American Life Insurance Company

Interim Financial Statements

Second Quarter

F.Y. 2080/81 B.S. (2023-24)

As on Poush 29, 2080 (14 January 2024)

CONDENSED STATEMENT OF FINANCIAL POSITION
As on Quarter Ended Poush 29, 2080

Fig in NPR.

Particulars	Unaudited At the end of this Quarter	Audited At the end of Immediate Previous Year
Assets:		
Goodwill & Intangible Assets	6,827,007	8,628,488
Property and Equipment	105,658,022	128,090,299
Investment Properties	-	-
Deferred Tax Assets	51,110,390	51,304,784
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investments	27,346,742,011	26,273,000,623
Loans	1,667,579,511	1,560,260,435
Reinsurance Assets	19,043,248	15,918,897
Current Tax Assets	88,054,142	151,637,033
Insurance Receivables	109,787,126	67,454,639
Other Assets	160,786,569	141,445,353
Other Financial Assets	135,265,234	130,976,657
Cash and Cash Equivalent	358,543,306	385,479,011
Total Assets	**30,049,396,566**	**28,914,196,219**
Equity:		
Share Capital	-	-
Share Application Money Pending Allotment	-	-
Share Premium	-	-
Catastrophe Reserves	465,298,953	445,894,495
Retained Earnings	2,581,376,506	2,447,485,748
Other Equity	946,180,732	909,411,197
Total Equity	**3,992,856,191**	**3,802,791,440**
Liabilities:		
Provisions	190,576,945	192,033,333
Gross Insurance Contract Liabilities	25,329,562,222	23,871,415,696
Deferred Tax Liabilities	-	-
Insurance Payable	102,945,901	71,172,049
Current Tax Liabilities	-	-
Borrowings	-	-
Other Liabilities	256,727,942	260,546,996
Other Financial Liabilities	176,727,365	716,236,705
Total Liabilities	**26,056,540,375**	**25,111,404,779**
Total Equity and Liabilities	**30,049,396,566**	**28,914,196,219**

CONDENSED STATEMENT OF PROFIT OR LOSS
For the Quarter Ended Poush 29, 2080 (14 January 2024)

Fig in NPR.

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Income:				
Gross Earned Premiums	1,319,786,980	2,686,496,083	1,195,196,532	2,502,722,393
Premiums Ceded	(51,320,423)	(101,621,660)	(48,954,464)	(95,076,294)
Net Earned Premiums	**1,268,466,557**	**2,584,874,423**	**1,146,242,068**	**2,407,646,099**
Commission Income	27,995,693	54,151,513	27,024,209	50,701,754
Other Direct Income	311,296	1,088,874	833,378	1,955,306
Interest Income on Loan to Policyholders	46,591,944	97,654,669	32,560,784	78,472,467
Income from Investments and Loans	649,611,874	1,270,653,098	552,620,068	1,110,037,671
Net Gain/(Loss) on Fair Value Changes	-	-	-	-
Net Realised Gains/(Losses)	-	-	-	-
Other Income	487,908	2,923,544	3,412,884	7,869,534
Total Income	**1,993,465,272**	**4,011,346,121**	**1,762,693,391**	**3,656,682,831**
Expenses:				
Gross Benefits and Claims Paid	765,702,086	1,640,986,109	716,817,570	1,382,903,432
Claims Ceded	(16,620,168)	(49,314,360)	(16,165,787)	(29,724,584)
Gross Change in Contract Liabilities	765,106,395	1,458,146,502	659,210,754	1,426,531,334
Change in Contract Liabilities Ceded to Reinsurers	8,427,528	(3,124,351)	(2,807,049)	(5,255,831)
Net Benefits and Claims Paid	**1,522,615,841**	**3,046,693,900**	**1,357,055,488**	**2,774,454,351**
Commission Expenses	116,635,522	239,300,400	108,590,359	231,687,560
Service Fees	9,898,403	20,148,721	9,565,023	22,640,281
Other Direct expenses	-	-	-	-
Employee Benefits Expenses	74,801,425	165,577,371	70,832,873	153,036,075
Depreciation and Amortization Expenses	15,111,285	31,088,130	16,499,039	33,096,882
Impairment Losses	-	-	-	-
Other Operating Expenses	46,283,561	101,389,164	60,948,140	113,649,823
Finance Cost	1,917,681	4,022,652	2,329,433	4,658,867
Total Expenses	**1,787,263,718**	**3,608,220,338**	**1,625,820,355**	**3,333,223,839**
Net Profit/(Loss) for the period before share of net profits of associates accounted for using equity method and tax	**206,201,554**	**403,125,783**	**136,873,036**	**323,458,992**
Share of Net Profit of Associates accounted using Equity Method	-	-	-	-
Profit Before Tax	**206,201,554**	**403,125,783**	**136,873,036**	**323,458,992**
Income Tax Expenses	104,899,674	209,275,576	79,942,540	178,290,950
Net Profit/(Loss) for the period	**101,301,880**	**193,850,207**	**56,930,496**	**145,168,042**
Earning Per Share				
Basic EPS	-	-	-	-
Diluted EPS	-	-	-	-

