

Continental Insurance Lanka Limited

*Financial Information
for the year ended 31st December 2023*



Hotline 0112 800 200

Service, redefined.



CORPORATE GOVERNANCE REPORT

Continental Insurance Lanka Limited (the Company) is committed to maintaining the highest standards of corporate governance and recognizes that effective corporate governance is essential to achieve long term success, fostering a culture of transparency and accountability for the benefit of all stakeholders, including shareholders, customers and employees. Our corporate governance framework is designed to ensure that good governance is embedded in all aspects of performance of the Company and in accordance with relevant legal and regulatory requirements.

Given below the compliance in respect of relevant governance requirements.

1. Board of Directors

The Board is responsible for overseeing the Company's strategic direction, performance and governance. It consists of six directors including five independent non-executive directors to ensure balanced decision making and effective oversight.

The Board meets quarterly and has established sub-committees to assist in fulfilling its responsibilities and in compliance with the corporate governance framework.

2. Sub-committees

a. Remuneration Committee

- Composition
Two independent non-executive directors
Chaired by an independent non-executive director
- Function
The Remuneration Committee assists the Board in fulfilling its responsibilities regarding all matters related to remuneration, including making recommendations to the Board on the Company's policy and determining the individual remuneration and benefits package of Chief Executive Officer and other members of the Senior Management.

b. Audit Committee

- Composition
Four directors and 3 of them are independent non-executive directors
Chaired by an independent non-executive director
- Function
The purpose of the Audit Committee is to assist the Board of Directors in overseeing financial reporting system, ensuring the effectiveness of the internal controls and risk management systems, recommended to Board of Directors on appointment of internal and external auditors, monitor

effectiveness and objectivity of internal and external auditors and any other task assigned by the Board of Directors.

c. Risk Management Committee

- Composition
Four directors and 3 of them are independent non-executive directors
Chaired by an independent non-executive director
- Function
The purpose of the Risk Management Committee is to ensure that the Company has a framework and a process that is sufficient to identify, assess, report, manage and monitor risks, given the nature, scale and complexity of the operation of the Company.

d. Investment Committee

- Composition
Two independent non-executive directors
Chaired by an independent non-executive director
- Function
The purpose of the Investment Committee is to ensure that an effective operational and governance framework and a process is in place for investment of the Company, and that the Company is at all times in compliance with the rules, guidelines and determinations by the regulator.

AUDIT OPINION



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

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CONTINENTAL INSURANCE LANKA LIMITED

Report on the Audit of the Financial Statement

Opinion

We have audited the separate financial statements of Continental Insurance Lanka Limited ("the Company"), which comprise the separate statement of financial position as at December 31, 2023, and the separate income statement, separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at December 31, 2023, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. These financial statements does not include the other information.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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

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

Colombo, Sri Lanka

26th April 2024

CONTINENTAL INSURANCE LANKA LIMITED

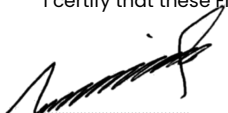
STATEMENT OF FINANCIAL POSITION

<i>As at 31st December,</i>	2023	2022
	Rs.	Rs.
Assets		
Intangible assets	-	584,690
Property, plant and equipment	83,273,248	68,316,678
Investment property	33,149,000	-
Right of use assets	160,099,199	123,838,685
Deferred tax assets	42,910,436	29,343,446
Investments in subsidiaries	510,000,000	510,000,000
Financial investments	6,460,409,194	6,139,167,905
Loans granted to subsidiaries	5,531,826	36,037,312
Amounts due from related companies	8,990,986	21,111,735
Deferred acquisition cost	502,461,561	412,462,094
Reinsurance receivables	407,856,377	286,266,990
Premium receivables	2,672,400,265	1,875,990,997
Receivables and other assets	295,166,295	109,172,389
Cash and cash equivalents	1,131,617,526	2,140,182,855
Total assets	12,313,865,913	11,752,475,776
Equity and liabilities		
Equity		
Stated capital	1,250,000,070	1,250,000,070
Available-for-sale reserve	(12,046,484)	(54,819,049)
Retained earnings	3,545,556,687	3,729,495,987
Total equity	4,783,510,273	4,924,677,008
Liabilities		
Insurance contract liabilities	4,668,077,671	3,584,399,351
Lease liabilities	164,063,251	126,654,445
Retirement benefits obligation	95,905,857	53,157,142
Reinsurance payables	762,905,658	1,352,055,618
Current tax liabilities	211,099,324	222,843,788
Amounts due to related companies	51,511	-
Other liabilities	1,530,945,114	1,155,648,630
Bank overdraft	97,307,254	333,039,794
Total liabilities	7,530,355,640	6,827,798,768
Total equity and liabilities	12,313,865,913	11,752,475,776

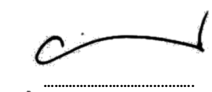
The notes form an integral part of these financial statements.

