

NEPAL REINSURANCE COMPANY LIMITED
(Thapathali, Kathmandu, Tel: 5970401/5970402, Website: www.nepalre.com.np)
Quarterly Financial Results for quarter ended on 29 Poush 2080, F.Y. 2080/81 B.S
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Fig in NPR.

Particulars	At the end of this Quarter (Unaudited)	At the end of Immediate Previous Year (Audited)
Assets:		
Goodwill & Intangible Assets	359,258	476,054
Property and Equipment	587,655,855	587,982,600
Investment Properties	-	-
Deferred Tax Assets	127,616,445	136,873,866
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investments	20,689,721,782	20,478,743,972
Loans	24,620,431	25,066,856
Reinsurance Assets	2,260,754,043	2,024,552,984
Current Tax Assets (Net)	476,190,656	461,201,096
Insurance Receivables	4,212,524,170	3,541,076,342
Other Assets	192,960,312	206,033,990
Other Financial Assets	622,257,491	423,123,678
Cash and Cash Equivalent	176,982,325	295,266,047
Total Assets	29,371,642,769	28,180,397,485
Equity:		
Share Capital	12,813,543,750	12,813,543,750
Share Application Money Pending Allotment	-	-
Share Premium	-	-
Special Reserve	4,244,815,102	3,838,094,199
Catastrophe Reserves	308,155,020	267,482,929
Retained Earnings	554,891,645	672,660,380
Other Equity	754,097,236	729,403,633
Total Equity	18,675,502,753	18,321,184,891
Liabilities:		
Provisions	863,858,965	802,508,350
Gross Insurance Contract Liabilities	8,784,479,528	7,248,549,171
Deferred Tax Liabilities	-	-
Insurance Payable	904,233,792	1,438,333,022
Current Tax Liabilities (Net)	-	-
Borrowings	-	-
Other Liabilities	137,197,555	328,142,450
Other Financial Liabilities	6,370,177	41,679,599
Total Liabilities	10,696,140,016	9,859,212,593
Total Equity and Liabilities	29,371,642,769	28,180,397,485

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Income:				
Gross Earned Premiums	1,979,567,270	3,414,276,921	1,651,728,280	3,848,905,354
Premiums Ceded	- 225,088,046	- 377,785,545	- 216,486,637	- 455,464,735
Net Earned Premiums	1,754,479,225	3,036,491,376	1,868,214,917	3,393,440,619
Commission Income	-	-	-	-
Other Direct Income	11,345,457	54,434,386	14,651,941	124,948,994
Income from Investments and Loans	463,875,610	873,659,767	542,877,744	968,594,136
Net Gain/(Loss) on Fair Value Changes	-	-	-	-
Net Realised Gains/(Losses)	-	-	-	-
Other Income	3,878,044	4,197,898	-	-
Total Income	2,233,578,336	3,968,783,426	2,425,744,601	4,486,983,749
Expenses:				
Gross Claims Paid	1,012,869,512	2,583,291,083	1,777,970,195	2,815,958,971
Claims Ceded	-	-	-	-
Gross Change in Contract Liabilities	- 326,889,159	- 299,908,792	- 2,296,706	- 852,664,620
Change in Contract Liabilities Ceded to Reinsurers	- 2,493,236	- 162,685,036	- 386,630,412	- 170,309,990
Net Claims Incurred	688,473,589	2,120,697,255	1,389,043,077	2,133,604,342
Commission Expenses	481,826,773	1,157,095,727	316,221,889	612,469,632
Service Fees	14,009,235	35,433,476	13,719,569	28,071,732
Other Direct expenses	12,405,315	42,224,422	137,743,971	401,525,435
Employee Benefits Expenses	68,565,688	95,847,738	69,517,951	121,765,664
Depreciation and Amortization Expenses	3,788,801	7,577,603	-	-
Impairment Losses	-	-	259,658,072	662,714,637
Other Operating Expenses	5,595,929	25,916,327	10,630,255	21,021,459
Finance Cost	680,845	1,410,791	7,552,558	14,253,123
Total Expenses	1,275,346,176	3,486,203,338	2,204,087,342	3,995,426,024
Net Profit/(Loss) For The Year Before Share of Net Profits of Associates Accounted for Using Equity Method and Tax	958,232,160	482,580,088	221,657,259	491,557,725
Share of Net Profit of Associates accounted using Equity Method	-	-	-	-
Profit Before Tax	958,232,160	482,580,088	221,657,259	491,557,725
Income Tax Expenses	144,790,354	144,821,412	118,120,975	199,091,115
Net Profit/(Loss) For The Year	813,441,806	337,758,676	103,536,284	292,466,610
Earning Per Share				
Basic EPS		2.64		2.28
Diluted EPS		2.64		2.28