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the Quarter Ended Poush 29, 2080 (14 January 2024)

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 period	101,301,880	193,850,207	56,930,496	145,168,042
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**101,301,880**	**193,850,207**	**56,930,496**	**145,168,042**

OTHER INDICATORS

Particulars	Current Year Upto this Quarter (YTD)	Previous Year Upto this Quarter (YTD)
1. Total inforce Policy count	840,099	979,340
2. Total number of policies issued during the period	1,661,379	2,631,495
3. First Year Premium including Single Premium	604,763,528	622,332,165
4. Single Premium	240,602,527	224,525,550
5. Renewal Premium	2,081,732,555	1,880,390,228
6. Total Benefits and Claims Paid in Count	11,553	10,771
7. Outstanding Benefits and Claims in Count	5,393	5,832
8. Declared Bonus rate (FY 2079-80)	45/55/65, 60/70/80, 60/70/80	45/55/65, 60/70/80, 60/70/80
9. Interim bonus rate	45/55/65, 60/70/80, 60/70/80	45/55/65, 60/70/80, 60/70/80
10. Long Term Investments (Amount)	24,094,490,129	21,282,320,000
11. Short Term Investments (Amount)	3,252,251,882	3,821,005,300

Note:
1. Above unaudited figures are subject to change after audit finalization.
2. Total inforce policy count and issued policies includes individual life, micro and group insurance policies.
3. Total benefit and claims paid in count of current year YTD includes 4,306 related to Death claims.
4. Outstanding Benefits and claims in count of current year YTD includes 253 related to Death claims.

Disclosure as per Section 84(3) of Insurance Act, 2079
1. The company has maintained solvency ratio of 4.16 for the Fiscal Year 2079/80. (Approved by Nepal Insurance Authority)
2. The company has made adequate reinsurance arrangement to cover the risk from the class of its business.
3. Details regarding legal proceeding: There are no cases filed by or against the company except tax related litigation in the normal course of business.
4. Corporate Governance: Company complies Corporate governance Directive issued by Nepal Insurance Authority.

Statement of Changes in Equity

As on Quarter Ended Poush 29, 2080 (14 January 2024)

Fig. in NPR

Previous Year

	Ordinary Share Capital	Preference Shares	Share Application Money Pending Allotment	Share Premium	Retained Earnings	Revaluation Reserves	Capital Reserves	Catastrophe Reserves	Corporate Social Responsibility (CSR) Reserves	Fair Value Reserves	Actuarial Reserves	Deferred Tax Reserves	Other Reserves (HO Fund)	Other Reserves (Contingency)	Other Reserves (Housing Fund)	Other Reserves (Regulatory Reserves)	Total
Balance as at Shrawan 1, 2079	**-**	**-**	**-**	**-**	**2,213,048,189**	**-**	**548,507,826**	**370,043,739**	**5,965,674**	**-**	**(16,115,288)**	**43,283,720**	**75,444,600**	**15,000,000**	**96,941,329**	**8,072,010**	**3,360,191,800**
Prior period adjustment*	-	-	-	-	14,777,084	-	-	-		-	(14,777,084)	-	-	-	-	-	-
Restated Balance as at Shrawan 1, 2079	**-**	**-**	**-**	**-**	**2,227,825,273**	**-**	**548,507,826**	**370,043,739**	**5,965,674**	**-**	**(30,892,372)**	**43,283,720**	**75,444,600**	**15,000,000**	**96,941,329**	**8,072,010**	**3,360,191,800**
Profit/(Loss) For the Year	-	-	-	-	765,461,031		-	-		-						-	**765,461,031**
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, Plant and Equipment/ Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
vi) Remeasurement of Post-Employment Benefit Obligations	-	-	-	-	(354,847)	-	-	-	-	-		-	-	-	-	-	(354,847)
Transfer to Reserves/ Funds	-	-	-	-	(216,413,029)	-	151,701,512	75,850,756	7,585,076	-	(354,847)	(10,297,458)	-	-	-	(8,072,010)	-
Utilization of CSR Reserve	-	-	-	-	-	-	-	-	(1,376,644)	-	-	-	-	-		-	(1,376,644)
Transfer of Deferred Tax Reserves	-	-	-	-	(7,902,783)	-	-	-	-	-	-	7,902,783	-	-	-	-	-
Transfer of Depreciation on Revaluation of Property, Plant Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer on Disposal of Equity Instruments Measured at FVTOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Insurance Contract Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issuance Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution by/ Distribution to the owners of the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
i) Bonus Share Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ii) Share Issue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
iii) Cash Dividend	-	-	-	-	(305,073,405)	-	-	-	-	-	-	-	-	-	-	-	(305,073,405)
iv) Dividend Distribution Tax	-	-	-	-	(16,056,495)	-	-	-	-	-	-	-	-	-	-	-	(16,056,495)
v) Others (to be Specified)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at Ashadh 31, 2080	**-**	**-**	**-**	**-**	**2,447,485,745**	**-**	**700,209,338**	**445,894,495**	**12,174,106**	**-**	**(31,247,219)**	**40,889,045**	**75,444,600**	**15,000,000**	**96,941,329**	**-**	**3,802,791,440**

