

**PROTECTIVE MICRO INSURANCE LIMITED**

Dhangadhi 03, Kailali, Sudurpashim Nepal.

**Contact no:** 091-590707, 01-5916790 **Email:** info@protectivemicro.com**Website:** www.protectivemicro.com**Quarterly Financial Results for (First quarter), F.Y. 2082/83 B.S****Unaudited****Unaudited****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****Fig in NPR.**

<b>Particulars</b>	<b>At the end of this Quarter</b>	<b>At the end of Immediate Previous Year</b>
<b>Assets:</b>		
Goodwill & Intangible Assets	13,161,965	12,797,103
Property and Equipment	55,519,329	51,684,983
Investment Properties	-	-
Deferred Tax Assets	3,000,513	3,000,513
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investments	542,330,090	563,965,028
Loans	-	-
Reinsurance Assets	133,228,951	105,917,847
Current Tax Assets	22,306,555	13,302,935
Insurance Receivables	-	-
Other Assets	13,208,503	1,240,426
Other Financial Assets	34,099,180	71,390
Cash and Cash Equivalent	54,354,670	14,312,824
<b>Total Assets</b>	<b>871,209,758</b>	<b>766,293,049</b>
<b>Equity:</b>		
Share Capital	525,000,000	525,000,000
Share Application Money Pending Allotment	-	-
Share Premium	-	-
Special Reserve	3,413,992	2,319,759
Catastrophe Reserves	341,399	231,976
Retained Earnings	8,316,571	533,496
Other Equity	3,022,398	1,591,162
<b>Total Equity</b>	<b>540,094,360</b>	<b>529,676,393</b>
<b>Liabilities:</b>		
Provisions	590,229	590,229
Gross Insurance Contract Liabilities	209,336,744	159,747,048
Deferred Tax Liabilities		
Insurance Payable	62,387,954	30,869,957
Current Tax Liabilities	-	-
Borrowings	-	-
Other Liabilities	28,934,630	43,813,122
Other Financial Liabilities	29,865,841	1,596,301
<b>Total Liabilities</b>	<b>331,115,399</b>	<b>236,616,656</b>
<b>Total Equity and Liabilities</b>	<b>871,209,758</b>	<b>766,293,049</b>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

Fig in NPR.

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
<b>Income:</b>				
Gross Earned Premiums	39,920,176	39,920,176	37,149,015	37,149,015
Premiums Ceded	(25,438,236)	(25,438,236)	(26,804,769)	(26,804,769)
<b>Net Earned Premiums</b>	<b>14,481,941</b>	<b>14,481,941</b>	<b>10,344,246</b>	<b>10,344,246</b>
Commission Income	3,875,640	3,875,640	5,357,185	5,357,185
Other Direct Income	-	-	-	-
Income from Investments and Loans	10,992,144	10,992,144	11,597,689	11,597,689
Net Gain/(Loss) on Fair Value Changes	(3,856,932)	(3,856,932)	-	-
Net Realised Gains/(Losses)	15,841,822	15,841,822	-	-
Other Income	617	617	288	288
<b>Total Income</b>	<b>41,335,231</b>	<b>41,335,231</b>	<b>27,299,409</b>	<b>27,299,409</b>
<b>Expenses:</b>				
Gross Claims Paid	11,941,961	11,941,961	6,925,278	6,925,278
Claims Ceded	(7,802,233)	(7,802,233)	(5,727,430)	(5,727,430)
Gross Change in Contract Liabilities	19,530,482	19,530,482	17,706,947	17,706,947
Change in Contract Liabilities Ceded to Reinsurers	(10,800,662)	(10,800,662)	(14,188,652)	(14,188,652)
<b>Net Claims Incurred</b>	<b>12,869,548</b>	<b>12,869,548</b>	<b>4,716,143</b>	<b>4,716,143</b>
Commission Expenses	160,369	160,369	202,305	202,305
Service Fees	140,154	140,154	82,451	82,451
Other Direct expenses	-	-	-	-
Employee Benefits Expenses	15,180,877	15,180,877	12,635,627	12,635,627
Depreciation and Amortization Expenses	1,243,787	1,243,787	1,848,882	1,848,882
Impairment Losses	-	-	-	-
Other Operating Expenses	8,614,120	8,614,120	6,986,414	6,986,414
Finance Cost	-	-	283,202	283,202
<b>Total Expenses</b>	<b>38,208,854</b>	<b>38,208,854</b>	<b>26,755,024</b>	<b>26,755,024</b>
<b>Net Profit/(Loss) For The Year Before Share of Net Profits of Associates Accounted for Using Equity Method and Tax</b>	<b>3,126,377</b>	<b>3,126,377</b>	<b>544,385</b>	<b>544,385</b>
Share of Net Profit of Associates accounted using Equity Method	-	-	-	-
<b>Profit Before Tax</b>	<b>3,126,377</b>	<b>3,126,377</b>	<b>544,385</b>	<b>544,385</b>
Income Tax Expenses	937,913	937,913	163,315	163,315
<b>Net Profit/(Loss) For The Year</b>	<b>2,188,464</b>	<b>2,188,464</b>	<b>381,069</b>	<b>381,069</b>
<b>Earning Per Share</b>				
Basic EPS	1.67	1.67	0.29	0.29
Diluted EPS	1.67	1.67	0.29	0.29

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

Fig in NPR.