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Net Profit/(Loss) For The Year	813,441,806	337,758,676	103,536,284	292,466,610
Other Comprehensive Income	21,174,185	21,174,185	-	-
Total Comprehensive Income	834,615,991	358,932,861	103,536,284	292,466,610

OTHER DETAILS

Particulars	Current Year	Previous Year
	Upto this Quarter (YTD)	Upto this Quarter (YTD)
1. Total Claims Paid Count		
2. Outstanding Claims Count		
3. Long Term Investments (Amount)	3,715,573,019	3,527,875,497
4. Short Term Investments (Amount)	16,974,148,763	16,950,868,474

Note:

Above financial statements are prepared in accordance with Nepal Financial Reporting Standard (NFRS) including directives issued by Nepal Insurance Authority.

The interim financial report has been published in the company's website at (www.nepalre.com.np).

Above financial statements includes provisional figures based on latest data and information received by the company as Statement of Accounts(SOA) are still pending.

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

1. Solvency Ratio related disclosure:

As per latest audited financial statements of the company, the solvency ratio as on Ashad end, 2080 is 3.65, which is higher than the regulatory requirement i.e. 1.5 times.

2. Reinsurance related disclosure:

The company has arranged for adequate and appropriate retrocession program based on the directives issued by the Nepal Insurance Authority and strategy of the company.

3. Details regarding legal proceeding:

There are a few numbers of legal proceedings from the company against tax assessment of previous fiscal years from the Large Taxpayer's Office.

4. Corporate Governance:

The company is conducting its activities in accordance with the provision of Insurance Act, Insurance Regulation, Directives and Circulars issued by Nepal Insurance Authority, the internal control mechanism of the company and following the suggestions received from the internal and external auditor of the company and Nepal Insurance Authority.

5. Any other disclosure as deemed relevant

None

Disclosure as per Securities Registration and Issuance Regulation 2073

Related to sub-Regulation (1) of Regulation (26)

1. Financial Statements Quarter - II (FY 2080/81)

A. Quarterly Statement of Financial position and Statement of Profit or Loss

The quarterly financial statements for second quarter have been published along with this report. The financial statement has been

B. Major Financial Ratios

Earning Per Share	2.64	Net worth per share (Rs.)	145.75
P/E Ratio	254.94	Total Assets per share (Rs.)	229.22

2. Management Analysis

Company has been able to position itself as preferred reinsurer within the country and also has been able to demonstrate itself as trustworthy reinsurer among international brokers and reinsurer. In the current quarter investment return of the company is affected due to decrease in the interest rate offered by the bank and financial institutions As an investment diversification objective company has plan to increase its investment in alternatives as per Nepal Insurance Authority directive. The decrease in economic activity within the country and economic stress scenario worldwide has affected the growth of the insurance industry.

3. Details regarding legal proceedings

There are a few numbers of legal proceedings from the company against tax assessment of previous fiscal years from the Large Taxpayer's Office.