Statement of Changes in Equity

As on Quarter Ended Poush 29, 2080 (14 January 2024)

Current Period

	Ordinary Share Capital	Preference Shares	Share Application Money Pending Allotment	Share Premium	Retained Earnings	Revaluation Reserves	Capital Reserves	Catastrophe Reserves	Other Reserves (CSR)	Fair Value Reserves	Actuarial Reserves	Other Reserves (Deferred Tax)	Other Reserves (HO Fund)	Other Reserves (Contingency)	Other Reserves (Housing Fund)	Regulatory Reserves	Total
Balance as at Shrawan 1, 2080	-	-	-	-	**2,447,485,745**	**-**	**700,209,338**	**445,894,495**	**12,174,106**	**-**	**(31,247,219)**	**40,889,045**	**75,444,600**	**15,000,000**	**96,941,329**	**-**	**3,802,791,440**
Prior period adjustment*	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-
Restated Balance as at Shrawan 1, 2080	**-**	**-**	**-**	**-**	**2,447,485,745**	**-**	**700,209,338**	**445,894,495**	**12,174,106**	**-**	**(31,247,219)**	**40,889,045**	**75,444,600**	**15,000,000**	**96,941,329**	**-**	**3,802,791,440**
Profit/(Loss) For the Year	-	-	-	-	193,850,207		-	-		-						-	**193,850,207**
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, Plant and Equipment/ Intangible Assets	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	**-**
vi) Remeasurement of Post-Employment Benefit Obligations	-	-	-	-	-	-	-	-		-		-	-	-	-	-	**-**
Transfer to Reserves/ Funds	-	-	-	-	(60,153,840)	-	38,808,920	19,404,458	1,940,462	-	-	-	-	-	-	-	**-**
Utilization of CSR Reserve	-	-	-	-	-	-	-	-	(3,785,456)	-	-	-	-	-	-	-	**(3,785,456)**
Transfer of Deferred Tax Reserves	-	-	-	-	194,394	-	-	-	-	-	-	(194,394)	-	-	-	-	**-**
Transfer of Depreciation on Revaluation of Property, Plant Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfer on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfer on Disposal of Equity Instruments Measured at FVTOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfer to Insurance Contract Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Balance as at Poush 29, 2080	**-**	**-**	**-**	**-**	**2,581,376,506**	**-**	**739,018,258**	**465,298,953**	**10,329,112**	**-**	**(31,247,219)**	**40,694,651**	**75,444,600**	**15,000,000**	**96,941,329**	**-**	**3,992,856,191**

Statement of Cash Flows

As on Quarter Ended Poush 29, 2080 (14 January 2024)

Fig. in NPR

Particulars	At the end of this Quarter	At the end of Immediate Previous Year
Cash Flow From Operating Activities:		
Cash Received		
Gross Premium Received	2,684,461,590	5,264,135,324
Commission Received	54,151,513	124,933,214
Claim Recovery Received from Reinsurers	6,981,873	80,674,691
Realised Foreign Exchange Income other than on Cash and Cash Equivalents	-	-
Other Direct Income	6,037,108	5,530,322
Other Income	2,923,544	556,153
Increase in liabilities (Premium Deposit)	30,377,330	-
Cash Paid		
Gross Benefits and Claims Paid	(1,640,986,109)	(2,877,988,618)
Reinsurance Premium Paid	(69,847,808)	(225,452,681)
Commission Paid	(203,191,414)	(470,511,122)
Service Fees Paid	(43,336,855)	(52,317,869)
Employee Benefits Expenses Paid	(173,961,089)	(379,608,364)
Other Expenses Paid	(145,551,521)	(241,784,875)
Income Tax Paid	(130,960,681)	(391,886,630)
Net Cash Flow From Operating Activities [1]	**377,097,482**	**836,279,545**
Cash Flow From Investing Activities		
Acquisitions of Intangible Assets	-	(4,471,791)
Proceeds From Sale of Intangible Assets	-	-
Acquisitions of Investment Properties	-	-
Proceeds From Sale of Investment Properties	-	-
Rental Income Received	-	-
Acquisitions of Property and Equipment	(3,302,662)	(8,908,723)
Proceeds From Sale of Property and Equipment	-	224,890
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	(4,359,079,736)	(9,088,180,622)
Maturity of Deposits	3,285,338,348	6,234,341,189
Loans Paid	(107,319,076)	(1,242,567,673)
Proceeds from Loans	-	852,260,158
Rental Income Received	-	-
Proceeds from Finance Lease	-	-
Interest Income Received	1,256,046,866	2,472,299,167
Dividend Received	-	-
Interest Income on Policy Loan	103,024,091	-
Total Cash Flow From Investing Activities [2]	**174,707,832**	**(785,003,405)**
Cash Flow From Financing Activities		
Interest Paid	-	-
Proceeds From Borrowings	-	-
Repayment of Borrowings	-	-
Payment of Finance Lease	(21,917,614)	(54,701,650)
Proceeds From Issue of Share Capital	-	-
Share Issuance Cost Paid	-	-
Dividend Paid	(556,823,405)	-
Dividend Distribution Tax Paid	-	(29,306,495)
Total Cash Flow From Financing Activities [3]	**(578,741,019)**	**(84,008,145)**
Net Increase/(Decrease) In Cash & Cash Equivalents [1+2+3]	**(26,935,705)**	**(32,732,005)**
Cash & Cash Equivalents At Beginning of The Year/Period	385,479,011	418,211,016
Effect of Exchange Rate Changes on Cash and Cash Equivalents		
Cash & Cash Equivalents At End of The Year/Period	**358,543,306**	**385,479,011**
Components of Cash & Cash Equivalents		
Cash In Hand		-
Cheuqe in Hand	-	-
Term Deposit with Banks (with initial maturity upto 3 months)	-	-
Balance With Banks	358,543,306	385,479,011

