Variable rate financial investments - Government securities

The fair value of variable rate government securities carried at amortised cost are estimated by using daily market rate published by Central Bank of Sri Lanka

Fixed rate financial investments - Unquoted and quoted debt securities

For quoted debt issued, the fair values are determined based on quoted market prices. For those issued where quoted market prices are not available, discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments.

A significant increase / (decrease) in the market interest rate would result in lower / (higher) fair value being disclosed.

Assets for which fair value approximate carrying value

Fixed rate financial investments for financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity period.

The following table sets out the estimated fair values of financial assets and liabilities not measured at fair value and hence reflected at the carrying amounts in Financial Statements and the fair value hierarchy used:

As at 31 December	Note	2024					2023				
		Level 1	Level 2	Level 3	Total fair value	Total carrying value	Level 1	Level 2	Level 3	Total fair value	Total carrying value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets											
Financial investments – Amortised cost											
Treasury bonds	29.91	18,249,992	-	-	18,249,992	14,355,429	22,990,696	-	-	22,990,696	18,408,368
Treasury bills	29.91	704,521	-	-	704,521	704,527	555,087	-	-	555,087	553,716
International sovereign bonds*	29.91	-	-	-	-	-	-	4,032,845	-	4,032,845	3,928,615
Debentures**	29.91	-	5,921,998	-	5,921,998	5,988,905	-	6,233,015	-	6,233,015	6,552,746
Fixed deposits	29.91	-	-	733,478	733,478	733,467	-	-	919,524	919,524	919,403
Commercial paper	29.91	-	-	2,406,643	2,406,643	2,206,628	-	-	1,713,358	1,713,358	1,713,352
Securitised Papers	29.91	-	-	-	-	-	-	-	577,426	577,426	577,371
Repo	29.91	-	-	1,140,922	1,140,922	1,140,922	-	-	1,045,088	1,045,088	1,045,088
Other financial assets											
Cash and cash equivalents	34.2	-	-	1,869,652	1,869,652	1,869,652	-	-	1,099,679	1,099,679	1,099,679
Loans to life policyholders	30.2	-	-	350,134	350,134	350,134	-	-	331,301	331,301	331,301
Reinsurance receivables	31.1	-	-	518,316	518,316	518,316	-	-	465,211	465,211	465,211
Premiums receivables	32.2	-	-	2,904,513	2,904,513	2,904,513	-	-	2,449,089	2,449,089	2,449,089
Receivable and other assets	33.3	-	-	87,772	87,772	87,772	-	-	72,115	72,115	72,115
Total financial assets not at fair value		18,954,513	5,921,998	10,011,430	34,887,941	30,860,265	23,545,783	10,265,860	8,672,791	42,484,434	38,116,054
Financial liabilities											
Loans and borrowings	41.6	-	-	3,016,443	3,016,443	3,016,443	-	-	5,014,997	5,014,997	5,014,997
Reinsurance payables	42.2	-	-	754,059	754,059	754,059	-	-	718,855	718,855	718,855
Other liabilities	34.3	-	-	3,965,091	3,965,091	3,965,091	-	-	2,480,270	2,480,270	2,480,270
Bank overdraft	44.3	-	-	368,315	368,315	368,315	-	-	376,690	376,690	376,690
Total financial liabilities not at fair value		-	-	8,103,908	8,103,908	8,103,908	-	-	8,590,812	8,590,812	8,590,812

*ISB investment mentioned in the year 2023 has been classified under level 2 in the fair value hierarchy, since there is no active secondary market with sufficient frequency for such instrument. However, restructured ISB has been classified as FVOCI as disclosed in Note 29.3.6 on page 315.

**Listed Debentures have been classified under level 2 in the fair value hierarchy since there is no active market for these instruments, even though such instruments are listed.

NOTES TO THE FINANCIAL STATEMENTS

48. RISK AND CAPITAL MANAGEMENT

Overview

Insurance contracts expose the Company to underwriting risk, product design risk, reinsurance risk and claim risk. In addition, the Company is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Company's activities. Managing these risks are critical for the sustainability of the Company and plays a pivotal role in all activities of the Company. Risk Management function strives to identify potential risks in advance, analyse them and take precautionary steps to mitigate the impact of risk whilst optimising risk-adjusted returns within the risk appetite of the Company.

Disclosure requirement under SLFRS 4 - Insurance contracts and SLFRS 7 - Financial instruments

As required by SLFRS 4 and SLFRS 7, this note presents qualitative and quantitative information about the Company's exposure to each of the Insurance risks, Financial risks, Operational risk and the Company's objectives, policies and processes for measuring and managing such risks.

Risk management objectives, policies and process

Refer risk management report on page 56 to 84 of this report to obtain a complete overview of the risk landscape that Softlogic Life Insurance PLC is exposed to and its objectives, policies, process and methodologies adopted for managing those risks.

48.1 Risk management framework

The primary objective of the Company's risk and financial management framework is to protect its shareholders from events that could hinder the sustainable achievement of financial objectives, including the failure to exploit opportunities.

The overall responsibility and oversight of the risk management framework of the Company is vested with the Board of Directors (BOD). The Risk Management Committee, a subcommittee set up by the Board, in turn is entrusted with the development of the Company's risk management policies and monitoring of due compliance of same through the Risk Management Committee. The committee reports regularly to the Board of Directors on its activities.

The risk management policies spell out the risk appetite of the Company and have incorporated risk exposure limits and controls to monitor adherence to the limits in force. These policies and systems are reviewed regularly to reflect the changing market conditions and the products and services offered.

The Company's risk management team, comprise of the members of the senior management who oversee the risk management activities of the Company. The activities cover areas such as the evaluation of business processes, design and implementation of the risk strategy and risk policies, review and update of the risk profile, delegation of authority, monitoring of risk mitigation activities, etc.

The Audit Committee oversees how the management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Company. The Company strives to inculcate a risk management culture through continuous training, work ethics and standards.

48.1.1 Regulatory framework

The IRCSL is primarily interested in protecting the rights of policyholders and monitor them closely in line with the Regulation of Insurance Industry Act No.43 of 2000 and amendments thereto to ensure that the Company is satisfactorily managing its affairs for the benefits of policyholders.

At the same time, IRCSL is monitoring whether the Company complies with rules with respect to the solvency position and determination requirements to meet risk arising from unforeseeable events.

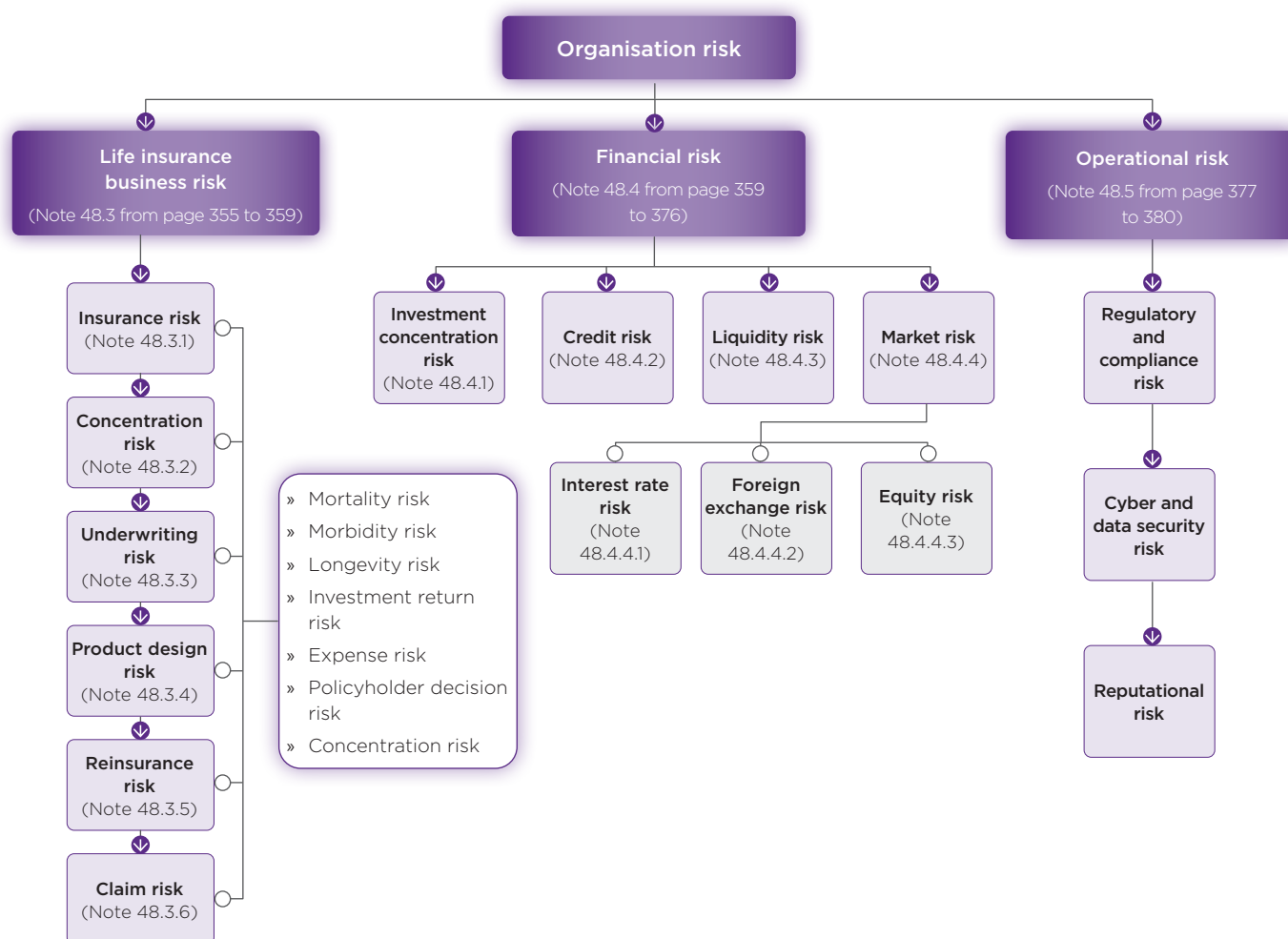
48.1.2 Compliance with regulatory framework

Refer Note 48.7.2 to 48.7.5 on pages 378 to 379 for the compliance status of the Company under RBC Rules.

48.2 Risk landscape of Softlogic Life Insurance PLC

Overview of the risks faced by the Company

The risk landscape of the Company is provided below:



48.3 Life insurance business risk

48.3.1 Insurance risk

Risk exposure	<ul style="list-style-type: none"> Likelihood of an insured event occurring, requiring the insurer to pay a claim which is transferred to the company through the underwriting process. Deviation of actual claims and benefit payments (or their timing) from expectations which is influenced by: frequency of claims, severity of claims, actual benefits paid, subsequent development of long-term claims. Profitability of the insurance business also susceptible to broader business risks, including unexpected changes in expenses, policyholder behaviour, and fluctuations in new business volumes.
Risk response	<ul style="list-style-type: none"> Underwriting Strategy: Careful selection and implementation of underwriting guidelines; Reinsurance: Engaging in external reinsurance arrangements; Reserving Processes: Establishing robust reserving practices; Diversification: Spreading insurance contracts across various geographical areas;
Sustainability and climate impact	Refer page 72 to 74

Refer Note 40.6 on page 341 for Key assumptions used in determining the insurance contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

48.3.1 Insurance risk (Contd.)

Table 01 - Sensitivities to insurance contract liabilities

	Participating fund	2024 Impact on liabilities Rs. '000	2023 Impact on liabilities Rs. '000
Mortality	+10%	588,527	549,367
	-10%	(549,052)	(517,254)
Morbidity	+10%	1,645,389	799,491
	-10%	(337,491)	(225,859)
Discount rate	+50 basis points	(1,683,151)	(1,450,438)
	-50 basis points	1,846,684	1,592,964
Expenses	+10%	964,096	878,934
	-10%	(964,395)	(869,822)

The above analysis is performed for reasonably possible movements in key assumptions with all other variables held constant, showing the impact on insurance contract liabilities. The method used for deriving sensitivity information and significant assumptions made has not been changed from the previous period.