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Net Profit/(Loss) For The Year	2,188,464	2,188,464	381,069	381,069
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>2,188,464</b>	<b>2,188,464</b>	<b>381,069</b>	<b>381,069</b>

**PROTECTIVE MICRO INSURANCE LIMITED**  
**Statement of Cash Flows**  
**For the First quarter (31st Asoj 2082)**

Fig. in NPR

Particulars	Current Year	Previous Year
<b>Cash Flow From Operating Activities:</b>		
<b>Cash Received</b>		
Gross Premium Received	69,979,390	249,382,021
Reinsurance Commission Received		33,026,031
Claim Recovery Received from Reinsurers		40,758,713
Realised Foreign Exchange Income other than on Cash and Cash Equivalents		-
Other Direct Income Received	617	(1,121,388)
Others (to be specified)		
<b>Cash Paid</b>		
Gross Benefits and Claims Paid	(11,941,961)	(53,436,109)
Reinsurance Premium Paid	(104,336,632)	6,335,217
Commission Paid	(158,654)	(1,283,906)
Service Fees Paid	(349,897)	(1,246,910)
Employee Benefits Expenses Paid	(13,940,010)	(46,793,424)
Other Expenses Paid	(22,005,169)	(24,391,928)
Other Direct Expenses Paid		-
Others (to be specified)		-
Income Tax Paid	(9,003,620)	(7,872,006)
<b>Net Cash Flow From Operating Activities [1]</b>	<b>(91,755,935)</b>	<b>(30,279,252)</b>
<b>Cash Flow From Investing Activities</b>		
Acquisitions of Intangible Assets	0	(0)
Proceeds From Sale of Intangible Assets		-
Acquisitions of Investment Properties		-
Proceeds From Sale of Investment Properties		-
Acquisitions of Property & Equipment	(752,105)	(8,413,429)
Proceeds From Sale of Property & Equipment	-	-
Investment in Subsidiaries		-
Receipts from Sale of Investments in Subsidiaries		-
Investment in Associates		-
Receipts from Sale of Investments in Associates		-
Purchase of Equity Instruments		-
Proceeds from Sale of Equity Instruments		-
Purchase of Mutual Funds		-
Proceeds from Sale of Mutual Funds		-
Purchase of Preference Shares		-
Proceeds from Sale of Preference Shares		-
Purchase of Debentures		-
Proceeds from Sale of Debentures		-
Purchase of Bonds		-
Proceeds from Sale of Bonds		-
Investments in Deposits	21,634,938	(61,965,028)
Maturity of Deposits		-
Loans Paid		-
Proceeds from Loans	-	-
Rental Income Received		-
Proceeds from Finance Lease		-
Interest Income Received	10,992,144	45,220,909
Dividend Received		-
Others	99,922,804	(180,737,155)
<b>Total Cash Flow From Investing Activities [2]</b>	<b>131,797,781</b>	<b>(205,894,703)</b>
<b>Cash Flow From Financing Activities</b>		
Interest Paid		
Proceeds From Borrowings		
Repayment of Borrowings		
Payment of Finance Lease		
Proceeds From Issue of Share Capital		
Share Issuance Cost Paid		
Dividend Paid		
Dividend Distribution Tax Paid		
Others (to be specified)		
<b>Total Cash Flow From Financing Activities [3]</b>	<b>-</b>	<b>-</b>
<b>Net Increase/(Decrease) In Cash &amp; Cash Equivalents [1+2+3]</b>	<b>40,041,846</b>	<b>(12,539,109)</b>
Cash & Cash Equivalents At Beginning of The Year/Period	14,312,824	26,851,215
Effect of Exchange Rate Changes on Cash and Cash Equivalents		
<b>Cash &amp; Cash Equivalents At End of The Year/Period</b>	<b>54,354,670</b>	<b>14,312,106</b>

<b>Components of Cash &amp; Cash Equivalents</b>		
Cash In Hand	4,951,279	
Cheuge in Hand		
Term Deposit with Banks (with initial maturity upto 3 months)		
Balance With Banks	49,403,391	14,312,824