Figures in brackets indicate deductions

I certify that these Financial Statements are in compliance with the requirements of Companies Act No.07 of 2007.


Thushara Amarasinghe
 Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
 Approved and signed for on behalf of the Board;


Chandula Abeywickrema
 Director


Chaminda De Silva
 Deputy Chairman/Managing Director

25th April 2024
 Colombo

CONTINENTAL INSURANCE LANKA LIMITED INCOME STATEMENT

<i>For the year ended 31st December,</i>	2023	2022
	Rs.	Rs.
Gross written premium	9,378,227,864	7,337,369,075
Net change in reserve for unearned premium	(996,073,489)	(948,108,401)
Gross earned premium	8,382,154,375	6,389,260,674
Premium ceded to reinsurers	(1,068,724,215)	(1,361,543,169)
Compulsory Cession to National Insurance Trust Fund	(912,509,362)	(736,494,327)
	(1,981,233,577)	(2,098,037,496)
Net change in reserve for unearned reinsurance premium	188,595,366	353,859,847
Net earned premium	6,589,516,164	4,645,083,025
Other revenue		
Net investment income	774,731,316	664,146,846
Net realised gains	(30,520,810)	32,275,916
Net fair value gains	(41,267,499)	1,208,934,231
Fee and commission income	59,269,928	45,491,193
Other operating income	31,892,165	116,692
Total other revenue	794,105,099	2,239,964,878
Total net revenue	7,383,621,264	6,885,047,903
Net benefits, claims and expenses		
Net benefits and claims	(3,856,857,135)	(2,756,435,963)
Underwriting and net acquisition costs	(839,282,038)	(415,405,003)
Other insurance related cost	(44,156,738)	(39,279,119)
Other operating and administrative expenses	(1,667,261,609)	(1,320,104,198)
Depreciation on property, plant and equipment	(20,219,629)	(17,243,445)
Total benefits, claims and expenses	(6,427,777,149)	(4,548,467,728)
Profit from operations	955,844,115	2,336,580,175
Finance expenses	(26,937,151)	(14,637,292)
Profit before tax	928,906,964	2,321,942,883
Income tax expense	(184,470,687)	(208,845,810)
Profit for the year	744,436,277	2,113,097,074
Basic and diluted earnings per share	9.02	25.61

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

CONTINENTAL INSURANCE LANKA LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>For the year ended 31st December,</i>	2023	2022
	Rs.	Rs.
Profit for the year	744,436,277	2,113,097,074
Other comprehensive income, net of tax		
Items that will never be reclassified to profit or loss		
Defined benefit plan actuarial gain/(loss)	(40,536,539)	4,001,405
Related tax	12,160,962	(1,200,422)
Items that are or may be reclassified subsequently to profit or loss		
Net change in fair value - investments classified as available for sale financial assets	61,103,664	(71,811,207)
Related tax	(18,331,099)	21,543,362
Total other comprehensive income for the year, net of tax	14,396,988	(47,466,862)
Total comprehensive income for the year net of tax	758,833,265	2,065,630,212

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

CONTINENTAL INSURANCE LANKA LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2023

	Stated capital Rs.	Available for sale reserve Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 1 st January 2022	1,250,000,070	(4,551,204)	2,262,986,068	3,508,434,934
Surcharge tax	-	-	(241,388,114)	(241,388,114)
Total comprehensive income for the year				
- Profit for the year	-	-	2,113,097,072	2,113,097,072
- Net change in fair value of available for sale financial assets	-	(71,811,207)	-	(71,811,207)
- Actuarial loss of defined benefit plan	-	-	4,001,405	4,001,405
- Tax on other comprehensive income	-	21,543,362	(1,200,422)	20,342,940
Total comprehensive income for the year	-	(50,267,845)	2,115,898,057	2,065,630,212
Transactions with owners, recorded directly in equity				
- Dividends 2022	-	-	(408,000,024)	(408,000,024)
Total transactions with owners, recorded directly in equity	-	-	(408,000,024)	(408,000,024)
Balance as at 31 st December 2022	1,250,000,070	(54,819,049)	3,729,495,987	4,924,677,008
Balance as at 1st January 2023	1,250,000,070	(54,819,049)	3,729,495,987	4,924,677,008
Total comprehensive income for the period				
- Profit for the year	-	-	744,436,277	744,436,277
- Net change in fair value of available for sale financial assets	-	61,103,664	-	61,103,664
- Actuarial loss of defined benefit plan	-	-	(40,536,539)	(40,536,539)
- Tax on other comprehensive income	-	(18,331,099)	12,160,962	(6,170,138)
Total comprehensive income for the year	-	42,772,565	716,060,700	758,833,264
Transactions with owners, recorded directly in equity				
- Dividends - 2023	-	-	(900,000,000)	(900,000,000)
Total transactions with owners, recorded directly in equity	-	-	(900,000,000)	(900,000,000)
Balance as at 31st December 2023	1,250,000,070	(12,046,484)	3,545,556,687	4,783,510,273