48.3.2 Concentration risk

Risk exposure	<ul style="list-style-type: none"> Risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. May arise with respect to business written within a geographical or a type of policies issued by the Company. Observing best estimate assumptions on cash flows related to benefits of insurance contracts gives some indication of the size of the exposure to risks and the extent of risk concentration.
Risk response	<ul style="list-style-type: none"> Product development (Refer page 48) Market segmentation (Refer page 137) Ensure compliance (solvency margin RBC) requirements imposed by the regulator (IRCSL) (Refer Note 48.7.2 on page 378) Continuously monitor maturity analysis of assets and liabilities in order to meet future cash flows requirements.
Sustainability and climate impact	Refer page 73

Table 02 - Mix of the insurance contract liabilities

As at 31 December	2024		2023	
	Insurance contract liabilities Rs. '000	%	Insurance contract liabilities Rs. '000	%
Maximum exposure	33,290,278		27,925,474	
Participating fund	13,651,438	41	11,998,752	43
Non-participating fund	13,827,573	42	11,584,362	42
Universal life fund	5,811,267	17	4,342,360	15
Total	33,290,278	100	27,925,474	100

48.3.3 Underwriting risk

Risk exposure	<ul style="list-style-type: none"> Arising from an inaccurate assessment of the risk entailed in underwriting the policy resulting in the policy might cost much more than premiums earned.
Risk response	<ul style="list-style-type: none"> Continuous training for underwriting staff Adherence to the social and environmental policy at the time of underwriting Establishing a clearly defined pricing policy Establishing limits for underwriting authority Motivation of underwriting staff on insurance academic studies by providing scholarships to staff. Use of systematic underwriting limits Comply with the money laundering policies
Sustainability and climate impact	Refer page 73

48.3.3.1 Management of underwriting risk

The Board of directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives (e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters) are prepared and reviewed by Chief Technical Officer (CTO). The Board continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present by themselves.

Prices charged for the cost of insurance risk are set through a process of financial analysis, including comparisons of the Company's experience with industry experience and benchmarking of prices against other product providers in the same markets. Individual contracts are examined and reviewed by underwriting staff with the aim of ensuring that the premiums charged and the annuitisation rates applied reflect evidence of the current health condition and family medical history of the applicants.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. Reinsurers are selected from the list of approved reinsurers of the Company. The aggregation of risk ceded to individual reinsurers is monitored at Company level.

Table 03 - GWP by province

As at 31 December	2024 Rs. '000	2023 Rs. '000
Western Province	22,530,797	18,178,764
Southern Province	2,676,597	2,321,042
North Western Province	2,042,343	1,860,322
Central Province	1,589,297	1,381,213
Sabaragamuwa Province	1,034,644	936,121
North Central Province	565,952	484,255
Uva Province	482,919	443,456
Northern Province	467,605	516,667
Eastern Province	183,313	219,481
Total	31,573,467	26,341,321

The above table sets out the gross written premium of the Company by the province of issue.

48.3.4 Product design risk

Risk exposure	<ul style="list-style-type: none"> Largely depending on futuristic hypothetical assumptions since there is a risk of introducing unprofitable product to the market due to inappropriate use of assumptions or judgments. Participating, Non Participating and Universal Life insurance contracts are issued by the Company. Hence, the nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design.
Risk response	<ul style="list-style-type: none"> The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Company.
Sustainability and climate impact	Refer page 72 to 74

Table 04 - Assumptions used in the product development

Risk	Description	Assumptions used / risk response
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected.	Use of standard table A 67/70 mortality rates with adjustments to reflect the Company's mortality experience.
Morbidity risk	Risk of loss arising due to policyholders' accident/ sickness experience condition being different from expected.	Assumptions are based on the Company's own experience.
Longevity risk	Risk that annuitants (a person who receives and annuity payment) live longer than expected.	The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks.
Investment return risk	Risk of loss arising from actual returns being different from expected.	Investment decisions are being made to comply with RBC framework and Determination rules issued by IRCSL.
Expense risk	Risk of loss arising from the actual expense experience being different from expected.	The best estimate expense assumptions have been set based on the expense investigation carried out as at 31 December 2024 based on the expenses incurred during 2024.
Policyholder discontinuance risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected.	Lapses and surrender rates are projected according to the Company's past experience. Introduction of convenient premium payment methods and granting option to active lapsed policies less medical requirements.
Concentration risk	Risk of losses due to maintaining inadequate product portfolio/ mix.	The risk exposure is mitigated by diversification across a large portfolio of insurance contracts in to different classes. Developing a proper product mix in line with the Company strategy.

Refer Note 48.3.2 (Table 2) on page 356 for the disclosure on the concentration of the participating, non participating and universal life funds position.

NOTES TO THE FINANCIAL STATEMENTS

48.3.4 Product design risk (Contd.)

Table 05 - Overall risk mitigation approach in the life insurance Business

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

48.3.5 Reinsurance risk

Risk exposure	<p>Exposure at varying degrees to various risks inherent such as:</p> <ul style="list-style-type: none"> • Legal risk - may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced; • Liquidity risk - may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable. • Counterparty risk - may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism to honour its obligations towards the ceding insurer.
Risk response	<ul style="list-style-type: none"> • Reviewing the Company's reinsurance strategy and arrangements on an annual basis as approved by the Board Risk Committee. • Conducting detail studies on the adequacy of reinsurance arrangements for catastrophic events. • Ensuring that reinsurance transactions are conducted with parties which meet IRCSL rating requirements. • Ensuring minimum concentration amongst reinsurance parties. • Review of reinsurance credit worthiness regularly.
Sustainability and climate impact	Refer page 73

Table 06 - Reinsurance exposure

For the year ended 31 December	2024 Rs. '000	% from the GWP	2023 Rs. '000	% from the GWP
Gross written premiums	31,573,467		26,341,321	
Reinsurance	(2,509,698)	8	(2,490,889)	9
Net written premiums	29,063,769		23,850,432	

Accordingly, the Company's premium ceded to reinsurers is approximately 8% - 9% of the gross written premium.

Table 07 - Reinsurance recoveries

For the year ended 31 December	2024 Rs. '000	% from the GWP	2023 Rs. '000	% from the GWP
Gross claims paid	14,859,105		13,490,583	
Claims recovered from reinsurers	(671,212)	5	(592,422)	4
Net claims paid	14,187,893		12,898,161	

Accordingly, The Company has recovered approximately 4% - 5% of the gross claims paid from reinsurers during the period under review.

Refer Note 48.4.2.11 on page 368 for the analysis of credit risk relating to reinsurance receivables. Further, refer Table 18 on page 368 for the rating analysis of reinsurance receivables.

48.3.6 Claim risk

Risk exposure	<ul style="list-style-type: none"> • Possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.
Risk response	<ul style="list-style-type: none"> • Obtaining adequate reinsurance cover. • Adequate information is gathered to confirm the event occurred prior to processing the claims. • Claim reserves are closely monitored by the Chief Technical Officer (CTO).
Sustainability and climate impact	Refer page 72

Refer Note 13.4 and 14.2 on page 293 and 294 for the claims paid and outstanding during the period under review.

48.3.7 Determination of the Life Insurance Contract Liabilities

Gross premium valuation (GPV) methodology, has been used for calculating the insurance contract liabilities as at 31 December 2024. Gross and net of reinsurance liabilities have been calculated as required in the RBC regulations. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

Judgments and assumptions are required in determining the insurance contract liabilities. Assumptions are evaluated on a continuous basis to ensure realistic and reasonable valuation of insurance contract liabilities.

The valuation model is reviewed by Messrs. Willis Towers Watson India Private Limited and they have provided assurance on the following aspects:

- The Prophet models capture all material product features;
- The calculations in the model are performed in accordance with the intended methodology; and
- All relevant calculations performed in the model are materially accurate, robust and fit-for-purpose.

48.4 Financial risk

48.4.1 Investment concentration risk

Risk exposure	Arising due to concentration of a single counterparty, sector, one geographic area or one type of security. It also may be defined as less diversification of investment portfolio.
Risk response	<ul style="list-style-type: none"> • Clearly defined single party limits are continuously monitored and periodically reviewed. • Assets allocation limits are regularly reviewed by the Risk Officer. • The Company ensures that an acceptable level of risk diversification is maintained on an ongoing basis.
Sustainability and climate impact	Refer page 75

INVESTMENT EXPOSURE

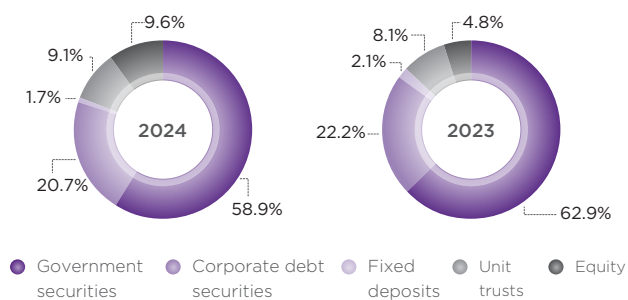


Table 08 - Maximum exposure to the investment concentration risk and diversification of the investment portfolio

As at 31 December	2024		2023	
	Rs. '000	%	Rs. '000	%
Maximum exposure to investment concentration risk				
Government securities				
Treasury bonds	20,673,471		21,814,545	
Treasury bills	704,527		553,716	
International sovereign bonds	3,378,691		3,928,615	
Repo	1,140,922		1,045,088	
	25,897,611	59	27,341,964	63
Corporate debt securities				
Banks	4,903,630		4,549,182	
Capital goods	200,137		781,857	
Diversified financials	3,572,270		3,753,647	
Food beverage and tobacco	8,547		18,742	
Insurance	-		100,368	
Telecommunication	409,120		409,055	
Consumer durables and apparel	-		25,094	
	9,093,704	21	9,637,945	22
Fixed deposits				
Licensed commercial banks	705,041		919,403	
Licensed finance companies	28,426		-	
	733,467	2	919,403	2
Unit trusts				
Debt securities	3,998,341		3,513,990	
	3,998,341	9	3,513,990	8
Investment in equity				
Banks	3,737,944		1,626,414	
Diversified financials	92,559		92,560	
Healthcare equipment and services	384,392		367,939	
	4,214,895	9	2,086,913	5
Total exposure	43,938,018	100	43,500,215	100