Restated Balance as at Shrawan 1, 2082	525,000,000				8,762,998		2,319,759		231,976		-	-	-	-	1,591,162	-	537,905,896
Profit/(Loss) For the Year					2,188,464												2,188,464
Other Comprehensive Income for the Year, Net of Tax																	-
i) Changes in Fair Value of FVOCI Debt Instruments																	-
ii) Gains/ (Losses) on Cash Flow Hedge																	-
iii) Exchange differences on translation of Foreign Operation																	-
iv) Changes in fair value of FVOCI Equity Instruments																	-
v) Revaluation of Property and Equipment/ Goodwill & Intangible Assets																	-
vi) Remeasurement of Post-Employment Benefit Obligations																	-
Transfer to Reserves/ Funds					- 1,225,540		1,094,232		109,423		21,885						0
Transfer to Deferred Tax Reserves					- 1,409,351										1,409,351		-
Transfer of Depreciation on Revaluation of Property and Equipment																	-
Transfer on Disposal of Revalued Property and Equipment																	-
Transfer on Disposal of Equity Instruments Measured at FVTOCI																	-
Share Issuance Costs																	-
Contribution by/ Distribution to the owners of the Company																	-
i) Bonus Share Issued																	-
ii) Share Issue																	-
iii) Cash Dividend																	-
iv) Dividend Distribution Tax																	-
v) Others (To be specified)																	-
<b>Balance as on Asoj End , 2082</b>	<b>525,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,316,571</b>	<b>-</b>	<b>3,413,992</b>	<b>-</b>	<b>341,399</b>	<b>21,885</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000,513</b>	<b>-</b>	<b>540,094,360</b>

**Statement of Distributable Profit or Loss  
For the First quarter (31st Asoj 2082)**

Fig. in NPR

Particulars	Current Year	Previous Year
Opening Balance in Retained Earnings	8,762,998	756,037
Transfer from OCI reserves to retained earning in current year		-
Net profit or (loss) as per statement of profit or loss	2,188,464	1,275,158
<b>Appropriations:</b>		
i) Transfer to Insurance Fund		-
ii) Transfer to Special Reserve	(1,094,232)	-
iii) Transfer to Catastrophe Reserve	(109,423)	-
iv) Transfer to Capital Reserve		-
v) Transfer to CSR reserve	(21,885)	-
vi) Transfer to/from Regulatory Reserve		-
vii) Transfer to Fair Value Reserve		-
viii) Transfer of Deferred Tax Reserve	(1,409,351)	-
ix) Transfer to OCI reserves due to change in classification		-
x) Others (to be Specified)		-
<b>Deductions:</b>		
i) Accumulated Fair Value Gain on each Financial Assets Measured at FVTPL		
a) Equity Instruments		-
b) Mutual Fund		-
c) Others (if any)		-
ii) Accumulated Fair Value gain on Investment Properties		-
iii) Accumulated Fair Value gain on Hedged Items in Fair Value Hedges		-
iv) Accumulated Fair Value gain on Hedging Instruments in Fair Value Hedges		-
v) Accumulated Fair value gain of Ineffective Portion on Cash Flow Hedges		-
vi) Goodwill Recognised		-
vii) Unrealised Gain on fluctuation of Foreign Exchange Currency		-
viii) Accumulated Share of Net Profit of Associates accounted using Equity Method included in Investment Account		-
ix) Overdue loans		-
x) Fair value gain recognised in Statement of Profit or Loss		-
xi) Investment in unlisted shares		-
xii) Delisted share Investment or mutual fund investment		-
xiii) Bonus share/ dividend paid		-
xiv) Deduction as per Sec 17 of Financial directive		-
xiv) Deduction as per Sec 18 of Financial directive		-
xv) Others (to be specified)		-
<b>Adjusted Retained Earning</b>	<b>8,316,571</b>	<b>2,031,196</b>
Add: Transfer from Share Premium Account		-
Less: Amount apportioned for Assigned capital		-
Less: Deduction as per sec 15(1) Of Financial directive		-
Add/Less: Others (to be specified)		<b>1,497,700</b>
<b>Total Distributable Profit/(loss)</b>	<b>8,316,571</b>	<b>533,496</b>



**Protective Micro Insurance Limited**

**Notes to the Quarterly Financial Statements**

**For the Quarter ended Asoj 31, 2082 (October 17th, 2025)**

**1. Reporting Entity**

Protective Micro Insurance Limited (herein after referred to as the 'Company') was incorporated on 12/09/2079 and operated as general insurance company after obtaining license on 28/12/2079 under the Insurance Act 2079.

The registered office of the Company is located Dhangadhi-03, Kailai Nepal.

**Basis of Preparation**

**i. Statement of Compliance**

The Financial Statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Nepal Accounting Standards Board (ASB), as per the provisions of The Nepal Chartered Accountants Act, 1997. These confirm, in material respect, to NFRS as issued by the Nepal Accounting Standards Board. The Financial Statements have been prepared on a going concern basis. The term NFRS, includes all the standards and the related interpretations which are consistently used.