4. Analysis of company's share transactions

Since shares of the company are traded based on the trust of investors towards the Company and analysis of its returns, no major The following figures depict the transactions of the company's share in capital market during the quarter:

Maximum share price	: NPR 773.30
Minimum share price	: NPR 585
Closing share price	: NPR 672
Total number of transactions	: 16,418
Total number of shares traded	1701931
Total number of transaction days	: 49 days

* Source: As published in the website of Nepal Stock Exchange (www.nepalstock.com.np)

5. Problems and Challenges

- Lack of growth of industrial activities.
- Fluctuations in the interest rate offered by the bank and financial institutions
- Impact of CAT risk and its upcoming exposure.
- Shortage of technical and dedicated manpower in the insurance industry.
- Unstable political environment of the country.
- Delay in receiving Statement of Accounts (SOAs) from cedent companies.

6. Strategies initiated by Management to solve the problems and challenges:

- Diversification of investment in alternatives as per Nepal Insurance Authority Directive.
- Establish and cause to arrange insurance pools for management of reinsurance and claim payment of various risk exposure.
- Obtaining appropriate reinsurance arrangement for covering the risk exposure.
- Continuous Training and development activities for the development of human resource.
- Providing appropriate reinsurance coverage to national insurance companies to carter their reinsurance needs.
- Enhancing public relation with the market and cedent companies.

7. Corporate Governance

The company is conducting its activities in accordance with the provision of Insurance Act, Insurance Regulation, Directives and Circulars issued by Nepal Insurance Authority, the internal control mechanism of the company and following the suggestions received from the internal and external auditor of the company and Nepal Insurance Authority.

8. Declaration by Chief Executive Officer on truthfulness of information

I, hereby, declare that all the information provided in this document are true, complete and factual and that I take personal responsibility for any deviations thereof. I also declare that the Company's information or data, that assist investors in making informed investment decisions, have not been misstated in any way.

STATEMENT OF CASH FLOWS

Particulars	Current Period	Previous Year
<u>Cash Flow From Operating Activities:</u>		
<u>Cash Received</u>		
Gross Premium Received	4,578,668,241.42	11,247,883,984.66
Commission Received	-	1,186,474.07
Claim Recovery Received from Reinsurers	-	404,506,198.88
Realised Foreign Exchange Income other than on Cash and Cash Equiv	-	12,210,430.92
Other Direct Income Received	54,434,385.65	-
Others (to be specified)	(408,116,554.71)	357,635,260.63
<u>Cash Paid</u>		
Gross Claims Paid	(2,583,291,082.81)	(7,576,216,814.56)
Reinsurance Premium Paid	(985,400,799.27)	(971,928,126.96)
Commission Paid	(1,157,095,726.77)	(1,942,949,761.67)
Brokerage Paid	-	-
Service Fees Paid	(35,433,476.01)	(59,249,676.94)
Employee Benefits Expenses Paid	(95,847,738.38)	(187,290,305.80)
Other Expenses Paid	(25,916,327.35)	(986,474,040.24)
Other Direct Expenses Paid	13,100,401.93	(340,309.79)
Others (to be specified)	-	-
Income Tax Paid	(159,763,585.73)	(735,925,839.69)
Net Cash Flow From Operating Activities [1]	(804,662,262.02)	(436,952,526.48)
<u>Cash Flow From Investing Activities</u>		
Acquisitions of Intangible Assets	-	(248,600.00)
Proceeds From Sale of Intangible Assets	-	-
Acquisitions of Investment Properties	-	-
Proceeds From Sale of Investment Properties	-	-
Acquisitions of Property & Equipment	(7,134,061.72)	(1,811,723.02)
Proceeds From Sale of Property & Equipment	-	-
Investment in Subsidiaries	-	-
Proceeds from Sale of Investments in Subsidiaries	-	-
Investment in Associates	-	-
Proceeds from Sale of Investments in Associates	-	-
Purchase of Equity Instruments	-	(3,585,000.00)
Proceeds from Sale of Equity Instruments	-	-
Purchase of Mutual Funds	(50,000,000.00)	-
Proceeds from Sale of Mutual Funds	-	-
Purchase of Preference Shares	-	-
Proceeds from Sale of Preference Shares	-	-
Purchase of Debentures	(50,000,000.00)	(112,040,000.00)
Proceeds from Sale of Debentures	-	-
Purchase of Bonds	-	-
Proceeds from Sale of Bonds	-	-
Investments in Deposits	-	(959,444,009.29)
Maturity of Deposits	(80,640,164.51)	-
Loans and Receivables Paid	446,424.88	(13,436,591.13)
Proceeds from Loans and Receivables	-	-
Rental Income Received	-	-
Proceeds from Finance Lease	-	-
Interest Income Received	872,276,295.50	1,899,144,974.19
Dividend Received	1,430,045.90	24,449,128.28
Others (to be specified)	-	-
Total Cash Flow From Investing Activities [2]	686,378,540.05	833,028,179.04
<u>Cash Flow From Financing Activities</u>		
Interest Paid	-	(23,265,296.99)
Proceeds From Borrowings	-	(300,000,000.00)
Repayment of Borrowings	-	-
Payment of Finance Lease	-	-
Proceeds From Issue of Share Capital	-	-
Share Issuance Cost Paid	-	-
Dividend Paid	-	(61,239,145.00)
Dividend Distribution Tax Paid	-	-
Others (to be specified)	-	-
Total Cash Flow From Financing Activities [3]	-	(384,504,441.99)
Net Increase/(Decrease) In Cash & Cash Equivalents [1+2+3]	(118,283,721.97)	11,571,210.57
Cash & Cash Equivalents At Beginning of The Year/Period	295,266,046.74	283,694,836.17
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-	-
Cash & Cash Equivalents At End of The Year/Period	176,982,324.77	295,266,046.74
Components of Cash & Cash Equivalents		
Cash In Hand	-	-
Cheques In Hand	-	-
Term Deposit with Banks (with initial maturity upto 3 months)	-	-
Balance With Banks	176,982,324.60	295,266,046.82