Statement of Distributable Profit or Loss

For the Quarter Ended Poush 29, 2080 (14 January 2024)

Particulars	Current Year
Opening Balance in Retained Earnings	**2,431,158,446**
Transfer from OCI reserves to retained earning in current year	-
Net profit or (loss) as per statement of profit or loss	193,850,207
Appropriations:	
i) Transfer to Insurance Fund	-
ii) Transfer to Catastrophe Reserve	(19,404,458)
iii) Transfer to Capital Reserve	(38,808,920)
iv) Transfer to CSR reserve	(1,940,462)
v) Transfer to/from Regulatory Reserve	-
vi) Transfer to Fair Value Reserve	-
vii) Transfer of Deferred Tax Reserve	194,394
viii) Transfer to OCI reserves due to change in classification	-
ix) Actuarial Reserves	-
Deductions:	-
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 as per sec 16 of Financial Directive	-
xii) Delisted share investment or mutual fund investment	(4,780,000)
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)	-
Adjusted Retained Earning	**2,560,269,206**
Add: Transfer from Share Premium Account	-
Less: Amount apportioned for Assigned capital	-
Less: Deduction as per sec 15(1) Of Financial directive	(31,247,219)
Add/Less: Others (Retained Earning)	(2,282,096,370)
Total Distributable Profit/(loss)	**246,925,618**

Notes to the Interim Financial Statements for the quarter ended Poush 29, 2080 (January 14, 2024)

1 General Information

American Life Insurance Company is incorporated under the laws of the United States of America. The company commenced life insurance business as a branch in Nepal from the year 2002 AD under the license granted by the Nepal Insurance Authority. The Nepal branch was registered as a branch of foreign company in 2006 AD under the Company Ordinance, 2006 AD. The address of its registered office is Ward no. 3, Pulchowk, Lalitpur, Nepal. The company underwrites life insurance risks, such as those associated with death, accident, disability and health.

The principal activities of the Company are to provide various life insurance products including participating and non-participating products through its branches, sub-branches, and network of agents. In the Financial Statements, American Life Insurance Company has been referred as "the Company".

2 Basis of Preparation

Condensed financial statements for the period is prepared in accordance with Insurer's Financial Statement related Directive 2080, Quarterly Financial Statement related circular 2080 issued by Nepal Insurance Authority, Nepal Financial Reporting Standards (NFRS) published by Accounting Standards Board, Nepal (ASB Nepal) and pronounced by the The Institute of Chartered Accountants of Nepal (ICAN).

(a) Statement of Compliance

Condensed financial Statements of the Company comprises of Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown as two separate statements, Statement of Changes in Equity, Statement of Cash Flows, Statement of Distributable Profit or Loss and Notes to the Financial Statements which have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Nepal Accounting Standards Board (ASB) and in compliance with the requirements of the Companies Act , 2006, directives and circular issued by Nepal Insurance Authority.The format used in the preparation and presentation of the Financial Statements and disclosures made therein also complies with the specified formats prescribed in the directives of Nepal Insurance Authority.

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.

(b) Reporting Period

The Company reporting period is as below -

Condensed Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity - As at the end of Quarter (29, Poush 2080) with comparative period as preceeding year (Ashad end, 2080).

Condensed Statement of Profit or Loss and Statement of other comprehensive income - From Shrawan 1, 2080 to Poush 29, 2080 with corresponding previous quarter.