NOTES TO THE FINANCIAL STATEMENTS

48.4.2 Credit risk

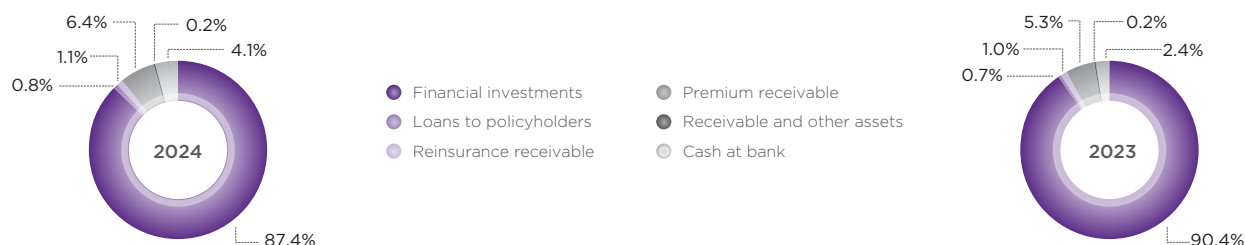
48.4.2.1 Maximum exposure to credit risk

Table 09 - Credit risk exposure through financial investments

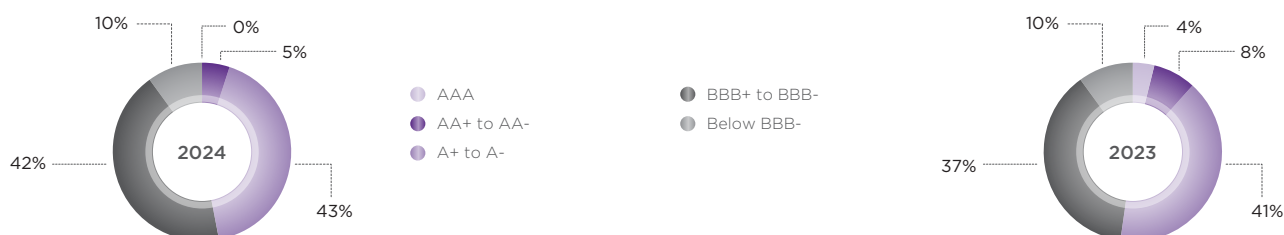
As at 31 December	Note	2024		2023	
		Rs. '000	%	Rs. '000	%
Financial investments*	48.4.2.3	39,723,123	87.4	41,413,302	90.4
Loans to life policyholders	48.4.2.10	350,134	0.8	331,301	0.7
Reinsurance receivables	48.4.2.11	518,316	1.1	465,211	1.0
Premium receivables	48.4.2.12	2,904,513	6.4	2,449,089	5.3
Receivables and other assets	48.4.2.13	87,772	0.2	72,155	0.2
Cash at bank	48.4.2.14	1,860,952	4.1	1,091,701	2.4
Maximum exposure to credit risk		45,444,810	100.0	45,822,759	100.0

*The Financial investment amount does not include equity investments since equity investments are not exposed to credit risk.

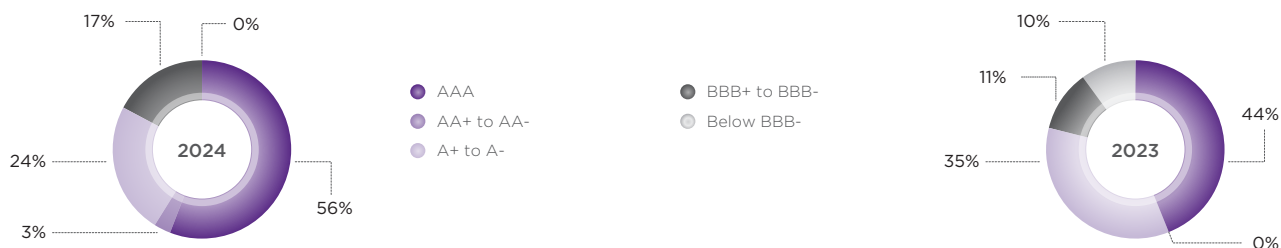
TOTAL EXPOSURE TO CREDIT RISK



CREDIT QUALITY OF DEBT INSTRUMENTS



CREDIT QUALITY OF UNIT TRUST INVESTMENTS



48.4.2.2 Concentration of credit risk

The Company monitors concentrations of credit risk by industry / sector wise. The Company ensures that an acceptable level of risk diversification is maintained on an ongoing basis and the limits are reviewed by the Risk Officer.

The following tables demonstrate the sector wise maximum exposure to credit risk in respect of each item of financial assets in the Statement of Financial Position as at 31 December 2024 and 31 December 2023.

Table 10 - Sector wise exposure to credit risk

For the year ended December	2024					2023				
	Diversified areas					Diversified areas				
	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000
Amortised cost										
Treasury bonds	14,355,429	14,355,429	-	-	-	18,408,368	18,408,368	-	-	-
Treasury bills	704,527	704,527	-	-	-	553,716	553,716	-	-	-
International sovereign bonds	-	-	-	-	-	3,928,615	3,928,615	-	-	-
Debentures	5,988,905	-	5,571,238	417,667	-	6,552,746	-	5,618,024	934,722	-
Commercial papers	2,206,628	-	2,006,491	200,137	-	1,713,352	-	1,312,958	400,394	-
Securitised Papers	-	-	-	-	-	577,371	-	577,371	-	-
Fixed deposits	733,467	-	733,467	-	-	919,403	-	919,403	-	-
Repo	1,140,922	1,140,922	-	-	-	1,045,088	1,045,088	-	-	-
Loans to life policyholders	350,134	-	-	-	350,134	331,301	-	-	-	331,301
Reinsurance receivables	518,316	-	-	-	518,316	465,211	-	-	-	465,211
Premium receivables	2,904,513	-	-	-	2,904,513	2,449,089	-	-	-	2,449,089
Receivable and other assets	87,772	-	-	-	87,772	72,155	-	-	-	72,155
Cash at bank	1,860,952	-	1,860,952	-	-	1,091,701	-	1,091,701	-	-
Total Amortised cost	30,851,565	16,200,878	10,172,148	617,804	3,860,735	38,108,116	23,935,787	9,519,457	1,335,116	3,718,150
Fair value through OCI										
Treasury bonds	5,959,358	5,959,358	-	-	-	3,087,969	3,087,969	-	-	-
International sovereign bonds	3,378,691	3,378,691	-	-	-	-	-	-	-	-
Total FVOCI	9,338,049	9,338,049	-	-	-	3,087,969	3,087,969	-	-	-
Fair value through P&L										
Treasury bonds	358,684	358,684	-	-	-	318,208	318,208	-	-	-
Unlisted perpetual debenture	722,416	-	722,416	-	-	794,476	-	794,476	-	-
Commercial papers	175,755	-	175,755	-	-	-	-	-	-	-
Unit Trusts	3,998,341	-	3,998,341	-	-	3,513,990	-	3,513,990	-	-
Total FVTPL	5,255,196	358,684	4,896,512	-	-	4,626,674	318,208	4,308,466	-	-
Total financial assets exposure to credit risk	45,444,810	25,897,611	15,068,660	617,804	3,860,735	45,822,759	27,341,964	13,827,923	1,335,116	3,317,716

*The table does not include equity investments since equity investments are not exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

48.4.2.3 Credit risk on financial investments

Risk exposure	<ul style="list-style-type: none"> Refers as the risk of financial loss to the Company if a counterparty of a financial instrument fails to meet their contractual obligations. Exposed from its operating activities and from its investment activities, including debt securities with banks and financial institutions, foreign exchange transactions and other financial instruments.
Risk response	<ul style="list-style-type: none"> Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. Establishing the authorisation structure for the approval and renewal of credit facilities, intermediaries and reinsurers in line with credit policies. Authorisation limits are allocated to business units. Limiting concentrations of exposure to counterparties, industries, issuer credit rating limitations and market liquidity. Clearly defined single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk. Continually reviewing and assessing the credit risk. Prohibiting non-graded investments, unless specifically authorised through the Company's investment policy. Taking appropriate actions when the investments are expected to be at high credit risk.
Sustainability and climate impact	Refer pages 76 to 77

The Company is also exposed to credit risk through its financial investments. The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each security and fixed deposits. This rating provides the Company the indication of the financial stability of the investment.

Table 11 - Credit quality analysis of financial investments

For the year ended December	2024				2023			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Maximum exposure to credit risk,	25,129,878	9,338,049	5,255,196	39,723,123	33,698,659	3,087,969	4,626,674	41,413,302
Government securities	16,200,878	9,338,049	358,684	25,897,611	23,935,787	3,087,969	318,208	27,341,964
Debt instruments having credit ratings								
AAA	-	-	-	-	381,463	-	-	381,463
AA+ to AA-	28,426	-	504,521	532,947	25,094	-	794,476	819,570
A+ to A-	3,693,374	-	393,650	4,087,024	4,326,275	-	-	4,326,275
BBB+ to BBB-	4,221,590	-	-	4,221,590	4,007,074	-	-	4,007,074
Below BBB-	985,610	-	-	985,610	1,022,966	-	-	1,022,966
Unit trust**								
AAA	-	-	2,224,186	2,224,186	-	-	1,536,858	1,536,858
AA+ to AA-	-	-	115,581	115,581	-	-	-	-
A+ to A-	-	-	972,990	972,990	-	-	1,248,198	1,248,198
BBB+ to BBB-	-	-	684,082	684,082	-	-	380,822	380,822
Below BBB-	-	-	1,502	1,502	-	-	348,112	348,112
Total	25,129,878	9,338,049	5,255,196	39,723,123	33,698,659	3,087,969	4,626,674	41,413,302

*The table does not include equity investments since equity investments are not exposed to credit risk.

**Credit ratings of unit trust investments are based on the ratings on underline instruments of the respective unit funds.

As at 31 December 2024, corporate debt instruments including fixed deposits comprise 22% (2023-24%) from the total financial investments, out of which 47% (2023 - 54%) were rated "A" or better.

The above has been derived as per the Company's risk management policy of using the carrying values in the Statement of Financial Position. There were no off - balance sheet exposures as at the date. This does not include the exposure that would arise in the future as a result of changes in values.

48.4.2.4 Collateral held for Repo investments

Repo investments which fall under government securities is backed by treasury bills and bonds which are provided as collateral. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. A haircut of 10% is maintained at all times. As at the reporting date, the Company hold Rs. 1,298 Million (2023 - Rs. 1,205 Million) worth of treasury bills and treasury bonds as collateral to support repo investments amounting to Rs. 1,141 Million (2023 - Rs. 1,045 Million).

The Company has not sold securities received as collaterals for the period ended 31 December 2024. (2023 - Nil).

48.4.2.5 Maximum exposure to credit risk by risk rating (as per SLFRS 9)

The following table sets out information about the credit quality of financial investments measured at amortised cost, measured at FVOCI and measured at FVTPL.