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS

Particulars	Current Period	Previous Year
Opening Balance in Retained Earnings	672,660,380.23	1,114,616,017.45
Transfer from OCI reserves to retained earning in current year		
Net profit or (loss) as per statement of profit or loss	337,758,675.88	1,558,886,352.77
Appropriations:		
i)Transfer to Insurance Fund		
ii)Transfer to Special Reserve	(406,720,902.96)	(817,173,203.87)
iii)Transfer to Catastrophe Reserve	(40,672,090.30)	(81,717,320.39)
iv)Transfer to Capital Reserve	-	-
v)Transfer to CSR reserve	(8,134,418.06)	(16,343,464.08)
vi)Transfer to/fromRegulatory Reserve	-	120,455,814.43
vii)Transfer to Fair Value Reserve	-	-
viii)Transfer of Deferred Tax Reserve	-	(94,401,789.21)
ix)Transfer to OCI reserves due to change in classification	-	-
x)Others (to be Specified)	-	-
Deductions:		
i) Accumulated Fair Value Gain on each Financial Assets Measured at	-	-
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 Hedge	-	-
iv) Accumulated Fair Value gain on Hedging Instruments in Fair Value Hedge	-	-
v) Accumulated Fair value gain of Ineffective Portion on Cash Flow Hedge	-	-
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	-	1,111,662,026.87
xiv) Deduction as per Sec. 17of Financial Directive	-	-
xv) Deduction as per Sec. 18 of Financial Directive	-	-
xvi) Others (to be specified)	-	-
a) Actuarial Reserve	-	-
b) Others (to be Specified)	-	-
Adjusted Retained Earning	554,891,644.80	672,660,380.23
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)	-	-
Total Distributable Profits	554,891,644.80	672,660,380.23