(c) 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. Gross Insurance Contract Liabilities which are required to be determined using actuarial valuation method prescribed by Actuarial valuation directive 2077 and Insurer's Financial Statement related Directive, 2080 and Quarterly Financial Statement related Circular 2080.

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.

(d) 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.

(e) Going Concern

The financial statements are prepared on a going concern basis. The management 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, management 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.

3 Use of Estimates, Assumptions and Judgement

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.

4 Significant Accounting Policies

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

(a) Goodwill and 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 generate net cash inflow for the entity.

Amortisation is recognised in statement of profit or loss on Straight Line Method (SLM) 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 amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

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

List of Asset Categories	Useful Life (In Years) for SLM
Softwares	4
Licenses	Not applicable

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.

(b) Property and Equipment (P&E)

i) Recognition

Freehold land is carried at historical cost and other items of property 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.

Notes to the Interim Financial Statements (Continued...)

ii) Revaluation

After recognition as an asset, lands and buildings whose fair value can be measured reliably, have been carried at revalued amount at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are being performed to ensure that the fair value of a revalued asset does not materially differ from its carrying amount as at the reporting date. Valuation of the land and buildings are undertaken by professionally qualified valuers.

An increase in the carrying amount as a result of revaluation, is recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss. A decrease in the carrying amount as a result of revaluation, is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred directly to retained earnings.

Difference between depreciation on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred to retained earnings.

The company has not revalued any Property and Equipment in this reporting period.

iii) Depreciation

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

The Assets Useful Life/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 and Equipment based on SLM is categorised as stated below:

List of Asset Categories	Useful Life (In Years) for SLM
Land	Not Applicable
Buildings	20
Leasehold Improvement	Lease Period
Furniture & Fixtures	4
Computers and IT Equipments	4
Office Equipment	4
Vehicles	5
Other Assets	4

iv) Derecognition

An item of Property 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 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.

v) Impairment of Assets

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.

vi) Capital Work-In-Progress

These are expenses of capital nature directly incurred in the construction of buildings and system development which are to be capitalized. Capital Work in Progress would be transferred to the relevant asset when it is available for use. Capital Work in Progress is stated at cost less any accumulated impairment losses.

(c) Investment Properties

Cost Model:

Property that is held for rental income or for capital appreciaiton or both, is classified as investment property. Investment properties are measured initially at cost, including related transaction cost. It is subsequently carried at cost less accumulated depreciation. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to P&E, the deemed cost for subsequent accounting is the fair value at the date of change in use. If P&E becomes an investment property, the Company accounts for such property in accordance with the policy stated under P&E up to the date of change in use.

The company does not hold investment properties as on quarter ended Poush 29, 2080 (January 14, 2024).

(d) Deferred Tax Assets and Liabilities

Deferred Tax Assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible Temporary difference 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 Difference.

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.

(e) 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) De-Recognition

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.

(f) 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 reduce the carrying amount accordingly and is recognized in statement of profit or loss.

(g) Current Tax Assets

Current Tax Assets are the assets which are created against the excess amount paid as advance tax than the actual income tax liability.

(h) Cash & Cash Equivalent

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

(i) 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) De-Recognition

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.

(j) 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.

(k) 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. The company is operating as branch operation of foreign company, therefore, it does not hold any equity share capital in Nepal operation.

(l) Reserves and Funds

i) Share Application Money Pending Allotment : Not applicable.

ii) Share Premium: Not applicable.

ii) Catastrophe Reserves: 10% of net profit before adjustment of deferred tax income/expenses as per the financial statements prepared in accordance with Insurer's Financial Statement related Directive, 2080.

iii) 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) Actuarial Reserves: Reserve against actuarial gain or loss on present value of defined benefit obligation resuting 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. The company performs revaluation of defined benefit obligation in annual basis at the end of fiscal year.

vi) Cashflow Hedge Reserves: 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.

The company has not recognised any cash flow hedge reserves.

vii) Revaluation Reserves: Reserve created against revaluation gain on property and equipments & intangible assets, other than the reversal of earlier revalaution losses charged to profit or loss.
The company doesn't recognise any revaluation reserves as no property and equipments were revalued till quarter ended Poush 29, 2080 (January 14, 2024).

viii) Other Reserves: Other reserves include deferred tax reserve, capital reserves, contingency reserve, housing fund reserves,CSR reserves and HO fund**.**
Capital reserves refers to the reserve created as per section 19(2) of Insurer's registration and Insurance Business Directive, 2073. The company has transferred 20% of current quarter net profit to the capital Reserve.
Nepal Insurance Authority vide Corporate Governance Directive, requires the company to create Corporate Social Responsibility reserve equal to 1% of net profit and incur CSR related expenses from that reserve.