**ii. Basis of Measurement**

The Financial Statements have been prepared on the historical cost basis except for following Assets & Liabilities which have been measured at Fair Value amount:

- i. Certain Financial Assets & Liabilities which are required to be measured at fair value
- ii. Defined Employee Benefits
- iii. Insurance Contract Liabilities which are required to be determined using actuarial valuation for Liability Adequacy Test (LAT).

Historical cost is generally Fair Value of the consideration given in exchange for goods & services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for Financial Reporting purposes, Fair Value measurements are categorized into Level 1, or 2, or 3 based on the degree to which the inputs to the Fair Value measurements are observable & the significance of the inputs to the Fair Value measurement in its entirety, which are described as follows:

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical Assets or Liabilities that the entity can access at the measurement date;
- Level 2 - Inputs are inputs, other than quoted prices included within Level 1, that are observable

for the Asset or Liability, either directly or indirectly; and

- Level 3 - Inputs are unobservable inputs for the Asset or Liability.

### iii. Use of Estimates

The preparation of these Financial Statements in conformity with NFRS requires management to make estimates, judgements and assumptions. These estimates, judgments and assumptions affect the reported balances of Assets & Liabilities, disclosures relating to Contingent Liabilities as at the date of the Financial Statements and the reported amounts of Income & Expenses for the years presented. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are reflected in the Financial Statements in the period in which changes are made and, if material, their effects are disclosed in the Notes to the financial statements.

### iv. Functional and Presentation Currency

These Financial Statements are presented in Nepalese Rupees (NPR) which is the Company's functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

### v. Going Concern

The financial statements are prepared on a going concern basis. The Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources while assessing the going concern basis. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it.

### vi. Changes in Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Company in preparing and presenting financial statements. The Company is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

## 2. Significant Accounting Policies

This note provides a list of the significant policies adopted in the preparation of these Financial Statements.

### (a) Property, Plant and Equipment (PPE)

#### i. Recognition

Freehold land is carried at historical cost and other items of property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation when, it is probable that future

economic benefits associated with the item will flow to the Company and it can be used for more than one year and the cost can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it meets the recognition criteria as mentioned above. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

## ii. Depreciation

Depreciation on Property, Plant and Equipment other than Freehold Land i.e., the Company's Freehold Building, Plant & Machinery, Vehicles & Other Assets is provided on "Straight Line Method (SLM)" based on Useful Life estimated by technical expert of the management.

The Rate of Depreciation and Residual Values are reviewed at the Reporting date and the effect of any changes in estimates are accounted for on a prospective basis.

Useful Life of Property, Plant and Equipment based on SLM is categorized as stated below:

<b>List of Asset Categories</b>	<b>Useful life (In years) for SLM</b>
Land	Not Applicable
Buildings	30
Leasehold Improvement	7
Furniture & Fixtures	7
Computers and IT Equipment	5-7
Office Equipment	7
Vehicles	10
Other Assets	5

## iii. Derecognition

An item of Property, Plant and Equipment is derecognized upon disposal or when no Future Economic Benefits are expected to arise from the continued use of the Asset. Any Gain or Loss arising on the disposal or retirement of an item of Property, Plant and Equipment is determined as the difference between the sales proceeds and the carrying amount of the Asset and is recognized in the Statement of Profit or Loss.

## iv. Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the Asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets. Assets that suffer an

impairment are reviewed for possible reversal of the impairment at the end of each reporting period. In case of such reversal, the carrying amount of the asset is increased so as not to exceed the carrying amount that would have been determined had there been no impairment loss.

## **(b) Intangible Assets**

### **i. Recognition**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred.

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

### **ii. Amortization**

The useful lives of intangible assets are assessed to be either finite or indefinite. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow for the entity.

Amortization is recognized in income statement on straight line method over the estimated useful life of the intangible assets 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. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss.

Useful Life of Intangible Assets based on SLM is categorized as stated below:

<b>List of Asset Categories</b>	<b>Useful Life (In Years) for SLM</b>
Software	10
License	License Period

### **iii. Derecognition**

An Intangible Asset is derecognised when no Future Economic Benefits are expected to arise from the continued use of the Asset. Any Gain or Loss arising on the derecognition is determined as the

difference between the sales proceeds and the carrying amount of the Asset and is recognized in the Statement of Profit or Loss.

#### **iv. Impairment of Assets**

The Company assesses at each reporting date as to whether there is any indication that Intangible Assets may be impaired. If any such indication exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. An impairment loss is recognised in the Statement of Profit or Loss to the extent, asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

#### **(c) Cash & Cash Equivalent**

Cash & Cash Equivalents includes Cash in Hand, Bank Balances and short-term deposits with a maturity of three months or less.

#### **(d) Financial Assets**

##### **i. Initial Recognition & Measurement**

Financial Assets are recognized when, and only when, the Company becomes a party to the contractual provisions of the Financial Instrument. The Company determines the classification of its Financial Assets at initial recognition.