STATEMENT OF CHANGES IN EQUITY
For The Year Ended 29 Poush, 2080

Fig. in NPR

Particulars	Ordinary Share Capital	Preference Shares	Share Application Money Pending Allotment	Share Premium	Retained Earnings	Revaluation Reserves	Special Reserve	Capital Reserves	Catastrophe Reserves	Corporate Social Responsibility (CSR) Reserve	Fair Value Reserves	Actuarial Reserves	Deferred Tax Reserves	Regulatory Reserves	Insurance Pool Reserves	Total
Balance as at 1 Shrawan 2080	12,813,543,750	-	-	-	672,660,380	149,489,320	3,838,094,199	-	267,482,929	32,827,938	237,139,456	2,783,162	188,956,252	-	118,207,505	18,321,184,892
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance at 1 Shrawan 2080	12,813,543,750	-	-	-	672,660,380	149,489,320	3,838,094,199	-	267,482,929	32,827,938	237,139,456	2,783,162	188,956,252	-	118,207,505	18,321,184,892
Profit/(Loss) For the Year					337,758,676					(4,615,000)						333,143,676
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	-	-	-	-	21,174,185	-	-	-	-	-	-	-	-	-	-	21,174,185
v) Revaluation of Property, Plant and Equipment/ Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
vi) Remeasurement of Post-Employment Benefit Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Reserves/ Funds	-	-	-	-	(476,701,596)	-	406,720,903	-	40,672,090	8,134,418	21,174,185	-	-	-	-	-
Transfer of Deferred Tax Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 29 Poush 2080	12,813,543,750	-	-	-	554,891,645	149,489,320	4,244,815,102	-	308,155,020	36,347,356	258,313,641	2,783,162	188,956,252	-	118,207,505	18,675,502,753

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

1 Reporting Entity

Nepal Re-Insurance Company Limited (herein after referred to as the 'Company') is a public limited, incorporated on 21st Kartik 2071 (7th Nov 2014) and operated as re-insurance company after obtaining license on 4th Poush 2072 (19th December 2015) under the Insurance Act 2049.

The registered office of the Company is located at LS Building-3rd Floor, Thapathali, Kathmandu City. The Company's shares are listed on Nepal Stock Exchange (date of listing 28th Jestha 2077 (10th June 2020)). The principal activities of the Company are to provide various reinsurance services to Life and Non-life Re/Insurance Companies located inside and outside Nepal.

2 Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Reporting Period of interim financial statements

The Company reporting period is from 1 Shrawan 2080 to 29 Poush 2080 (Second Quarter).

(b) Statement of Compliance

The Interim Financial Statements which have been prepared in accordance with the Nepal Accounting Standard - 34 "Interim Financial Reporting" and Nepal Financial Reporting Standards (NFRS) issued by the Nepal Accounting Standards Board (ASB) and directives issued by Nepal Insurance Authority and required disclosures as per Securities Board of Nepal. 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. The previous period figures have been regrouped and adjusted wherever required.

(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: Certain Financial Assets & Liabilities which are required to be measured at fair value.

Insurance Contract Liabilities are determined in accordance with the provisions and circulars issued by Nepal Insurance Authority.

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.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) Presentation of financial statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by the nature and listed in an order that reflects their relative liquidity and maturity pattern.

(i) Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by Nepalese Financial Reporting Standards or Interpretation (issued by the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC) and as specifically disclosed in the Significant Accounting Policies of the Company.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

(j) Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the Nepal Accounting Standard-NAS 1 on 'Presentation of Financial Statements'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

3 Significant Accounting Policies

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

(a) Property and Equipment

i) Recognition

Freehold land is carried at revalued amount 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.

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.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

iii) Depreciation

Depreciation on Property 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 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	
- Compound Wall	15
Leasehold Improvement	Earlier of Lease Period or 5 years
Furniture & Fixtures	
- Furniture and Fixtures-Wooden	7
- Furniture & fixtures- Steel, Aluminum	5
- Others	7
Computers and IT Equipments	5
Office Equipment	5
Vehicles	
- Car, Jeep, Bus, Motorcycle	10
- Tricycle, Cycle & others	5

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, 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.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

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, major plant and machinery 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.

(b) Goodwill & 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.