(m) Gross Insurance Contract Liabilities

i) Life Insurance Fund

The company performs the liability valuation of its portfolio in annual basis at the end of the financial year. Accordingly, for the purpose of interim financial statements, for portfolios where the company need to pay maturity value at the end of policy period (participating portfolio), surplus generated in the current reporting period is transferred to Gross Insurance Contract Liabilities as allowed by the circular issued by Nepal Insurance Authority.
For portfolios where the company does not need to pay maturity value at the end of policy period (non-participating portfolio), reserves has been created as prescribed by Quarterly Financial Statement related Circular, 2080.

ii) Gross Claims Payment Reserve

Provision for outstanding claims reported is recognised with additional 15% of reported amount as required by Insurance Regulations including for claims Incurred But Not Reported (IBNR). This practice is inconsistinent with the requirement of NAS 37 (Provisions, Contingent Liabilities and Contingent assets) which requires provision to be booked at the estimated ultimate cost of settlement as at statement of financial position date, whether reported or not, together with related claims handling costs.

iii) Unapportioned surplus

Unapportioned surplus where the amount are yet to be allocated or distributed to policyholders by the end of the financial period, and held within the insurance contract liabilities.

(n) 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.

Employee bonus at the rate of 10% of profit required to be paid as per Bonus act 2030, has been recognized under employee expenses.

ii) Post - Employment Benefits

- Defined Contribution Plan

Contributions to defined contribution schemes (Provident fund) are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions.

As per the provision of new Labor Act enacted and effective from September 4, 2017, gratuity plan has been converted into contribution plan from defined benefit plan. Accordingly, the company has deposited the contribution to Social Security Fund (SSF).

- Defined Benefit Plan

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. Any unrecognized past service costs and the fair value of any plan assets are deducted. The Company recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss. The Company recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognized.

Revaluation of Defined Benefit Plan is performed on annual basis.

iii) Long Term Employee Benefits

Employees have a statutory entitlement to payment of number of days in excess of required accumulation as per Labour Act.

The obligation for such long-term employee benefits is calculated using the projected unit credit method and is discounted to its present value based on an actuarial valuation. Service cost, interest cost and actuarial gain/loss are recognized in the profit or loss statement.

Revaluation of Defined Benefit Plan is performed on annual basis.

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 recognises 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.

(o) Revenue Recognition

i) Gross Premium

Gross premium income is recognized on a cash basis as and when it is due (Premium received but not due is shown as advance premium under other liabilities) in accordance with Insurance Act. Cash received in advance is recognized as premium income during the period to which they relate. Premium ceded to the reinsurer during the year has been separately recognized under "Premium ceded to Reinsurer". Entire single premium income is recognized on a cash basis and related reserve is booked as per Actuarial valuation directive, 2077 issued by the Nepal Insurance Authority.

The above policy for recognition of gross premium income has been continued as NFRS 17 is yet to be adopted.

iii) Premiums on Reinsurance Accepted

Premium on reinsurance accepted comprise the total premiums payable for the whole cover provided by contracts entered into 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. Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

As on Paush 29, 2080 the company has not accepted any reinsurance business.

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.

v) Investment income

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

v) Net Gains/ (Losses) on Fair Value Changes

Net Gains/ (Losses) on fair value changes in the statement of profit or loss include gains and losses on financial assets, investment properties, hedged items and hedging instrument in fair value hedges, due to changes in fair value of such asssets. This also includes gains/(losses) on ineffective portion on cash flow fedges.

As on quarter end Poush 29, 2080, the company does not have any Net Gains/ (Losses) on Fair value changes.

vi) Net realised gains and losses

Net realised gains and losses recorded in the statement of profit or loss include realised 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.

As on this quarter end Poush 29, 2080, the company does not have any net realised gains/ losses.

vii) Other Income

Other income includes profit on sale of fixed assets, finance income, foreign currency exchange revaluation gain and other miscellaneous income.

(p) Benefit, Claims and Expenses

i) Gross Benefits and Claims

Benefits and claims includes the cost of all claims arising during the year, including external claims handling costs that are directly related to processing and settlements of claims. Benefits and claims that are paid during the financial year are recognised under Gross Benefits and claims paid. Any due benefits or intimated death benefits yet to be paid are recognised under changes in gross insurance contract liabilities.

ii) Reinsurance Claims

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

iii) Commission Expenses

Commission expenses are recognized on accrual basis. If the expenses is for future periods, then they are deferred and recognized over those future periods.

iv) Service Fees

Service fees are recognized on accrual basis at the rate of 0.75% of Gross Written Premium as per Insurance Act, 2079.

v) Finance Cost

Finance costs are recognized for the period relating to unwinding of discount and interest expenses due to re-measurement of liabilities.

(q) Product Classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under NFRS are classified as investment contracts.

As noted in basis of preparation above, insurance contracts in general continue to be measured and accounted for under existing accounting practices at the date of transition to NFRS ('grandfathered'), in accordance with NFRS 4.