Table 12 - credit risk by risk rating

As at 31 December 2024	Risk status	Gross Carrying Value		ECL					Net carrying value
		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	12 months ECL (Stage 1)	Life time ECL - Not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Recognised OCI	Total	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Financial assets at amortised cost									
Government securities									
Treasury bonds	Risk Free	14,355,429	-	-	-	-	-	-	14,355,429
Treasury bills	Risk Free	704,527	-	-	-	-	-	-	704,527
International sovereign bonds	Risk Free	-	-	-	-	-	-	-	-
Repo	Risk Free	1,140,922	-	-	-	-	-	-	1,140,922
		16,200,878	-	-	-	-	-	-	16,200,878
Debentures									
AAA to AA-	Low Risk	-	-	-	-	-	-	-	-
A+ to A-	Low Risk	-	5,767,558	(279)	-	-	-	(279)	5,767,279
BBB+ to BBB-	Low Risk	-	213,122	(43)	-	-	-	(43)	213,079
Below BBB-	High Risk	-	9,501	-	(954)	-	-	(954)	8,547
		-	5,990,181	(322)	(954)	-	-	(1,276)	5,988,905
Commercial paper									
A+ to A-	Low Risk	-	2,006,506	(15)	-	-	-	(15)	2,006,491
Below BBB-	High Risk	-	400,137	-	(200,000)	-	-	(200,000)	200,137
		-	2,406,643	(15)	(200,000)	-	-	(200,015)	2,206,628
Deposits									
AA+ to AA-	Low Risk	-	28,426	-	-	-	-	-	28,426
A+ to A	Low Risk	-	705,052	(11)	-	-	-	(11)	705,041
		-	733,478	(11)	-	-	-	(11)	733,467
Total Amortised cost		16,200,878	9,130,302	(348)	(200,954)	-	-	(201,302)	25,129,878
Fair value through other comprehensive income									
Treasury bonds	Risk Free	5,959,358	-	-	-	-	-	-	5,959,358
International sovereign bonds	Low Risk	2,597,627	781,064	-	(9,849)	-	9,849	-	3,378,691
Total FVOCI		8,556,985	781,064	-	(9,849)	-	9,849	-	9,338,049
Fair value through profit or loss									
Treasury bonds	Risk Free	358,684	-	-	-	-	-	-	358,684
Unlisted perpetual debentures	Low Risk	722,416	-	-	-	-	-	-	722,416
Commercial papers	Low Risk	175,755	-	-	-	-	-	-	175,755
Unit trusts	Low Risk	3,998,341	-	-	-	-	-	-	3,998,341
Total FVTPL		5,255,196	-	-	-	-	-	-	5,255,196
Maximum exposure to credit risk		30,013,059	9,911,366	(348)	(210,803)	-	9,849	(201,302)	39,723,123

NOTES TO THE FINANCIAL STATEMENTS

48. RISK AND CAPITAL MANAGEMENT (CONTD.)

As at 31 December 2023	Risk status	Gross Carrying Value		ECL					Net carrying value
		Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	12 months ECL (Stage 1)	Life time ECL - Not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Recognised in OCI	Total	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Financial assets at amortised cost									
Government securities	Risk Free	18,408,368	-	-	-	-	-	-	18,408,368
Treasury bonds	Risk Free	553,716	-	-	-	-	-	-	553,716
Treasury Bills	Low Risk	-	-	-	-	-	-	-	-
International sovereign bonds	High Risk	-	7,142,936	-	(3,214,321)	-	-	(3,214,321)	3,928,615
Repo	Risk Free	1,045,088	-	-	-	-	-	-	1,045,088
		20,007,172	7,142,936	-	(3,214,321)	-	-	(3,214,321)	23,935,787
Debentures									
AAA to AA-	Low Risk	-	406,560	(3)	-	-	-	(3)	406,557
A+ to A-	Low Risk	-	5,653,481	(1,066)	-	-	-	(1,066)	5,652,415
BBB+ to BBB-	Low Risk	-	475,332	(301)	-	-	-	(301)	475,031
Below BBB-	High Risk	-	19,004	-	(261)	-	-	(261)	18,743
		-	6,554,377	(1,370)	(261)	-	-	(1,631)	6,552,746
Commercial paper									
A+ to A-	Low Risk	-	1,312,964	(6)	-	-	-	(6)	1,312,958
Below BBB-	Low Risk	-	400,394	-	-	-	-	-	400,394
		-	1,713,358	(6)	-	-	-	(6)	1,713,352
Securitised paper									
A+ to A-	Low Risk	-	577,427	(56)	-	-	-	(56)	577,371
		-	577,427	(56)	-	-	-	(56)	577,371
Deposits									
A+ to A	Low Risk	-	919,524	(121)	-	-	-	(121)	919,403
		-	919,524	(121)	-	-	-	(121)	919,403
Total Amortised cost		20,007,172	16,907,622	(1,553)	(3,214,582)	-	-	(3,216,135)	33,698,659
Fair value through other comprehensive income									
Treasury bonds	Risk Free	3,087,969	-	-	-	-	-	-	3,087,969
Total FVOCI		3,087,969	-	-	-	-	-	-	3,087,969
Fair value through profit or loss									
Treasury bonds	Risk Free	318,208	-	-	-	-	-	-	318,208
Unlisted perpetual debentures	Low Risk	794,476	-	-	-	-	-	-	794,476
Derivative financial asset	Low Risk	-	-	-	-	-	-	-	-
Unit trusts	Low Risk	3,513,990	-	-	-	-	-	-	3,513,990
Total FVTPL		4,626,674	-	-	-	-	-	-	4,626,674
Maximum exposure to credit risk		27,721,815	16,907,622	(1,553)	(3,214,582)	-	-	(3,216,135)	41,413,302

Issuer credit rating of the investment is considered as the risk rating for the purpose of ECL computation. Further to the disclosure on ISB in the Note 29.11.1 on page 324, along with the restructuring newly restructured ISB restructured instruments and SLDB under DDO have been recognised under FVOCI category. The impairment related disclosures are stated in the Note 29.15 on Page 325.

48.4.2.6 Reconciliation from the opening balance to the closing balance of the carrying amounts by class of financial instruments.

Following note presents the reconciliation of financial investments at amortised cost and FVOCI which were subject to ECL.

Table 13 - Movement of financial investment amortised cost and FVOCI Subject to ECL

As at 31 December	2024				2023			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial investments at amortised cost								
Balance at 1 January	29,751,301	3,947,358	-	33,698,659	32,212,585	4,852,982	-	37,065,567
Transfer to stage 1	(400,394)	-	-	(400,394)	-	-	-	-
Transfer to stage 2	-	400,394	-	400,394	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New assets originated or purchased	66,239,590	-	-	66,239,590	37,026,900	-	-	37,026,900
Financial assets derecognised	(71,544,519)	(7,369,628)	-	(78,914,147)	(40,088,317)	(9,623)	-	(40,097,940)
Net remeasurement of loss allowance	1,205	3,013,628	-	3,014,833	143,189	(1,138,444)	-	(995,255)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	(60,486)	(773,792)	-	(834,278)	(397,877)	(803,814)	-	(1,201,691)
Amortisation adjustment	934,496	990,725	-	1,925,221	854,821	1,046,257	-	1,901,078
Balance as at 31 December	24,921,193	208,685	-	25,129,878	29,751,301	3,947,358	-	33,698,659
Financial investments at FVOCI								
Balance at 1 January	3,087,969	-	-	3,087,969	645,708	-	-	645,708
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New assets originated or purchased	5,912,906	3,194,742	-	9,107,648	2,089,354	-	-	2,089,354
Financial assets derecognised	(2,896,294)	-	-	(2,896,294)	-	-	-	-
Net remeasurement of loss allowance	-	(9,849)	-	(9,849)	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	-	21,287	-	21,287	-	-	-	-
Fair value gain/ (losses) recorded in OCI	(189,724)	73,475	-	(116,249)	261,027	-	-	261,027
Amortisation adjustment	44,501	99,036	-	143,537	91,880	-	-	91,880
Balance as at 31 December	5,959,358	3,378,691	-	9,338,049	3,087,969	-	-	3,087,969
Total balance as at 31 December	30,880,551	3,587,376	-	34,467,927	32,839,270	3,947,358	-	36,786,628

Refer Note 29.11.1 on Page 324 for the details on the ISB restructuring.

NOTES TO THE FINANCIAL STATEMENTS

48.4.2.7 Reconciliation from the opening balance to the closing balance of the loss allowance by class of financial instruments

No impairment provision has been recognised in the Financial Statements in respect of financial investments at amortised cost and FVOCI to extent of investments have been made in the risk-free government securities and investment in equity securities as there is no credit risk exposure. Please refer Note 29.15 on page 325 for the impairment related disclosures on ISB restructured financial investments.

Table 14 - ECL Movement

As at 31 December	2024				2023			
	Stage 1 Rs. '000	Stage 2* Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2* Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial investments at amortised cost								
Balance at 1 January	1,553	3,214,582	-	3,216,135	144,742	2,076,138	-	2,220,880
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(921)	200,767	-	199,846	(1,711)	1,138,444	-	1,136,733
New assets originated or purchased	71	-	-	71	132	-	-	132
Financial assets derecognised	(355)	(3,214,395)	-	(3,214,750)	(141,610)	-	-	(141,610)
	348	200,954	-	201,302	1,553	3,214,582	-	3,216,135
Financial investments at FVOCI								
Balance at 1 January	-	-	-	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-	-	-	-
New assets originated or purchased	-	(9,849)	-	(9,849)	-	-	-	-
Financial assets derecognised	-	-	-	-	-	-	-	-
Recognised in other comprehensive income	-	9,849	-	9,849	-	-	-	-
	-	-	-	-	-	-	-	-
Balance as at 31 December	348	200,954	-	201,302	1,553	3,214,582	-	3,216,135

Overview of the ECL principles and key inputs were disclosed in Note 29.15 on page 325.

No loan commitments or financial guarantee contracts exist as at the reporting date (2023 - Nil).

48.4.2.8 Sensitivity of the ECL to future economic conditions

The Company has estimated the impairment provision on financial investments as at 31 December 2024, subject to various assumptions. The following table demonstrates the sensitivity of the impairment provision of the Company as at 31 December 2024 and 2023 to a feasible change in the following variables assuming all other variables remain constant.

Table 15 - Sensitivity of the ECL

As at 31 December	2024		2023	
	Effect on SoFP Rs. '000	Effect on PBT Rs. '000	Effect on SoFP Rs. '000	Effect on PBT Rs. '000
Change in PD :				
10% increase	(23,396)	(23,396)	(272,480)	(272,480)
10% decrease	23,394	23,394	321,632	321,632
Change in macro economic variables:				
10% increase	407	407	70,263	70,263
10% decrease	(409)	(409)	(70,263)	(70,263)

48.4.2.9 Credit-impaired financial assets

There is no credit impaired financial assets as at 31 December 2024 (2023 - Nil)

48.4.2.10 Credit risk relating to loans to life policyholders

Risk exposure	Refers to the credit risk arises due to non settlement of loans obtained by policyholders.
Risk response	<ul style="list-style-type: none"> Loan granted amount is limited to surrender value of the insurance policy. Regular monitoring and limiting of credit exposures by individual counterparty and related counterparties through the aggregated exposure across the various types of credit risk for that counterparty. Regular reporting by the Risk Officer on the largest exposures by rating category to the Risk Committee of the Board.
Sustainability and climate impact	Refer page 76

The credit risk exposure arising from loans granted to life policyholders are as follows.

Table 16 - Credit risk exposure

As at 31 December	2024 Rs. '000	2023 Rs. '000
Maximum exposure to credit risk	350,134	331,301
Total	350,134	331,301
Impaired	Nil	Nil

As at the reporting date, the value of policy loans outstanding amounts to Rs. 350 Million (2023 - Rs. 331 Million) and its related surrender value is Rs. 544 Million (2023 - 500 Million). Further to the credit risk analysis as stated in the Note 48.4.2.10 on page 367 the credit risk analysis, refer Note 30 on page 327 for more information.