Goodwill on business combination is recognized on the acquisition date at the excess of (a) over (b) below:

(a) The aggregate of:

1. The consideration transferred measured in accordance with the NFRS 3, which generally requires acquisition-date fair value.
2. The amount of any non-controlling interest in the acquiree measured in accordance with the NFRS 3, and
3. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

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 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 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

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

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

List of Asset Categories	Useful Life (In Years) for SLM
Softwares	5
Licences	Licence Period
Website	10

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) Investment Properties

Cost Model:

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 PPE, the deemed cost for subsequent accounting is the fair value at the date of change in use. If PPE becomes an investment property, the Company accounts for such property in accordance with the policy stated under PPE up to the date of change in use.

(d) Cash & Cash Equivalent

For the purpose of presentation in the Statement of Cash Flows, Cash & Cash Equivalents includes Cash In Hand, Bank Balances and short term deposits with a maturity of three months or less.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

(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.

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.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

Expected Credit Loss for Impairment of Financial Assets is applicable after implementation of NFRS 9

In accordance with NFRS 9 "Financial Instrument", the Company uses 'Expected Credit Loss' (ECL) Model, for evaluating impairment of Financial Assets other than those measured at Fair Value through Profit or Loss (FVTPL).

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.

(f) 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.

(g) 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 group or the counterparty.

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Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

(h) 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 reinsurer. If a reinsurance asset is impaired, the company reduces the carrying amount accordingly and is recognized in statement of profit or loss.

(i) Share Capital

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.

(j) 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 of bonus shares.

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 distributable profit 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 Insurance Board.

vi) Actuarial Reserves: Reseserve 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) 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.

viii) Revaluation Reserves: Reserve created against revaluation gain on property, plant & equipments & intangible assets, other than the reversal of earlier revaluation losses charged to profit or loss.

ix) Other Reserves: Reserve other than above reserves, for e.g. deferred tax reserve, others (to be specified)

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

(k) 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. This has been derived as per the provision mentioned in the circular issued by Nepal Insurance Authority regarding to interim financial report.

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 has been derived as per the provision mentioned in the circular issued by Nepal Insurance Authority regarding to interim financial report.

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.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

(I) 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 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.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

(m) Revenue Recognition

i) Gross Earned Premiums

Gross earned premiums comprise the total written insurance premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date the contract is inception. Premiums include any adjustments arising in the reporting period for reinsurance premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. In case of pool business, where Nepal Reinsurance Co. Limited is a member, only the Company's share is recorded in the books of accounts.

ii) Unearned Premium Reserves

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. This has been derived as per the provision mentioned in the circular issued by Nepal Insurance Authority regarding to interim financial report.

iii) Ceded Premium

Ceded premium comprise the total premiums payable against risk transferred to reinsurer. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Ceded premiums and reinsurer's shares of 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.

iv) 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 EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

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

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

vi) 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.

(n) Claims and Expenses

i) Gross Claims

Claims include the cost of all claims arising during the year, including external claims handling costs that are directly related to processing and settlement of claims. Claims that are incurred during the financial year are recognized when a claimable event occurs and/or the insurer is notified.

Significant delays are experienced in the notification and settlement of some claims, the ultimate cost of which cannot be known with certainty at the end of reporting period. The IBN(E)R 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 of adverse deviation.

(o) 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) Micro Portfolio - Micro Insurance protects against loss of or damage to crops or livestock. It has great potential to provide value to low-income farmers and their communities, both by protecting farmers when shocks occur and by encouraging greater investment in crops.

vi) 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.

vii) Cattle and Crop Portfolio - Cattle and Crop Insurance provides insurance against loss of or damage to Cattle and crops.

viii) 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.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

xi) Excess of Loss (Whole Account) Portfolio:- Excess of loss reinsurance is a type of reinsurance in which the reinsurer indemnifies—or compensates—the ceding company for losses that exceed a specified limit. Excess of loss reinsurance is a form of non-proportional reinsurance which covers whole account of portfolio.

x) Life Insurance Portfolio:- Insurance business other than non life business fall under this category.