The company deals in life insurance business as summarized below: -

Life insurance

Life insurance products offered by the company can be classified into following 5 categories: -

i) Endowment

This is a with profit plan in event of death and/or a lump sum on maturity. Products under this categories are Normal Endowment Plan, Education Protection Plan and Subhawisya Aajiwan Aaya (SBAA) Plan.

ii) Anticipated Endowment

This is a with profit plan in event of death and/or a lump sum on maturity and payment at specific duration of the policy as per product feature. It Includes Three Payment Plan and Mid-Term Growth Plan.

iii) Micro Term:

This is only protection plan issued to the borrowers of micro financial institutions.

iv) Future Care DPS :

This scheme is savings and protection plan with interest crediting featureand in the event of death and/or a lump sum on maturity.

v) Term:

This is only protection plan (non-profit participating) with feature of payment only in the event specified in the insurance policy. Products are namely Life Shield, Group Insurance and Life Care.

(r) 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.

No borrowing costs are recognised in the current reporting period.

(s) 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.

(t) Leases

Finance Leases

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 capitalised 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. Recognition of finance leases is done as per the requirement of NFRS 16.

Operating Lease

Any lease agreement with non-cancellable period of upto 12 months and lease agreement with value of underlying assets identified as of low value have been identified and accounted for as operating lease. Lease payments under such leases are booked as expense in straight basis or other basis, where appropriate, normally in case of short-term leases. Company has not entered into such lease agreements during the reporting period.

(u) Income Taxes

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

i) Current Tax

Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the relevant tax legislation and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Income tax rates applicable to company is 25%. The current income tax for the year is calculated on the taxable profit for the year.

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.

(v) 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.

The company has gone for Administrative Review for the disputed amount of NPR 114,816,489 against different tax treatment for carry forward of advance tax amount of FY 2075/76.

Final tax assessment from Large Taxpayers' Office for fiscal year 2076/77,2077/78 and 2078/79 is pending as of the reporting date. The company has received the tax clearance certificate for Fiscal year 2078/79 from Inland Revenue Department.

(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.

(w) Functional Currency & 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.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in Statement of Profit and Loss in the period in which they arise.

(x) Earnings Per Share

Since the Company is a branch office of a foreign company and does not have any issued equity share capital, the earnings per share of the company is not calculated.

(y) Operating Segment

Operating Segments are reported in a manner consistent with the internal reporting provided to the Senior Management.

Company's Income & Expenses including interest are considered as part of un-allocable Income & Expenses which are not identifiable to any business segment. Company's Asset & Liabilities are considered as part of un-allocable Assets & Liabilities which are not identifiable to any business.

(z) Leased Assets

The Company has made the use of leasing arragements principally for the provision of the office spaces. The rental contracts for the offices are typically negotitated for terms of between 2 to 5 years and some of these have extention terms. The Company has not entered into sale and leaseback arrangments. All the leases are negotitated on an individual basis. The Company has assessed whether a contract is or contains a lease at inception of the company. The lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified assets for a period of time in exchange for consideration.

At lease commencement date, the company has recognized a right-of-use lease asset and a lease liability in its Statement of Financial Position. The right of use assets is measured at cost. Which is made up of the initial measurment of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Company has depreciated the right of use asset on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The company has also assessed the right of use asset for impairment when such indicator exist.

At the commencement date, the company has measured the lease liability at the present value of the lease payments unpaid at that date, discounted using the company's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the company would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value.

5 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. The company consistently applied the accounting policies for all periods reported in the financial statements. There were no changes in accounting policies in the reporting period.

6 Related Party Disclosure

(a) Identify Related Parties

During the reporting period, the Company identified following Related Parties:

Holding Company: Not applicable

Subsidiaries: Not applicable

Associates: Not applicable

Fellow Subsidiaries: Delaware American Life Insurance Company

Key Management Personnel: Key Management Personnel include Vice President and General Manager of the Company

(b) Transaction with Related Parties

During the reporting period , company transacted with fellow subsidiary for re-insurance premium, claims and commission. All transactions between the company and it's related parties are executed on arm's length principle.

Benefits are paid as per staff service bylaws to the Key management personnel and there is no any tranaction with the family members of Key management personnel.

Notes to Interim Financial Statements (Continued...)

a) Segmental Information for the quarter ended Poush 29, 2080 (January 14, 2024)

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.

Segment asset is disclosed below based on total of all asset for each business segment.