When Financial Assets are recognized initially, they are measured at Fair Value, plus, in the case of Financial Assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the Financial Asset. Transaction costs of Financial Assets carried at Fair Value through Profit or Loss are expensed in the Statement of Profit or Loss.

##### **ii. Subsequent Measurement**

###### **a) Financial Assets carried at Amortized Cost (AC)**

A Financial Asset is measured at amortized cost if it is held within a business model whose objective is to hold the asset in order 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 on the principal amount outstanding. Interest income in these financial assets is measured using effective interest rate method.

###### **b) Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)**

A Financial Asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling Financial Assets and the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are measured at fair value and changes are taken to statement of other comprehensive income.



### **c) Financial Assets at Fair Value through Profit or Loss (FVTPL)**

A Financial Asset which is not classified in any of the above categories are measured at FVTPL. These financial assets are measured at fair value and changes are taken to statement of profit or loss.

#### **iii. Derecognition**

A Financial Asset is derecognized only when the Company has transferred the rights to receive cash flows from the Financial Asset. Where the Company has transferred an Asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the Financial Asset. In such cases, the Financial Asset is derecognized. Where the Company has not transferred substantially all risks and rewards of ownership of the Financial Asset, the Financial Asset is not derecognized. Where the Company retains control of the Financial Asset, the Asset is continued to be recognized to the extent of continuing involvement in the Financial Asset.

#### **iv. Impairment of Financial Assets**

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

#### **Expected Credit Losses are measured through a loss allowance at an amount equal to:**

The 12-months Expected Credit Losses (Expected Credit Losses that result from those default events on the Financial Instrument that are possible within 12 months after the reporting date); or

Full Lifetime Expected Credit Losses (Expected Credit Losses that result from all possible default events over the life of the Financial Instrument).

For other assets, the Company uses 12 months Expected Credit Losses to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk Full Lifetime ECL is used.

### **(e) Financial Liabilities**

#### **i. Initial Recognition & Measurement**

Financial Liabilities are recognized when, and only when, the Company becomes a party to the contractual provisions of the Financial Instrument. The Company determines the classification of its Financial Liabilities at initial recognition.

All Financial Liabilities are recognized initially at Fair Value, plus, in the case of Financial Liabilities not at fair value through profit or loss, transaction costs that are attributable to the issue of the Financial Liability.

#### **ii. Subsequent Measurement**

After initial recognition, Financial Liabilities are subsequently measured at amortized cost using the Effective Interest Method.

For trade and other payables maturing within one year from the date of Statement of Financial Position, the carrying amounts approximate Fair value due to short maturity of these instruments.

#### **iii. Derecognition**

A Financial Liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Profit or Loss.

#### **(f) Offsetting Financial Instruments**

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position where there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### **(g) Reinsurance Assets**

Reinsurance assets are the assets which are created against insurance contract liabilities of the amount which are recoverable from the reinsurer. These assets are created for the Reinsurer's share of insurance contract liabilities.

A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the company will receive from the re-insurer. If a reinsurance asset is impaired, the company reduces the carrying amount accordingly and is recognized in statement of profit or loss.

#### **(h) Equity**

Financial Instruments issued by the Company are classified as Equity only to the extent that they do not meet the definition of a Financial Liability or Financial Asset.

#### **(i) Reserves and Funds**



**i. Share Premium**

If the Company issues share capital at premium, it receives extra amount other than share capital such amount is transferred to share premium. The amount in share premium is allowed for distribution subject to provisions of company act & regulatory requirement.

**ii. Special Reserve**

The Company has allocated Special Reserve for the amount which is 50% of the net profit every year as per Regulator's Directive.

**iii. Catastrophe Reserves**

The Company has allocated catastrophe reserve for the amount which is 10% of the net profit after adjustment of special reserve for the year as per Regulator's Directive.

**iv. Fair Value Reserves**

The Company has policy of creating fair value reserve equal to the amount of Fair Value Gain recognized in statement of other comprehensive income as per regulator's directive.

**v. Regulatory Reserves**

Reserve created out of net profit in line with different circulars issued by regulatory authority.

**vi. Actuarial Reserves**

Reserve against actuarial gain or loss on present value of defined benefit obligation resulting from, experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and the effects of changes in actuarial assumptions.

**vii. Cash Flow Hedge Reserve**

Is the exposure to variability in cash flows that is attributable to a particular risk associated with all or a component of a recognized asset or liability or a highly probable forecast transaction, and could affect profit or loss. Reserve represent effective portion of the gain or loss on the hedging instrument recognized in other comprehensive income.

**viii. Revaluation Reserves**

Reserve created against revaluation gain on property, plant & equipment & intangible assets, other than the reversal of earlier revaluation losses charged to profit or loss.