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

CONTINENTAL INSURANCE LANKA LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31st December 2023,

	2023 Rs.	2022 Rs.
Cash flows from operating activities		
Profit before tax	928,906,964	2,321,942,883
Adjustments for:		
Interest income	(774,182,772)	(663,105,752)
Dividend income	(548,544)	(1,041,094)
Interest on lease liability	26,937,151	14,637,293
Amortisation on intangible assets	584,690	1,938,166
Depreciation on property, plant and equipment	20,221,366	17,243,445
Provision for retiring gratuity	17,654,981	13,767,639
Impairment/(reversal) on premium receivables	(1,500,782)	1,499,989
Reversal of unclaimed premiums due	(31,835,165)	(57,667)
Net fair value gain on financial assets at FVTPL	(99,803,942)	(17,943,738)
Net (gain) / loss on sale of investments at FVTPL	(83,955,585)	(43,223,360)
Foreign exchange (gain)/ loss on loans and receivables	43,298,351	(415,659,452)
	45,776,713	1,229,998,352
Change in operating assets	(1,210,187,316)	(750,525,994)
Change in operating liabilities	972,600,524	1,615,404,259
Cash flow from operating activities	(237,586,792)	864,878,265
Taxes paid	(217,266,113)	(157,210,753)
Surcharge tax paid	-	(241,388,114)
Retiring gratuity paid	(15,372,805)	(7,704,093)
Net cash generated from / (used in) operating activities	(424,448,998)	1,688,573,657
Cash flows from investment activities		
Net acquisition of investment securities	(82,262,661)	(152,426,330)
Interest income received	676,854,964	541,352,327
Net gain on sale of investments at FVTPL	83,955,585	43,223,360
Dividend received	548,544	1,041,094
Acquisition of intangible assets	-	(118,800)
Acquisition of property, plant and equipment	(35,176,198)	(23,716,004)
Net cash used in investment activities	643,920,234	409,355,647
Cash flows from financing activities		
Dividends paid	(900,000,000)	(408,000,024)
Repayment of lease liabilities	(92,304,024)	(72,516,400)
Net cash used in financing activities	(992,304,024)	(480,516,424)
Net decrease in cash and cash equivalents	(772,832,789)	1,617,412,880
Cash and cash equivalents at the beginning of the year	1,807,143,060	189,730,180
Cash and cash equivalents at the end of the year	1,034,310,272	1,807,143,060
Notes to the cash flow statement		
A. Change in operating assets		
Decrease / (increase) in deferred expenses	(89,999,467)	(85,243,369)
Decrease / (increase) in reinsurance receivable	(121,589,387)	29,790,634
Decrease / (increase) in premium receivable	(797,910,051)	(700,423,315)
Decrease / (increase) in other assets	(200,688,411)	5,350,056
	(1,210,187,316)	(750,525,994)
B. Change in operating liabilities		
(Decrease) / increase in insurance contract liabilities	1,083,678,320	680,764,520
(Decrease) / increase in reinsurance payable	(589,149,960)	496,214,375
(Decrease) / increase in other liabilities	478,072,164	438,425,364
	972,600,524	1,615,404,259
C. Net decrease in cash and cash equivalents		
Favourable balance at the end of the year	1,034,310,272	1,807,143,060
Favourable balance at the beginning of the year	1,807,143,060	189,730,180
Net decrease in cash and cash equivalents	(772,832,789)	1,617,412,880

ACCOUNTING POLICIES

CORPORATE INFORMATION

1.1 Reporting Entity

Continental Insurance Lanka Limited (the Company) is a Limited Liability Company incorporated on 12th November 2009 and domiciled in Sri Lanka. The registered office of the Company is situated at No. 79, C.W.W. Kannangara Mawatha, Colombo 07.

1.2 Principal Activities and Nature of Operations

The principal activity of the Company is primarily involved in general insurance business. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3 Parent Entity

The Company's parent entity is Melstacorp PLC, which has been incorporated in Sri Lanka.

1.4 Number of Employees

The staff strength of the Company as at 31 December 2023 is 621 (2022 – 611).

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000.

These financial statements include the following components:

Income statement and statement of profit or loss and other comprehensive income providing the information on the financial performance of the Company for the year under review;

A statement of financial position providing the information on the financial position of the Company as at the year end.

A statement of changes in equity depicting all changes in owners' equity during the year and the business at the year end.

A statement of cash flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of the entity to utilize those cash flows; and

Notes to the financial statements comprising accounting policies and other explanatory information. Details of the Company's accounting policies, including changes during the year, are included in Note 3.

2.2 Responsibility for Financial Statements

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

2.3 Approval of Financial Statements

The financial statements for the year ended 31 December 2023 were authorized for issue by the Board of Directors on 16th April 2024.