NOTES TO THE FINANCIAL STATEMENTS

48.4.2.11 Credit risk on reinsurance receivables

Risk exposure	Refers to the risk of financial loss to the Company, if a reinsurer fails to meet its contractual obligations towards the Company.
Risk response	Management assesses the credit worthiness of reinsurers to update the reinsurance strategy on an annual basis and ascertains the suitable allowance for impairment of reinsurance assets.
Sustainability and climate impact	Refer page 76

Table 17 - Age analysis of reinsurance receivable

As at 31 December	2024				2023			
	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Up to 180 days	308,509	177,242	485,751	94	330,555	104,572	435,127	94
Over 180 days	32,565	-	32,565	6	30,084	-	30,084	6
Maximum exposure to credit risk	341,074	177,242	518,316	100	360,639	104,572	465,211	100
Past due but not impaired	Nil				Nil			

Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables resulting no impairment loss at the year end. (2023 - Nil).

Further to the credit risk analysis as stated in the Note 48.4.2.11 on page 368, refer Note 31 on page 328 for more information on the reinsurance receivable balances.

Table 18 - Rating analysis of credit risk on reinsurance receivables

As at 31 December	Rating agency	2024					2023			
		Rating	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Munich Re	Fitch	AA	205,950	145,052	351,002	68	267,342	89,059	356,401	77
SCOR Re	Fitch	A+	42,303	24,953	67,256	13	26,364	14,550	40,914	9
TOA Re	S&P	A	31	-	31	-	18,667	-	18,667	4
AXA PPP Healthcare Limited	S&P	AA-	92,790	7,237	100,027	19	48,266	963	49,229	10
Total			341,074	177,242	518,316	100	360,639	104,572	465,211	100

48.4.2.12 Credit risk on premium receivables

Risk exposure	In life insurance, credit risk on premium receivables is minimal, since premium is collected before the policy is issued. However, the Company is exposed to credit risk on premium receivables from intermediary institutions.
Risk response	Regular follow ups for outstanding receivables balance. Entering into agreements with intermediary institutions committing them to settle dues within a specified time period.
Sustainability and climate impact	Refer page 76

Further to the credit risk analysis on the credit risk analysis, refer Note 32 on page 328 for more information on the premium receivable balances.

48.4.2.13 Credit Risk on the receivables and other assets

Financial losses could arise due to non settlement of amounts due from counter parties

Risk exposure	Financial losses could arise due to non settlement of amounts due from counter parties.
Risk response	Regularly review credit worthiness of counterparties and take necessary actions if required.
Sustainability and climate impact	Refer page 76

48.4.2.14 Credit risk on the cash at bank

Following table presents rating strength of the financial institutions of which the Company has held cash and cash equivalents.

Risk exposure	Refers to the risk that the bank will default on its contractual obligations, which could result in financial loss for the company.
Risk response	The Company maintains a strict policy to maintain cash deposits at counter parties with sound ratings and future outlooks, the company also maintains exposure limits to ensure that the Company has a diverse range of counter parties to ensure low concentration risk.
Sustainability and climate impact	Refer page 76

Table 19 - Rating strength of counterparties on cash at bank

As at 31 December	2024		2023	
	Amount Rs. '000	%	Amount Rs. '000	%
AAA to AA-	800	-	4,875	5
A+ to A-	1,782,342	96	1,002,187	92
BBB+ to BB+	77,810	4	84,639	3
Maximum exposure to credit risk	1,860,952	100	1,091,701	100

Further to the credit risk analysis as stated in the Note 48.4.2.14 on page 369 the credit risk analysis, refer Note 34 on page 330 for more information on the cash at bank balances.

48.4.3 Liquidity risk

Risk exposure	Refers to the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due. The Company could also experience a maturity mismatch with respect to unexpected large claims and expected reinsurance recoveries from insurers. The Company's objective when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.
Risk response	<ul style="list-style-type: none"> Regular review by the Company's asset and liability management committee. Maintaining a diversified funding base and appropriate contingency facilities. Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows. Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position. Monitoring of duration on fixed income portfolios by the Treasury Team. Regular reviews of cash flow projections. Adhering to defined limits on maturity gaps as per approved risk limits and adhering to compositions of investments as per the investment policy. Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments in the event claims exceed a certain amount. Availability of stand by overdraft facility to be used in the event of an emergency.
Sustainability and climate impact	Refer page 77

NOTES TO THE FINANCIAL STATEMENTS

48.4.3.1 Maturity analysis of financial assets and liabilities

Table 20 - Contractual discounted cash flows of financial assets and liabilities

Remaining Contractual period to maturity of the assets and liabilities of the Company as at date of Statement of Financial Position is detailed below.

As at 31 December	Contractual Discounted Cash Flows									
	2024					2023				
	No maturity	Less than 1 year	1- 3 years	More than 3 years	Total	No maturity	Less than 1 year	1- 3 years	More than 3 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Maximum exposure to liquidity risk	-	8,722,136	3,512,365	16,442,077	28,676,578	-	4,308,712	7,443,911	12,023,680	23,776,303
Financial assets										
Amortised cost	-	7,138,999	1,756,217	16,234,662	25,129,878	-	5,907,461	8,172,772	19,618,426	33,698,659
Fair value through other comprehensive income	4,214,895	449,414	430,040	8,458,595	13,552,944	2,086,913	-	433,912	2,654,057	5,174,882
Fair value through profit or loss	722,416	4,270,301	30,898	231,581	5,255,196	794,476	3,513,990	126,104	192,104	4,626,674
Loans to life policyholders	-	-	-	350,134	350,134	-	-	-	331,301	331,301
Reinsurance receivables	-	518,316	-	-	518,316	-	465,211	-	-	465,211
Premium receivables	-	2,904,513	-	-	2,904,513	-	2,449,089	-	-	2,449,089
Other financial assets	-	87,772	-	-	87,772	-	72,155	-	-	72,155
Total financial assets	4,937,311	15,369,315	2,217,155	25,274,973	47,798,754	2,881,389	12,407,906	8,732,788	22,795,888	46,817,971
Financial liabilities										
Insurance contract liabilities - Maturities	-	1,517,706	2,731,507	16,323,458	20,572,671	-	855,192	2,374,545	11,955,754	15,185,491
Reinsurance payable	-	754,059	-	-	754,059	-	718,855	-	-	718,855
Loans and borrowing	-	3,016,443	-	-	3,016,443	-	155,338	4,859,659	-	5,014,997
Lease liabilities	-	290,858	780,858	118,619	1,190,335	-	328,886	209,707	67,926	606,519
Other financial liabilities	-	2,774,755	-	-	2,774,755	-	1,873,751	-	-	1,873,751
Bank overdraft	-	368,315	-	-	368,315	-	376,690	-	-	376,690
Total financial liabilities	-	8,722,136	3,512,365	16,442,077	28,676,578	-	4,308,712	7,443,911	12,023,680	23,776,303
Excess assets/(liabilities)	4,937,311	6,647,179	(1,295,210)	8,832,896	19,122,176	2,881,389	8,099,204	1,288,877	10,772,208	23,041,668

Table 21 - Contractual Undiscounted Cash Flows of financial assets and liabilities

As at 31 December	Contractual Undiscounted Cash Flows									
	2024					2023				
	No maturity	Less than 1 year	1- 3 years	More than 3 years	Total	No maturity	Less than 1 year	1- 3 years	More than 3 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Maximum exposure to liquidity risk	-	8,832,534	4,244,608	81,652,385	94,729,527	-	4,429,768	8,199,366	72,328,091	84,957,225
Financial assets										
Amortised cost	-	10,365,381	7,309,418	24,628,879	42,303,678	-	10,442,621	18,960,590	31,764,761	61,167,972
Fair value through other comprehensive income	4,214,895	1,350,580	2,198,057	16,914,531	24,678,063	2,086,913	375,596	1,138,498	6,522,835	10,123,842
Fair value through profit or loss	4,698,341	326,023	81,870	392,575	5,498,809	4,213,990	41,400	180,850	388,600	4,824,840
Loans to life policyholders	-	-	-	350,134	350,134	-	-	-	331,301	331,301
Reinsurance receivables	-	518,316	-	-	518,316	-	465,211	-	-	465,211
Premium receivables	-	2,904,513	-	-	2,904,513	-	2,449,089	-	-	2,449,089
Other financial assets	-	87,772	-	-	87,772	-	72,155	-	-	72,155
Total financial assets	8,913,236	15,552,585	9,589,345	42,286,119	76,341,285	6,300,903	13,846,072	20,279,938	39,007,497	79,434,410
Financial liabilities										
Insurance contract liabilities - Maturities	-	1,577,615	3,261,370	81,490,223	86,329,208	-	909,321	3,062,193	72,168,128	76,139,642
Reinsurance payable	-	754,059	-	-	754,059	-	718,855	-	-	718,855
Loans and borrowing	-	3,016,443	-	-	3,016,443	-	155,338	4,859,659	-	5,014,997
Lease liabilities	-	341,347	983,238	162,162	1,486,747	-	357,402	277,514	159,963	794,879
Other financial liabilities	-	2,774,755	-	-	2,774,755	-	1,873,751	-	-	1,873,751
Bank overdraft	-	368,315	-	-	368,315	-	376,690	-	-	376,690
Total financial liabilities	-	8,832,534	4,244,608	81,652,385	94,729,527	-	4,391,357	8,199,366	72,328,091	84,918,814
Excess assets/(liabilities)	8,913,236	6,720,051	5,344,737	(39,366,266)	(18,388,242)	6,300,903	9,454,715	12,080,572	(33,320,594)	(5,484,404)

48.4.3.2 Financial assets available to support future funding

The table below summarises the availability of the Company's financial assets to support future funding:

Table 22 - Assets available as collateral

As at 31 December	2024			2023		
	Pledged as collateral	Available as collateral	Total	Pledged as collateral	Available as collateral	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial investments at,						
Amortised cost	-	25,129,878	25,129,878	-	33,698,659	33,698,659
Fair value through other comprehensive income	-	13,552,944	13,552,944	-	5,174,882	5,174,882
Fair value through profit or loss	-	5,255,196	5,255,196	-	4,626,674	4,626,674
Loans to life policyholders	-	350,134	350,134	-	331,301	331,301
Reinsurance receivables	-	518,316	518,316	-	465,211	465,211
Premium receivables	-	2,904,513	2,904,513	-	2,449,089	2,449,089
Receivables and other assets	-	87,772	87,772	-	72,115	72,115
Cash at bank	-	1,860,952	1,860,952	-	1,091,701	1,091,701
Total	-	49,659,705	49,659,705	-	47,909,672	47,909,672

46.4.3.3 Unutilised bank overdraft facilities

Unutilised bank overdraft facilities as at 31 December 2024 amounted to Rs. 150 Million (2023 - Rs. 200 Million).

NOTES TO THE FINANCIAL STATEMENTS

48.4.4 Market risk

Risk exposure	<p>Refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.</p> <p>Market risk principally arises on the Company's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies, although these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts.</p> <p>The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk. Market risk comprises 3 types of risks i.e. interest rate, foreign currency and equity risks.</p>
Risk response	<p>The Board of Directors sets the Company's strategy for managing market risk and delegates responsibility for overseeing the implementation of this strategy to the Company's asset and liability committee (ALCO).</p> <p>Following policies and procedures are in place within the Company to mitigate the Company's exposure to market risk.</p> <ul style="list-style-type: none"> • The ALM framework seeks to match assets liability cash flows while achieving the optimum long-term investment return on its financial investments for an acceptable level of risk; • Setting limits both for each type of risk in aggregate across the Company and for individual portfolios; • Monitoring market risk on a day-to-day basis by Treasury Middle Officer
Sustainability and climate impact	Refer pages 75, 78 & 79

Table 23 - Exposure to market risk

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Financial assets exposure to;			
Interest rate risk	48.4.4.1	39,723,123	41,413,302
Foreign exchange risk	48.4.4.2	4,111,648	4,496,605
Equity risk	48.4.4.3	4,214,895	1,759,999
Financial liabilities exposure to;			
Interest rate risk	48.4.4.1	(3,384,758)	(5,391,687)
Foreign exchange risk	48.4.4.2	(3,309,116)	(5,338,974)

48.4.4.a Sensitivity analysis

Assumptions and methods:

- All other variables are remain constant at the time of preparing sensitivity analysis.
- Sensitivity of the Statement of Financial Position item mainly relates to debt and equity instruments.
- Sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks.
- The analysis is based on the carrying value of the financial assets and financial liabilities as at the reporting date.