**ix. Corporate Social Responsibility Reserve**

As per NIA's Directive, 1% of net profit for the year is allocated as Corporate Social Responsibility Reserve.

**x. Other Reserves**

Reserve other than above reserves. Deferred tax reserve is included here.



## **(j) Insurance Contract Liabilities**

### **i. Provision for Unearned Premiums**

Unearned premiums reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage.

Change in reserve for unearned insurance premium represents the net portion of the gross written premium transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

### **ii. Outstanding Claims Provisions**

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs.

### **iii. Provision for Claim Incurred but Not Reported (IBNR)**

Significant delays are experienced in the notification and settlement of certain types of claims, the ultimate cost of which cannot be known with certainty at the statement of financial position date.

The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

### **Liability Adequacy**

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. The calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognized in the statement of profit or loss by setting up a provision for liability.

## **(k) Employee Benefits**

### **i. Short Term Obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.

### **ii. Post-Employment Benefits**

- **Defined Contribution Plan**

The Company pays Provident Fund contributions to publicly administered Provident Funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contribution are recognized as Employee Benefit Expense when they are due.

- **Defined Benefit Plan**

For Defined Benefit Plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with Actuarial Valuations being carried out at each Statement of Financial Position. Actuarial Gains & Losses are recognized in the Other Comprehensive Income in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a Straight-Line Basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the Fair Value of plan Assets (If Any). Any Asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

- iii. Long Term Employee Benefits**

The liabilities for un-availed earned leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Leave Encashment has been computed using Actuarial Assumptions and these are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the year using the Projected Unit Credit Method. The benefits are discounted using the market yields at the end of the year that have terms approximating to the terms of assumptions.

- iv. Termination**

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary retirement in exchange of these benefits. The Company recognizes termination benefits at the earlier of the following dates:

- a) when the Company can no longer withdraw the offer of those benefits; and
- b) when the entity recognises costs for a restructuring that is within the scope of NAS 37 and involves the payment of termination benefits.

The termination benefits are measured based on the number of employees expected to accept the offer in case of voluntary retirement scheme.

- (I) Revenue Recognition**

- i. Gross Earned Premiums**

Gross Earned Premiums are arrived at after deducting unearned premium reserves from Direct Premium and Premiums on Reinsurance Accepted. Direct premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognized on the date on which the policy commences.



Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

#### **ii. Reinsurance Premium**

Direct Reinsurance premiums comprise the total premiums payable for the whole cover provided by contracts entered the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks- attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net claims, respectively, because this is consistent with how the business is managed.

#### **iii. Commission Income**

Commission Income is recognised on accrual basis. If the income is for future periods, then they are deferred and recognised over those future periods.

#### **iv. Investment Income**

Interest income is recognized in the statement of profit or loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognized as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established.

#### **v. Net realised gains and losses**

Net realised gains and losses recorded in the statement of profit or loss include gains and losses on financial assets and properties. 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.

### **(m) Product Classification**

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The Company has following portfolios under which it operates its business:

#### **i. Fire Portfolio**



Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

**ii. Motor Portfolio**

Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third-party risks but exclusive of transit risks.

**iii. Marine Portfolio**

Marine insurance business means the business of affecting and carrying out contracts of insurance against loss of consignment of goods during transit.

**iv. Engineering Portfolio**

Engineering insurance business means the insurance that provides economic safeguard to the risks faced by the ongoing construction project, installation project, and machines and equipment in project operation.

**v. Aviation Portfolio**

Aviation Insurance provides coverage for hull losses as well as liability for passenger injuries, environmental and third-party damage caused by aircraft accidents.

**vi. Cattle and Crop Portfolio**

Cattle and Crop Insurance provides insurance against loss of or damage to cattle and crops.

**vii. Miscellaneous Portfolio**

All the insurance business which doesn't fall in above categories fall under miscellaneous insurance business. Group Personal Accidents, Medical Insurances, Professional indemnity insurance etc. fall under this category of business.

**(n) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

**(o) Cash Flow Statement**

Cash Flows are reported using the direct method, whereby major classes of cash receipts and cash payments are disclosed as cash flows.

**(p) Leases (NFRS 16)**

Leases in which the Company has substantial portion of the risks and rewards of ownership are classified as Finance Leases. Assets acquired under Finance Leases are capitalized at the lower of the Fair Value of the Leased Assets at the inception of the Lease Term & the Present Value of Minimum Lease Payments. Lease Payments are apportioned between the Finance charge and the reduction of the outstanding liability. The Finance Charge is allocated to periods during the Lease Term at a constant periodic Rate of Interest on the remaining balance of the liability.

**(q) Income Taxes**

Income Tax Expense represents the sum of the tax currently payable & Deferred Tax.

**i. Current Tax**

Current Tax Expenses are accounted in the same period to which the revenue and expenses relate. Provision for Current Income Tax is made for the Tax Liability payable on Taxable Income after considering tax allowances, deductions and exemptions determined in accordance with the applicable tax rates and the prevailing tax laws.