(p) 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.

(q) 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.

(r) Leases

The Lease is accounted for using the NFRS 16, Lease, where the leased asset is shown in the similar category of the assets, where it would have been, if the assets were owned by the Company. The Right of Use (ROU) asset is created by discounting the lease payments using the company's borrowing rate. The assets is depreciated over the lease period using the SLM basis of depreciation.

(s) 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.

Nepal Re- Insurance Limited

Notes to the Quarterly Financial Statements for the period ended on 29 Poush, 2080 (14th January, 2024)

(t) 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.

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

(u) 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.

(v) Earnings Per Share

Basic Earning 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 earning per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

(x) Operating Segment

Operating Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM) as defined by NFRS 8, "Operating Segment".

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.

(w) Reasonable estimate were made to calculate premium income and other related expenses for RSMDST, direct cession, life and agriculture business in respect of Statement Of Accounts(SOAs) not received.

SEGMENTAL INFORMATION

Segment information is presented in respect of the Company's business segments. Management of the Company has identified portfolios as business segment along with its treasury department which is in charge for the investments made by the company; and the Company's internal reporting structure is also based on same. 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 Business Segments of the Company's are:

- i) Property
- ii) Motor
- iii) Marine
- iv) Engineering
- v) Micro
- vi) Aviation
- vii) Cattle and Crop
- viii) Miscellaneous
- ix) Excess of Loss (Whole Account)
- x) Life Insurance
- xi) Treasury (Head Office)

a) Segmental Information for the year ended 29 Poush 2080

Particulars	Non-Life Insurance Business										Life Insurance Business	Treasury (Head Office)	Inter Segment Elimination	Total	
	Fire	Motor	Marine	Engineering	Micro	Aviation	Cattle and Crop	Miscellaneous	Excess of Loss (Whole Account)	Other	Term Life				
Income:															
Gross Earned Premiums	628,588,798	511,408,216	111,166,864	421,726,585	1,567,402	2,841,769	563,895,091	455,288,642	-	-	717,793,554	-	-	3,414,276,921	
Premiums Ceded	(82,503,244)	(39,941,066)	(11,335,723)	(66,608,745)	-	-	(26,070,000)	(127,549,850)	-	-	(23,776,918)	-	-	(377,785,545)	
Inter-Segment Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Earned Premiums	546,085,554	471,467,150	99,831,142	355,117,839	1,567,402	2,841,769	537,825,091	327,738,792	-	-	694,016,637	-	-	3,036,491,376	
Commission Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Direct Income	22,053,460	-	885,155	-	-	-	-	31,495,770	-	-	-	-	-	54,434,386	
Income from Investment & Loans	-	-	-	-	-	-	-	-	-	-	-	873,659,767	-	873,659,767	
Net Gains/ (Losses) on Fair Value Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Realised Gains/ (Losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Segmental Income	568,139,014	471,467,150	100,716,297	355,117,839	1,567,402	2,841,769	537,825,091	359,234,562	-	-	694,016,637	873,659,767	-	3,964,585,529	
Expenses:															
Gross Claims Paid	274,294,178	377,343,958	110,570,928	189,625,706	(911,247)	-	1,004,891,573	232,697,122	-	-	394,778,865	-	-	2,583,291,083	
Claims Ceded	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gross Change in Contract Liabilities	69,166,829	(280,206,715)	(38,065,104)	61,332,716	(2,304,274)	4,407,270	(30,599,769)	(75,139,284)	-	-	(8,500,461)	-	-	(299,908,792)	
Change in Contract Liabilities Ceded to Reinsurers	(191,675,410)	40,508,614	4,584,643	(26,877,072)	155,970	966,491	3,280,009	6,371,719	-	-	-	-	-	(162,685,036)	
Net Claims Incurred	151,785,598	137,645,858	77,090,466	224,081,350	(3,059,551)	5,373,761	977,571,812	163,929,557	-	-	386,278,405	-	-	2,120,697,255	
Commission & Brokerage Expenses	324,726,954	305,437,686	41,665,815	118,490,848	(870,126)	106,523	217,854,636	136,508,083	-	-	13,175,307	-	-	1,157,095,727	
Service Fees	6,680,477	6,194,979	854,387	2,948,951	(37,900)	-	9,539,363	3,695,347	-	-	5,557,871	-	-	35,433,476	
Other Direct Expenses	8,212,395	-	405,311	-	-	14,047	5,080,817	25,776,453	-	-	2,735,399	-	-	42,224,422	
Employee Benefits Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation and Amortization Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Impairment Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Finance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Segmental Expenses	491,405,423	449,278,523	120,015,980	345,521,149	(3,967,577)	5,494,332	1,210,046,628	329,909,440	-	-	407,746,982	-	-	3,355,450,879	
Total Segmental Results	76,733,592	22,188,627	(19,299,683)	9,596,690	5,534,979	(2,652,563)	(672,221,538)	29,325,123	-	-	286,269,655	873,659,767	-	609,134,649	
Segment Assets	1,326,395,902	43,540,882	24,095,996	471,477,916	-	-	26,070,000	306,767,594	-	-	62,405,753	-	-	2,260,754,043	
Segment Liabilities	2,611,761,206	981,563,713	269,249,420	1,381,736,519	(959,232)	13,084,878	1,264,542,095	961,932,227	-	-	1,301,568,702	-	-	8,784,479,528	