The Company has used the same method and assumptions in preparing the sensitivity analysis for both current and comparative periods. Sensitive analysis are provided in the Notes 48.4.4.2.1 (Table 24), 48.4.4.2.a (Table 28) and 48.4.4.3.a (Table 31) on pages 373, 375 and 376.

48.4.4.1 Interest rate risk

Risk exposure	<p>Interest rate risk on financial instruments arises primarily from the Company's investments in debt securities. These investments are exposed to the risk of adverse changes in fair values or future cash flows because of a change in market interest rates.</p> <p>Floating rate instruments typically expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.</p>
Risk response	<ul style="list-style-type: none"> The Company manages interest rate risk by closely matching, where possible, the durations of insurance contracts with fixed and guaranteed terms and the supporting financial assets. The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are modelled and reviewed in every quarter. Following policies and procedures are in place within the Company to mitigate the Company's exposure to market risk. A regular track of macroeconomic indicators is kept by the Risk unit as well as the Treasury Department. These indicators together with their forecasts are reported to the Internal Risk Committee, the Board Risk Committee and the Investment Committee. Regular meetings and monitoring of risks by the ALCO Adhering to limits set on interest rate risk through the risk policy. The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions.
Sustainability and climate impact	Refer page 75

Table 24 - Exposure to interest rate risk

For the year ended December	2024				2023			
	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non interest bearing Rs. '000	Total Rs. '000	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non interest bearing Rs. '000	Total Rs. '000
Financial assets at,								
Amortised cost	456,305	24,673,573	-	25,129,878	466,020	33,232,639	-	33,698,659
Fair value through other comprehensive income	3,568,000	5,770,049	4,214,895	13,552,944	1,987,887	1,100,082	2,086,913	5,174,882
Fair value through profit or loss	4,720,757	534,439	-	5,255,196	4,308,466	318,208	-	4,626,674
Total	8,745,062	30,978,061	4,214,895	43,938,018	6,762,373	34,650,929	2,086,913	43,500,215
Financial liabilities								
Loans and borrowing	(3,016,443)	-	-	(3,016,443)	(5,014,997)	-	-	(5,014,997)
Bank overdraft	(368,315)	-	-	(368,315)	(376,690)	-	-	(376,690)
Total	(3,384,758)	-	-	(3,384,758)	(5,391,687)	-	-	(5,391,687)
Maximum exposure to interest rate risk	5,360,304	30,978,061	4,214,895	40,553,260	1,370,686	34,650,929	2,086,913	38,108,528

48.4.4.1.2 Sensitivity analysis

The following table illustrates the estimated impact on profitability and shareholder equity by the fluctuation of interest rates assuming that all other variables remain constant on the following financial assets. Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

NOTES TO THE FINANCIAL STATEMENTS

48.4.4.1.2 Sensitivity analysis (Contd)

Table 25 - Estimated impact on profitability and equity by the fluctuation of interest rates

For the year ended December	2024				2023			
	Fixed-rate		Variable-rate		Fixed-rate		Variable-rate	
	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000
Increase in 100 basis points								
Financial assets at Amortised cost	-	-	4,564	4,564	-	-	4,208	4,208
Financial assets at FVOCI	-	(116,149)	43,575	(120,347)	-	(61,726)	20,894	(43,499)
Financial assets at FVTPL	(12,616)	(12,616)	46,983	46,983	(9,611)	(9,611)	42,140	42,140
Financial liabilities at amortised cost	-	-	(29,267)	(29,267)	-	-	(48,597)	(48,597)
Total	(12,616)	(128,765)	65,855	(98,067)	(9,611)	(71,337)	18,645	(45,748)
Decrease in 100 basis points								
Financial assets at Amortised cost	-	-	(4,564)	(4,564)	-	-	(4,208)	(4,208)
Financial assets at FVOCI	-	127,137	(43,575)	135,192	-	68,430	(20,894)	47,219
Financial assets at FVTPL	13,569	13,569	(46,983)	(46,983)	10,470	10,470	(42,140)	(42,140)
Financial liabilities at amortised cost	-	-	29,267	29,267	-	-	48,597	48,597
Total	13,569	140,706	(65,855)	112,912	10,470	78,900	(18,645)	49,468

48.4.4.2 Foreign exchange risk

Risk exposure	The risk of an investment's value changing due to changes in currency exchange rates. Foreign exchange risk primarily arises when transactions with reinsurers and investments in securities denominated in foreign currencies are taking place.
Risk response	<ul style="list-style-type: none"> The Treasury officer analyses the market conditions of foreign exchange and analyse the utilisation of cash flows. Regularly reviews the timing of foreign currency cash inflows and outflows to ensure optimal management of currency exposure in minimising the impact of exchange rate fluctuations on the company's financial position. Explores the possibility of using forward contracts, providing a hedge against potential adverse movements in exchange rates.
Sustainability and climate impact	Refer page 79

Table 26 - Exposure to foreign exchange risk

As at 31 December	2024		2023	
	Amount in USD. '000	Amount in LKR Rs. '000	Amount in USD. '000	Amount in LKR Rs. '000
USD Assets	14,049	4,111,648	13,879	4,496,605
USD Liabilities	(11,307)	(3,309,116)	(16,479)	(5,338,974)
Maximum exposure to foreign exchange risk	2,742	802,532	(2,600)	(842,369)

Table 27 - Exchange rates applied by the Company

As at 31 December	2024		2023	
	Closing rate	Average rate	Closing rate	Average rate
USD/LKR	292.67	291.72	323.98	326.71

48.4.4.2.a Sensitivity to the foreign exchange risk

The following table shows the estimated impact on profitability and shareholder equity by fluctuation of exchange rates assuming that all the other variables remain constant.

Table 28 - Sensitivity analysis

As at 31 December	2024		2023	
	Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000
5% - Increase in exchange rate USD				
Financial investments	205,582	205,582	224,827	224,827
Financial liabilities	(165,456)	(165,456)	(266,941)	(266,941)
Net impact	40,126	40,126	(42,114)	(42,114)
5% - Decrease in exchange rate USD				
Financial investments	(205,582)	(205,582)	(224,827)	(224,827)
Financial liabilities	165,456	165,456	266,941	266,941
Net impact	(40,126)	(40,126)	42,114	42,114

48.4.4.3 Equity risk

Risk exposure	The company's exposure to equity risk stems from its investments in equity securities and collective investment schemes that primarily allocate funds to equities. Equity risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices of equities.
Risk response	<p>The Company manages the equity risk through diversification and placing limits on individual and total equity portfolio investments to mitigate potential losses, and optimise risk-adjusted returns in line with the overall business objectives and risk appetite.</p> <p>The Company's equity risk management policies include;</p> <ul style="list-style-type: none"> • Adherence to the investment policy which includes stringent guidelines on risk exposures. • Investment decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance. • Any purchases in excess of Investment guideline issued by IRCSL require prior approval from the investment committee. • Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.
Sustainability and climate impact	Refer page 78

NOTES TO THE FINANCIAL STATEMENTS

48.4.4.3 Equity risk (Contd.)

Table 29 - Listed equity investments in the policyholder fund and shareholder fund

As at 31 December	2024		2023	
	Amount Rs. '000	%	Amount Rs. '000	%
Policyholder fund	1,706,610	40	732,334	38
Shareholder fund	2,508,285	60	1,027,665	62
Maximum exposure to equity risk (Note - 29.9.2.b)	4,214,895	100	1,759,999	100

Table 30 - Portfolio diversification of listed equity investments (Sector analysis)

As at 31 December	2024		2023	
	Amount Rs. '000	%	Amount Rs. '000	%
Banks	3,737,944	89	1,299,500	74
Diversified financials	92,559	2	92,560	5
Healthcare equipment and services	384,392	9	367,939	21
Total	4,214,895	100	1,759,999	100

48.4.4.3.a Sensitivity analysis of equity risk

The following table shows the estimated impact on profitability and shareholder equity by the fluctuation of stock market prices at the reporting date, assuming that all the other variables remain constant.

Table 31 - Sensitivity analysis

As at 31 December	Type of classification	2024		2023	
		Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000
10% decline in stock prices	FVOCI	-	(421,489)	-	(176,000)
10% Increase in stock prices	FVOCI	-	421,489	-	176,000
10% decline in stock prices	FVTPL	-	-	-	-
10% Increase in stock prices	FVTPL	-	-	-	-

48.5 Operational risks

Risk exposure	<p>Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as the risks of mis-selling of products, modelling errors and non-compliance with legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations. The Company's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.</p> <p>The Board of Directors has delegated responsibility of operational risk to the Risk Committee, the committee is responsible for the development and implementation of controls to address the operational risk.</p>
Risk response	<ul style="list-style-type: none"> • Segregation of duties, including independent authorisation of transactions; • Reconciliation and monitoring of transactions. • Compliance with regulatory and other legal requirements • Documentation of controls and procedures. • Periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified. • Requirements for the reporting of operational losses and proposed remedial actions. • Development of contingency plans. • Training and professional development. • Risk mitigation, including insurance where this is cost-effective. • Compliance with the Company standards is supported by a programme of periodic reviews undertaken by internal audit. • The results of internal audit reviews are discussed, with the Audit Committee and management.
Sustainability and climate impact	Refer pages 80 & 81

48.6 Risks associated with change in new accounting standard (SLFRS 17) and risk mitigation actions

It is clear that operational risk associated with SLFRS 17 implementation will extend beyond the process, people and technology. Therefore it has significant influence on the organisation's risk management framework and its role. The steering committee is responsible of setting strategies and objectives of SLFRS - 17 implementation of the company and setting up proper governance structure and manage cultural changes smoothly. The steering committee has identified and assessed risks associated with SLFRS - 17 implementation and relevant mitigation actions as prescribed in the below table.

Risk Type	Management Focus	Risk Source	Risk Description	Risk Mitigation Action
Operational risk	Change management	Data	Data management	<ul style="list-style-type: none"> • Develop a secured data room and limited access to authorised persons • Enter into non -disclosure agreements where necessary
		Systems	Risk of new IT systems	<ul style="list-style-type: none"> • Establish criteria for evaluation of vendors • Deployment of appropriate expertise to sign off the BRD (Business Requirements Document) • Perform UAT (User Acceptance Testing) before the deployment
		Processes	Changes in actuarial and accounting processes	<ul style="list-style-type: none"> • Analyse options available under standard and assess the impact on actuarial and accounting practices • Identify system modifications and take necessary actions to redesign the existing data fields as necessary.