**ii. Deferred Tax**

Deferred Tax is recognized on temporary differences between the carrying amounts of Assets & Liabilities in the Statement of Financial Position and their Tax Base. Deferred tax Assets & Liabilities are recognized for deductible and taxable temporary differences arising between the tax base of Assets & Liabilities and their carrying amount in Financial Statements, except when the Deferred Income Tax arises from the initial recognition of goodwill, an Asset or Liability in a transaction that is not a business combination and affects neither accounting nor taxable Profits or Loss at the time of the transaction.

Deferred Tax Assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible Temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred Tax Liabilities are generally recognized for all taxable Temporary differences.

The carrying amount of Deferred Tax Assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the Deferred Tax Asset to be utilized.

**(r) Provisions, Contingent Liabilities & Contingent Assets**

**i. Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate to determine the present value is a Pre-Tax Rate that reflects current market assessments of the time

value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions for Contingent Liability are recognized in the books as a matter of abundant precaution and conservative approach based on management's best estimate. However, Management believes that chances of these matters going against the company are remote and there will not be any probable cash outflow.

#### **ii. Contingent Liabilities**

Contingent liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

#### **iii. Contingent Assets**

Contingent assets where it is probable that future economic benefits will flow to the Company are not recognized but disclosed in the Financial Statements.

#### **(s) Foreign Currency Transactions**

The Financial Statements of the Company are presented in Nepalese Rupees, which is the Company's Functional Currency. In preparing the Financial Statements of the Company, transactions in currencies other than the Company's Functional Currency i.e., Foreign Currencies are recognized at the rates of exchange prevailing at the dates of the transactions.

#### **(t) Earnings Per Share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the Weighted Average Number of equity shares outstanding during the Financial Year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

**Related Party Disclosure**

**(a) Identify Related Parties**

**Holding Company:**

**Subsidiaries:**

**Associates:**

**Fellow Subsidiaries:**

**Key Management Personnel:**

Mr. Dinesh Sariya	Chairman
Mrs. Neeru Dahal Pandey	Director
Mr. Nitesh Malpani	Director
Mr Ganesh Raj Panta	Independent Director
Mr. Naresh Kumar Roka	CEO

**(c) Related Party Transactions:**

Particulars	Holding Company	Subsidiaries	Associates	Fellow Subsidiaries	Key Managerial Personnel	Total
<b>Premium Earned</b>						
Current Year						
Previous Year						
<b>Commission Income</b>						
Current Year						
Previous Year						
<b>Rental Income</b>						
Current Year						
Previous Year						
<b>Interest Income</b>						
Current Year						
Previous Year						
<b>Sale of Property &amp; Equipment</b>						
Current Year						
Previous Year						
<b>Purchase of Property &amp; Equipment</b>						
Current Year						
Previous Year						
<b>Premium Paid</b>						
Current Year						
Previous Year						
<b>Commission Expenses</b>						
Current Year						
Previous Year						
<b>Dividend</b>						
Current Year						
Previous Year						
<b>Meeting Fees</b>						
Current Year						
Previous Year						
<b>Allowances to Directors</b>						
Current Year						
Previous Year						
<b>Others (to be specified)</b>						
Current Year						
Previous Year						

**(d) Related Party Balances:**

Particulars	Holding Company	Subsidiaries	Associates	Fellow Subsidiaries	Key Managerial Personnel	Total
<b>Receivables including Reinsurance Receivables</b>						
Current Year						
Previous Year						
<b>Other Receivables (to be Specified)</b>						
Current Year						
Previous Year						
<b>Payables including Reinsurance Payables</b>						
Current Year						
Previous Year						
<b>Other Payables (to be Specified)</b>						
Current Year						
Previous Year						

**OTHER DETAILS**  
**For the First Quarter (31st Asoj 2082)**

Particulars	Current Year	Previous Year
	Upto this Quarter (YTD)	Upto this Quarter (YTD)
1. Total Issued Policy Count (Only for Non Life and Non Micro Life)	25,203	16,306
2. Total Renewed Policy Count (Only for Non Life and Non Micro Life)	1,429	-
3. Total Claims Paid Count	123	52
4. Outstanding Claims Count	285	137
5. Gross Outstanding Claim including IBNR and IBNER	54,008,955	15,397,345.00
6. Net Outstanding Claim including IBNR and IBNER	18,402,994	2,968,952.07
7. Margin Over Best Estimate	-	-
8. Unearned Premium Reserve(Amount)	154,750,224	54,685,692.54
9. Unexpired Risk Reserve(Amount)	-	-
10. Earthquake Premium Reserve(Amount)	-	-
11. Long Term Investments (Amount)	496,830,090	506,000,000.00
12. Short Term Investments (Amount)	45,500,000	17,500,000
13. Direct Premium (Amount)	69,979,390	46,125,782
14. Investment in cost (Amount)	542,330,090	523,500,000.00
15. Solvency Margin Ratio	1.83	0.96

**Disclosure as per Section 84(3) of Insurance Act, 2079**

1. The solvency ratio of the company, as calculated for the fiscal year 2080/81, stands at 1.83.
2. The risk exposure is mitigated by choosing globally highly trusted reinsurance companies for reinsurance placement.
3. There are not any legal proceedings of the company.
4. The expenses ratio of the company is within the prescribed limit by Nepal Insurance Authority.
5. Company complies with the Corporate governance Directive issued by Nepal Insurance Authority.