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) Endowment
ii) Anticipated Endowment
iii) Micro Term
iv) Future Care DPS
v) Term

Particulars	Endowment	Anticipated Endowment	Endowment Cum Whole	Whole Life	Foreign Employment Term	Other Term	Special Term	Others (Future care DPS)	Others (Micro)	Inter Segment Elimination	Total
Income:											
Gross Earned Premiums	607,887,483	184,607,576	-	-	-	380,217,001	-	1,446,993,260	66,790,763	-	2,686,496,083
Premiums Ceded	(3,353,806)	(1,953,843)	-	-	-	(32,119,949)	-	(64,194,062)	-	-	(101,621,660)
Inter-Segment Revenue	-	-	-	-	-	-	-	-	-	-	-
Net Earned Premiums	**604,533,677**	**182,653,733**	**-**	**-**	**-**	**348,097,052**	**-**	**1,382,799,198**	**66,790,763**	**-**	**2,584,874,423**
Commission Income	1,021,970	476,403	-	-	-	16,041,373	-	36,611,768	-	-	54,151,514
Income from Investments and Loans	356,806,979	118,281,023	-	-	-	22,900,277	-	704,486,280	13,061,632	-	1,215,536,191
Net Gains/(Losses) on Fair Value Changes	-	-	-	-	-	-	-	-	-	-	-
Net Realised Gains/(Losses)	-	-	-	-	-	-	-	-	-	-	-
Other Income	874,346	185,181	-	-	-	27,579	-	1,767	-	-	1,088,873
Total Segmental Income	**963,236,972**	**301,596,340**	**-**	**-**	**-**	**387,066,281**	**-**	**2,123,899,013**	**79,852,395**	**-**	**3,855,651,001**
Expenses:											
Gross Benefits and Claims Paid	568,292,752	370,612,361	-	-	-	145,866,542	-	508,558,956	47,655,497	-	1,640,986,108
Claims Ceded	(638,242)	136,403	-	-	-	(6,373,238)	-	(42,439,283)	-	-	(49,314,360)
Gross Change in Contract Liabilities	211,991,395	(120,051,500)	-	-	-	(33,743,363)	-	1,283,551,789	116,398,181	-	1,458,146,502
Change in Contract Liabilities Ceded to Reinsurers	202,561	-	-	-	-	-	-	(3,326,912)	-	-	(3,124,351)
Net Benefits and Claims Paid	**779,848,466**	**250,697,264**	**-**	**-**	**-**	**105,749,941**	**-**	**1,746,344,550**	**164,053,678**	**-**	**3,046,693,899**
Commission Expenses	65,462,710	13,026,041	-	-	-	23,919,637	-	127,003,241	9,888,770	-	239,300,399
Service Fees	4,559,156	1,384,557	-	-	-	2,839,675	-	10,852,449	512,884	-	20,148,721
Employee Benefits Expenses	29,195,665	9,265,663	-	-	-	18,442,421	-	67,556,174	2,505,319	-	126,965,242
Depreciation and Amortization Expenses	6,433,846	2,041,873	-	-	-	4,064,154	-	14,887,347	552,097	-	27,979,317
Impairment Losses	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	21,019,156	6,671,365	-	-	-	13,263,911	-	48,563,627	1,790,266	-	91,308,325
Finance Cost	832,508	264,208	-	-	-	525,882	-	1,926,350	71,439	-	3,620,387
Total Segmental Expenses	**907,351,507**	**283,350,971**	**-**	**-**	**-**	**168,805,621**	**-**	**2,017,133,738**	**179,374,453**	**-**	**3,556,016,290**
Total Segmental Results	**55,885,465**	**18,245,369**	**-**	**-**	**-**	**218,260,660**	**-**	**106,765,275**	**(99,522,058)**	**-**	**299,634,711**
Segment Assets	**7,829,699,413**	**2,531,003,066**	**-**	**-**	**-**	**384,286,688**	**-**	**15,194,710,785**	**217,618,486**	**-**	**26,157,318,437**
Segment Liabilities	**7,718,713,344**	**2,501,209,881**	**-**	**-**	**-**	**404,023,976**	**-**	**15,116,659,043**	**230,959,182**	**-**	**25,971,565,425**

Notes to Interim Financial Statements (Continued...)

c) Reconciliation of Segmental Profit with Statement of Profit or Loss

Particulars	Upto this Quarter (YTD)
Segmental Profit	**299,634,711**
Less: Employee Benefits expenses	38,612,128
Less: Depreciation and Amortization	3,108,813
Less: Other operating expenses	10,080,840
Less: Impairment losses	-
Less: Finance Cost	402,265
Add: Unallocable Other Income	155,695,120
Profit Before Tax	**403,125,785**

d) Reconciliation of Assets

Particulars	At the end of this Quarter
Segment Assets	**26,157,318,437**
Goodwill & Intangible Assets	929,639
Property and Equipment	14,387,534
Investment Properties	-
Deferred Tax Assets	51,110,390
Investment in Subsidiaries	-
Investment in Associates	-
Investments	3,723,826,821
Loans	696,627
Current Tax Assets (Net)	11,990,400
Other Assets	21,894,431
Other Financial Assets	18,419,170
Cash and Cash Equivalents	48,823,117
Total Assets	**30,049,396,566**

e) Reconciliation of Liabilities

Particulars	At the end of this Quarter
Segment Liabilities	**25,971,565,425**
Provisions	25,951,008
Deferred Tax Liabilities	-
Current Tax Liabilities (Net)	-
Other Liabilities	34,958,841
Other Financial Liabilities	24,065,102
Total Liabilities	**26,056,540,376**