NOTES TO THE FINANCIAL STATEMENTS

Risk Type	Management Focus	Risk Source	Risk Description	Risk Mitigation Action
Financial risk	Financial management	People	Lack of capabilities	<ul style="list-style-type: none"> Formulate the project team representing necessary expertise. Obtain consultancy service from experts. Conduct extensive workshops to focus groups to enhance capabilities.
		Project management	Uncertain timelines	<ul style="list-style-type: none"> Develop a Gantt chart with relevant timelines and continuously monitor the progress.
		Financial stability	Increased Balance Sheet volatility	<ul style="list-style-type: none"> Formulate a clear capital management framework. Select the best transition approach. Re-evaluate financial assets classifications at the point of transition.
		Financial performance	Risk of lower profits	<ul style="list-style-type: none"> Modify product features of onerous contracts to improve profitability. Apply transition approaches that maximise the Company value. Conduct proper asset-liability management.
Strategic risk	Strategic management	Investor confidence	Increased of investor scrutiny and pressure	<ul style="list-style-type: none"> Develop BRD incorporating corporate key priorities Educate investors about key financial metrics impacted by SLFRS 17 implementation.
		Performance management	Change of prevailing KPIs	<ul style="list-style-type: none"> Communicate proactively about new KPIs and their impact. Identify and develop new Key performance indicators (KPIs) aligned with organisational objectives.
Regulatory Risk	Stakeholder Management	Regulator	Increased influence and governance	<ul style="list-style-type: none"> Identify changes for the regulatory reporting framework Approach relevant authorities for required clearance. Redesign data fields in the system to support changes in the Risk-Based Capital
		Competitors	Comparison of Financial Statements	<ul style="list-style-type: none"> Maintain consistency of policies used for the SLFRS 17 implementation. Advocate for common industry-level consistent metrics for insurers.



Follow the link for SLFRS 17
Effect on the Company's Financial
Statements

48.7 Capital management

48.7.1 Objectives, policies and processes for capital management

The Company's policy / objective is to maintain a strong capital base:

- to safeguard the ability to continue as a going concern, so that the Company can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain investor, creditor and market confidence and to sustain the future development of the business;

- to maintain required and optimal capital levels of the Company to reduce the cost of capital and comply with regulatory requirements;
- to support new business growth of the Company.

The management of the Company uses regulatory capital ratios to monitor the Company's capital base.

48.7.2 Regulatory capital - Risk Based Capital (RBC) Framework

As a regulator of the industry, Insurance Regulatory Commission of Sri Lanka has implemented a Risk Based Capital (RBC) Framework to monitor insurance companies in the country.

This framework, based on emerging international standards and good practices in developed countries, is risk-focused. It reflects the relevant risks that the insurance companies face. The minimum capital prescribed under the framework, which includes a consistent approach to the valuation of assets and liabilities,

will serve as an effective buffer to absorb losses. With greater transparency, it will facilitate comparisons across insurance companies. It will also provide clearer information on the financial strength of the Company.

The valuation regime makes a fundamental shift away from the current philosophy, which is built upon estimations of asset and liability values with undisclosed margins and approximations, to one that emphasises greater transparency and provides a more accurate picture of the insurer's financial position. This is achieved by using more realistic valuation methodology and bases. More assumptions will need to be made in the valuation process.

48.7.3 Risks involved in order to comply with new RBC Framework

- How to invest into capacity building of internal skill sets.
- Changing business strategy to align with the new regulatory environment
- Increase in the compliance cost

48.7.4 Risk response to capital management

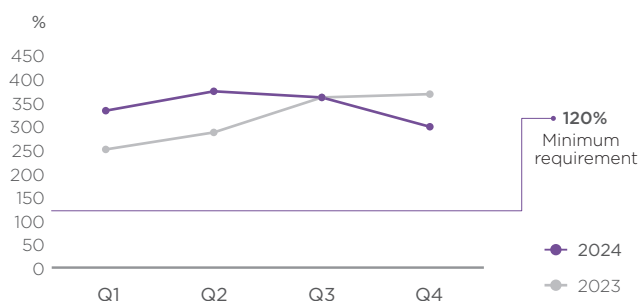
- Continuous training provided to the staff of the Company
- Compliance with recommended action plans are supported by periodic reviews undertaken by the Head of Actuarial of the Company.
- Further, in preparation for the adoption of the RBC Framework, the Company already uses the appointed actuary's service.
- Closely follow up RBC guideline issued by IRCSL.

Summary of Company's compliances to the Risk Based Capital (RBC) framework is provided in the following table.

Table 32 - compliances with RBC framework

As at 31 December	2024 Rs. '000	2023 Rs. '000
Total Available Capital (TAC)	31,891,701	37,106,543
Risk Based Capital requirement (RCR)	10,704,486	10,113,424
Risk-based Capital Adequacy Ratio (CAR)	298%	367%
Minimum Risk-based Capital Adequacy Ratio requirement (CAR)	120%	120%
Minimum Capital Requirement (MCR)	500,000	500,000
Capital Adequacy Satisfied?	Yes	Yes

QUARTERLY CAPITAL ADEQUACY RATIO (CAR)



Capital adequacy ratio (CAR) has decreased during 2024 mainly due to the share repurchase, partial settlement of Tier II loan and the interim dividend paid during the year.

48.7.5 Sensitivity analysis of Capital Adequacy Ratio (CAR)

The following table shows the estimated impact on CAR ratio due to various predicted scenario testing.

Table 33 - Impact on CAR ratio

Variable	Change in assumptions	Estimated CAR Ratio (Regulatory)
Expenses	10%	280%
	-10%	307%
Discount Rate	0.50%	307%
	-0.50%	280%
First 3 years Termination	Up	291%
First 3 years Termination	Down	297%
Mass Termination	Up	267%
Mass Termination	Down	328%
Mortality	10%	287%
	-10%	300%
Morbidity	10%	269%
	-10%	317%

48.7.6 Measurement of gearing of the company

The company's policy is to maintain a strong capital base in order to maintain investor, policyholder and market confidence and also to sustain future business development. Management continuously monitors the return on capital, as well as the level of dividends to the shareholders.

Accordingly, the Company monitors capital on the basis of the following gearing ratio:

NOTES TO THE FINANCIAL STATEMENTS

Table 34 - Gearing ratio

As at 31 December	2024 Rs. '000	2023 Rs. '000
Cash and cash equivalents	1,869,652	1,099,679
Liquid Investments	11,858,738	9,421,452
Bank overdrafts	(368,315)	(376,690)
Borrowings (excluding bank overdrafts)	(3,016,443)	(5,014,997)
Lease liabilities	(1,190,336)	(606,520)
Net debt	9,153,296	4,522,924
Total Equity	10,354,554	13,333,346
Net debt to equity ratio	0.88	0.34

Debt to equity ratio without adjusting for the cash and cash equivalents is presented as the Debt to Equity Ratio under Investor Relations on page 396.

Details of the dividends of the Company are provided in Note 24 on page 301.

49. OPERATING SEGMENTS

Accounting Policy

49.1 General

An operating segment is a part of the Company that conducts business activities, generating revenue and incurring expenses, including those from transactions with other activities of the Company. The segment's operating results are regularly reviewed by the Company's Key Management Personnel (KMP), acting as the chief operating decision maker (CODM), to allocate resources and assess business performance. Additionally, the segment has separately available financial information.

The segment results reported to the Key Management Personnel (KMP) include items that are directly attributable to a segment, as well as those that can be reasonably allocated. There were no unallocated items, ensuring that all income, expenses, assets, and liabilities are appropriately assigned. Segment capital expenditure represents the total costs incurred by the Company during the year for acquiring property, plant, equipment, and intangible assets.

49.2 Basis for segmentation

For management purposes and regulatory compliance, the Company is structured into business units based on its products and services, with two reportable operating segments. These segments are managed independently due to differences in their operational requirements, risk management approaches, and marketing strategies.

The following summary describes the products and services that each segment offers;

Reportable segment	Product and services
Life policyholder fund	Policyholder fund represents all long term insurance business related products and riders and known as the Life Insurance Fund.
Shareholder fund	Shareholder fund represents the investment income and their attributable profits.

49.3 Aggregation

No operating segments have been aggregated to form the above reportable segments.

Graphical representation of segment information are provided in the financial highlights on page 266 to 267.

49.4 Geographic information

Activities of the Company are located in Sri Lanka. The economic environment in which the Company operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

49.5 Information about reportable segments

Segment performance and reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items are summarised below. Segment profit before tax, as included in the management reports reviewed by the KMP of the Company is used to measure performance of the segments as this information is the most relevant in evaluating the results of individual segments.

49.6 Summary of segment financial performances and reconciliation of information on reportable segments to the amounts reported in the Financial Statements

For the year ended December	2024				2023			
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000
Segment Revenue (Gross written premiums)	31,573,467	-	-	31,573,467	26,341,321	-	-	26,341,321
Premiums ceded to reinsurers	(2,509,698)	-	-	(2,509,698)	(2,490,889)	-	-	(2,490,889)
Segment net written premiums	29,063,769	-	-	29,063,769	23,850,432	-	-	23,850,432
Segment other revenue	7,143,166	2,237,505	-	9,380,671	5,768,826	2,179,338	-	7,948,164
Inter segment revenue	-	-	-	-	-	-	-	-
Segment total net revenue	36,206,935	2,237,505	-	38,444,440	29,619,258	2,179,338	-	31,798,596
Net claims and benefits expenses	(14,249,713)	-	-	(14,249,713)	(12,843,338)	-	-	(12,843,338)
Change in contract liability - life	(5,270,740)	-	-	(5,270,740)	(2,828,082)	-	-	(2,828,082)
Underwriting and net acquisition costs (including reinsurance)	(5,790,389)	-	-	(5,790,389)	(5,486,208)	-	-	(5,486,208)
Other operating and administrative expenses	(6,320,917)	(119,418)	-	(6,440,335)	(5,054,455)	(56,656)	-	(5,111,111)
Impairment (charge) / reversal on financial investments	791	766,661	-	767,452	42,194	(1,123,971)	-	(1,081,777)
Finance costs	(288,967)	(839,429)	-	(1,128,396)	(434,369)	(816,540)	-	(1,250,909)
Segment profit before tax	4,287,000	2,045,319	-	6,332,319	3,015,000	182,171	-	3,197,171
Income tax expense	-	(1,810,522)	-	(1,810,522)	-	(358,768)	-	(358,768)
Segment profit for the year	4,287,000	234,797	-	4,521,797	3,015,000	(176,597)	-	2,838,403

49.7 Evaluation of segment performance

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Company's Financial Statements.

49.8 Summary of segment financial position and reconciliation of information on reportable segments to the amounts reported in the Financial Statements

For the year ended December	2024				2023			
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000
Total assets	39,926,580	13,667,568	-	53,594,148	39,400,301	11,939,121	-	51,339,422
Total equity	(47,764)	10,402,318	-	10,354,554	(856,820)	14,190,166	-	13,333,346
Liabilities	39,974,344	3,265,250	-	43,239,594	40,257,120	(2,251,044)	-	38,006,076
Total equity and liabilities	39,926,580	13,667,568	-	53,594,148	39,400,300	11,939,122	-	51,339,422
Capital expenditure	-	(123,392)	-	(123,392)	-	218,199	-	218,199

NOTES TO THE FINANCIAL STATEMENTS

49.9 Summary of segment cash flows

For the year ended December	2024			2023		
	Policyholder funds Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Cash flows from,						
Operating activities	(4,148,231)	10,295,291	6,147,060	2,281,986	(593,960)	1,688,026
Investing activities	5,346,548	(16,710)	5,329,838	(1,627,498)	1,919,452	291,954
Financing activities	(411,068)	(10,287,300)	(10,698,368)	(370,437)	(1,318,180)	(1,688,617)

49.10 Major customers

The Company doesn't have any major customers.