### Segment Information

Segment information is presented in respect of the Company's business segments. Management of the Company has identified portfolio as business segment and the Company's internal reporting structure is also based on portfolio. Performance is measured based on segment profit as management believes that it is most relevant in evaluating the results of segment relative to other entities that operate within these industries.

The Company operates predominantly in Nepal and accordingly, the Management of the Company is of the view that the financial information by geographical segments of the Company's operation is not necessary to be presented.

Business Segments of the Company's are:

- i) Property
- ii) Motor
- iii) Engineering
- vi) Cattle and Crop
- vii) Miscellaneous

#### a) Segmental Information for the quarter ended Asoj 2082

Particulars	Property	Motor	Engineering	Marine	Aviation	Cattle and Crop	Miscellaneous	Inter Segment Elimination	Total
<b>Income:</b>									
Gross Earned Premiums	3,582,819	35,250,293	224,399	-	-	-	862,665		39,920,176
Premiums Ceded	(2,478,134)	(22,158,227)	(171,382)	-	-	-	(630,492)		(25,438,236)
Inter-Segment Revenue									-
<b>Net Earned Premiums</b>	<b>1,104,685</b>	<b>13,092,066</b>	<b>53,017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232,173</b>	<b>-</b>	<b>14,481,941</b>
Commission Income	464,001	3,264,805	29,348	-	-	-	117,487		3,875,640
Other Direct Income				-					
Income from Investments and Loans	986,540	9,706,277	61,789	-	-	-	237,538	-	10,992,144
Net Gain/(Loss) on Fair Value Changes	(346,158)	(3,405,746)	(21,681)	-	-	-	(83,347)		(3,856,932)
Net Realised Gains/ (Losses)	1,421,797	13,988,637	89,050	-	-	-	342,338		15,841,822
Other Income	55	545	3	-	-	-	13	-	617
<b>Total Segmental Income</b>	<b>3,630,920</b>	<b>36,646,583</b>	<b>211,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>846,201</b>	<b>-</b>	<b>41,335,231</b>
<b>Expenses:</b>									
Gross Claims Paid	438,011	10,923,250	-	-	-	-	580,700		11,941,961
Claims Ceded	(322,376)	(7,065,558)	-	-	-	-	(414,299)		(7,802,233)
Gross Change in Contract Liabilities	942,500	17,984,807	275,000	-	-	-	328,175		19,530,482
Change in Contract Liabilities Ceded to Reinsurers	(546,680)	(9,797,446)	(228,500)	-	-	-	(228,037)		(10,800,662)
<b>Net Claims Paid</b>	<b>511,455</b>	<b>12,045,054</b>	<b>46,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266,539</b>	<b>-</b>	<b>12,869,548</b>
Commission Expenses	53,081	91,460	1,583	-	-	-	14,246		160,369
Service Fees	15,172	122,143	344	-	-	-	2,494	-	140,154
Other Direct Expenses	-	-	-	-	-	-	-	-	-
Employee Benefits Expenses	1,362,477	13,405,010	85,335	-	-	-	328,055	-	15,180,877
Depreciation and Amortization Expenses	111,629	1,098,288	6,992	-	-	-	26,878		1,243,787
Impairment Losses	-	-	-	-	-	-	-		-
Other Operating Expenses	773,114	7,606,436	48,422	-	-	-	186,149	-	8,614,120
Finance Cost	-	-	-	-	-	-	-		-
<b>Total Segmental Expenses</b>	<b>2,826,928</b>	<b>34,368,390</b>	<b>189,175</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>824,361</b>	<b>-</b>	<b>38,208,854</b>
<b>Total Segmental Results</b>	<b>803,993</b>	<b>2,278,193</b>	<b>22,352</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,840</b>	<b>-</b>	<b>3,126,377</b>
<b>Segment Assets</b>	<b>78,190,711</b>	<b>769,295,174</b>	<b>4,897,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,826,633</b>	<b>-</b>	<b>871,209,758</b>
<b>Segment Liabilities</b>	<b>29,717,468</b>	<b>292,381,342</b>	<b>1,861,264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,155,324</b>	<b>-</b>	<b>331,115,399</b>