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

Particulars	Current Period
Segmental Profit	609,134,649
Add: Net Gains/(Losses) on Fair Value Changes	-
Add: Net Realized Gains/(Losses)	-
Add: Other Income	4,197,898
Less: Depreciation and Amortization	7,577,603
Less: Impairment Losses	-
Less: Finance Cost	1,410,791
Less: Management Cost	121,764,066
Profit Before Tax	482,580,088

c) Reconciliation of Assets

Particulars	Current Period
Segment Assets	2,260,754,043
Goodwill & Intangible Assets	359,258
Property, Plant and Equipment	587,655,855
Investment Properties	-
Deferred Tax Assets	127,616,445
Investment in Subsidiaries	-
Investment in Associates	-
Investments	20,689,721,782
Loans	24,620,431
Current Tax Assets (Net)	476,190,656
Insurance Receivables	4,212,524,170
Other Assets	192,960,312
Other Financial Assets	622,257,491
Cash and Cash Equivalents	176,982,325
Total Assets	29,371,642,769

d) Reconciliation of Liabilities

Particulars	Current Period
Segment Liabilities	8,784,479,528
Provisions	863,858,965
Deferred Tax Liabilities	-
Insurance Payable	904,233,791.54
Current Tax Liabilities (Net)	-
Other Financial Liabilities	6,370,177
Other Liabilities	137,197,555
Total Liabilities	10,696,140,016

Related Party Disclosure

(a) Identified Related Parties

Parent:

Government of Nepal is the principal shareholder of the company with around 44% of shareholding and is the parent of the company. Government of Nepal exercises control over the company with its representation of majority members in the board of directors (including the chairman) of the company.

Subsidiaries:

There are no subsidiaries of Nepal Re-insurance Company Limited.

Associates

There are no associates of Nepal Re-insurance Company Limited.

Fellow Subsidiaries

The following are fellow subsidiaries of Nepal Re-insurance Company Limited where the Government of Nepal exercises its control.

Rastriya Beema Company Limited

Rastriya Beema Sansthan

Entities with significant influence over the entity

Key Management Personnel:

The following are the key management personnel of the company:

Name	Position held
Mr. Damodar Bhandari	Acting Chief Executive Officer
Mr. Ishwori Prasad Aryal	Chairman
Mr. Navaraj Mudvari	Director
Mr. Madan Pokhrel	Director
Mr. Dinuka Pokharel	Director
Mr. Anita Rayamajhi Tandan	Director