49.11 Impairment

For the year ended December	2024			2023		
	Policyholder funds Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Impairment losses / (reversal) recognised in profit or loss	(791)	(766,661)	(767,452)	(42,194)	1,123,971	1,081,777

49.12 Financial assets pledged as collateral for liabilities

There was no financial investment pledged as collateral for liabilities or contingent liabilities (2023 - Nil).

50. RELATED PARTY DISCLOSURE

Accounting Policy

The Company carried out transactions in the ordinary course of business on arm's length basis with parties who are defined as related parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

50.1 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of business. Outstanding balances at year end are unsecured and interest free. Settlement will take place in cash.

50.1.1 Guarantees

No guarantees given or received during the period (2023 - Nil).

50.2 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 December 2024 audited Financial Statements, which require additional disclosures in the 2024 Annual Report under Colombo Stock Exchange listing Rule 9.14.7 and Code of Best Practices on Related

Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

50.3 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue of the Company as per 31 December 2024 audited Financial Statements, which require additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.14.7 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

50.4 Parent and ultimate controlling party

The parent entity of the Company is Softlogic Capital PLC. In the opinion of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

50.5 Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard - LKAS 24 on "Related Party Disclosures", Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

50.6 Transactions with KMP

Please refer Note 50.1 for the terms and conditions of transactions.

50.6.1 Compensation of KMP

As at 31 December For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Short term employment benefits	75,288	70,518
Post-employment benefits	6,619	5,806
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Fees paid	10,260	10,260
Total	92,167	86,584

50.6.2 Transactions with KMP recorded in Income Statement

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Insurance premiums		6,671	2,089
Compensation to KMP	50.6.1	92,167	86,584
Total		98,838	88,673

50.6.3 Transactions with KMP Recorded in Statement of Financial Position

As at the reporting date, there were no receivable/payable amount relating to KMP.

Therefore, no Impairment losses have been recorded against balances outstanding from KMP.

50.6.4 Loans to directors

No loans have been granted to the Directors of the Company.

50.7 Transactions, arrangements and agreements involving KMP and their Immediate Family Members (IFM)

Immediate Family Members (IFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependents of the KMP or the KMP domestic partner. IFM are related parties to the Company.

There are no transactions with IFM of KMP of the Company during the year (2023 - Nil).

50.8 Share-based transactions of KMP and their Immediate Family Members (IFM)

There were no share-based transaction with KMP and IFM during the reporting period. (2023- Nil).

50.9 Changes to the board of directors

During the year, there have been no any changes to the board of directors of the Company.

50.10 Transactions with parent and ultimate parent

Please refer Note 50.1 for terms and conditions of transactions.

50.10.1 Transactions in the Statement of Financial Position

For the year ended 31 December Nature of transactions	Recurrent / Non-recurrent	Transactions with parent (Softlogic Capital PLC)		Transactions with ultimate parent (Softlogic Holdings PLC)	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Insurance premiums	Recurrent	886	607	10,787	5,835
Receiving of services	Recurrent	305,137	270,267	1,192	1,840
Interest income	Recurrent	14,565	14,999	54,752	111,269
Total		320,588	285,873	66,731	118,944

NOTES TO THE FINANCIAL STATEMENTS

50.10.2 Transactions recorded in the Statement of Financial Position

For the year ended 31 December	Recurrent / Non-recurrent	Transactions with parent (Softlogic Capital PLC)		Transactions with ultimate parent (Softlogic Holdings PLC)	
		2024	2023	2024	2023
Nature of transactions		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Dividend paid	Recurrent	1,463,684	678,810	1,325	615
Investments	Recurrent	-	100,368	200,137	400,394
Insurance premium receivable	Recurrent	114	8	20	-
Repurchase of ordinary voting shares	Non-recurrent	3,103,132	-	2,809	-
Other receivable		-	-	12,466	
Total		4,566,930	779,186	216,757	401,009

Impairment

The Company has charged an expense of Rs. 200 Million during the year as impairment provision on the commercial paper investment in Softlogic Holdings PLC (2023 - Nil).

The Company has entered into a share pledge agreement with Softlogic Holdings PLC, whereby the listed equity of Softlogic Finance PLC is pledged as collateral for the commercial paper investment. Pursuant to the agreement, the holding in Softlogic Finance PLC must be maintained at three times the outstanding balance of the commercial paper investment. A total of 203,389,831 shares, with a market value of Rs. 1,200 Million, are held as collateral as of 31 December 2024.

The listed debenture investment in Softlogic Capital PLC matured in December 2024, resulting in the reversal of the corresponding impairment provision amounting to Rs. 107,778 in the Financial Statements for 2024 (2023 - Impairment reversal of Rs. 24,557).

Except for above, there is no impairment losses have been recorded (2023 - Nil) on the above outstanding balances from parent and ultimate parent.

50.11 Transactions with other related entities

50.11.1 Transactions with subsidiary companies of the parent and ultimate parent

Please refer Note 50.1 for terms and conditions of the transactions.

Nature of the relationship

Other related entities are those which are controlled, directly or indirectly by key management personnel of the Company and transactions with companies under common control.

Further, Directors' interest in contracts with the company have been disclosed on page 232.

50.11.1 Transactions in the Income Statement

As at 31 December	Recurrent / Non-recurrent	2024 Rs. '000	2023 Rs. '000
Nature of the transaction			
Insurance premiums	Recurrent	178,439	91,646
Dividend received	Recurrent	22,435	-
Expenses	Recurrent	432,432	350,659
Total		633,306	442,305

50.11.2 Transactions in the Statement of Financial Position

As at 31 December	Recurrent / Non-recurrent	2024 Rs. '000	2023 Rs. '000
Nature of the transaction			
Investments	Recurrent	476,951	460,499
Insurance premium receivable	Recurrent	36,443	48,149
Purchases of property plant and equipment	Recurrent	-	31,573
Other receivable	Recurrent	46,625	-
Other payable (Note 44.4.2)	Recurrent	21,836	15,846
Total		581,855	556,067

Impairment

The Company has recognised an impairment reversal on insurance premium receivable amounting to Rs. 27.7 Million during the year (2023 - Rs. 24.8 Million) resulting in a provision balance of Rs. 20.61 Million as at 31 December 2024 (2023 - Rs. 48.33 Million).

Except for above, there is no impairment losses have been recorded (2023 - Nil) on the above outstanding balances from other related entities.

50.12 Purchase of its own shares

Please refer Note 35.4 for the details on the share repurchase during the year (2023 - Nil).

51. CAPITAL AND OTHER COMMITMENTS

51.1 Capital commitments

The Company has commitments for acquisition of property, plant and equipment incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Approved and contracted for	12,450	53,581
Total capital commitments	12,450	53,581

51.2 Bank guarantees

Following Bank Guarantees have been provided as at 31 December 2024.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Relating to tax	-	88,860
Relating to others	26,006	28,650

52. EVENTS AFTER THE REPORTING PERIOD

Accounting Policy

52.1 General

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements.

53. PROVISIONS AND CONTINGENCIES

Accounting Policy

53.1 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation as defined in the Sri Lanka Accounting Standard – LKAS 37 on “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised in the Income Statement.

53.2 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured.

53.2.1 Use of judgements and estimates provisions and contingencies

Refer Note 4.2 on page 286 for use of judgements and estimates relating to provisions and contingencies.

The contingent liability of the Company relates to the following:

Assessments in respect of Value Added Tax (VAT)

- VAT assessments have been issued by the Department of Inland Revenue for the taxable period 2010 and was determined by the Tax Appeal Commission (TAC) in 2019. Out of total 11 assessments, 08 assessments were determined in favour of Commissioner General of Inland Revenue (CGIR) amounting to Rs. 46.5 Million including the penalty and 03 assessments were determined in favour of the Company amounting to Rs. 24.8 Million including the penalty.

The Company transmitted the former case to the Court of Appeal being dissatisfied with the determination which determined in favour of the CGIR and case is stated for the opinion of the Honourable Court of Appeal. The Total tax exposure of this appeal is Rs. 46.5 Million including the penalty.

The CGIR, transmitted the latter case to the Court of Appeal being dissatisfied with the determination which determined in favour of the Company and the case is stated for the opinion of the Honourable Court of Appeal.

NOTES TO THE FINANCIAL STATEMENTS

Assessments in respect of Value Added Tax on Financial Services (VAT on FS)

- 2) The CGIR issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15, 2016/17 and 2017/18 under the Value Added Tax Act amounting to Rs. 68.7 Million, Rs. 28 Million and Rs. 102.4 Million respectively, in favour of the CGIR.

For the Y/A 2014/15 and 2017/18, the Company has received the determinations of the TAC also in favour of the Company. However, the CGIR has transmitted the said cases to the Court of Appeal being dissatisfied with the determinations which determined in favour of the Company and cases are stated for the opinion of the Honourable Court of Appeal.

The Company is in the process of hearing the other appeal on the Y/A 2016/17 with TAC, on the basis that the underlying computation includes items which are out of scope of the VAT Act.

- 3) Assessment has been issued for the Company under the Value Added Tax Act, in relation to the Y/A 2019/20 and 2021/22 amounting to Rs. 433.16 Million including the penalty. The company has appealed for the assessments on the same basis as above and is awaiting the CGIR determination.

Assessments in respect of Nation Building Tax on Financial Services (NBT on FS)

- 4) An assessment has been issued under the Nation Building Tax Act, in relation to the Y/A 2018/19 amounting to Rs. 9.7 Million. The Company has filed an appeal to the CGIR on the basis that the underlying computation includes items which are out of scope of the NBT Act. The Company is awaiting the CGIR's determination.

Assessments in respect of life insurance taxation

- 5) The TAC issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2010/11 amounting to Rs. 0.68 Million, in favour of the Company and the CGIR has transmitted this case to the Court of Appeal being dissatisfied with the said determination of TAC and case is stated for the opinion of the Honourable Court of Appeal. The Company is awaiting the decision of the Court of appeal.

- 6) The TAC issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2011/12 and 2012/13 amounting to Rs.10.1 Million and Rs. 12.4 Million respectively, in favour of CGIR and The Company has transmitted the cases to the Court of Appeal being dissatisfied with the said determination of TAC and cases are stated for the opinion of the Honourable Court of Appeal. The Company is awaiting the decisions of the Court of appeal.

- 7) The CGIR issued its determination on the appeal filed by the Company relating to the assessments raised for the Y/A 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 681.7 Million along with penalty, in favour of the CGIR. For the Y/A 2014/15 and 2017/18, the Company has received the determinations of the TAC in favour of the Company. However, cases are stated in the Honourable Court of Appeal by the CGIR. The Company is in the process of hearing the appeals with Tax Appeals Commission for the Y/A 2015/16 and 2016/17.

- 8) The CGIR issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2018/19, 2019/20 and 2020/21 amounting to Rs. 2,180.47 Million along with penalty, in favour of the CGIR. The Company has submitted a petition of appeal with TAC.

- 9) The Company has received an Assessment on PAYE Tax for the Y/A 2016/17 amounting to Rs. 0.9 Million along with penalty for which company has duly submitted an appeal.

The Directors are of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submission and therefore, the probability of company having to settle any of this tax assessments are very low. In addition, there are no litigations and claims involving the Company that may have a material effect on the financial statements in the Directors' view.