

## NECO INSURANCE LIMITED

Beema Bhawan, Gyaneshwor Kathmandu

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Quarterly Financial Results for 2nd Quarter, F.Y. 2082/83 B.S.

### CONDENSED STATEMENT OF FINANCIAL POSITION

Fig in NPR.

Particulars	At the end of this Quarter Unaudited	At the end of Immediate Previous Year Audited
<b>Assets:</b>		
Goodwill & Intangible Assets	3,073,114.00	3,771,392.00
Property and Equipment	626,738,019.00	656,491,267.00
Investment Properties	59,680,601.00	61,210,872.00
Deferred Tax Assets	-	-
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investments	6,581,106,593.00	6,911,528,923.00
Loans	-	-
Reinsurance Assets	2,830,585,031.00	1,873,435,994.00
Current Tax Assets	128,737,697.00	83,260,510.00
Insurance Receivables	255,533,214.00	197,940,719.00
Other Assets	174,106,896.00	251,324,251.00
Other Financial Assets	167,848,555.00	131,892,411.00
Cash and Cash Equivalent	1,381,442,440.00	863,239,801.00
<b>Total Assets</b>	<b>12,208,852,160.00</b>	<b>11,034,096,142.00</b>
<b>Equity:</b>		
Share Capital	2,691,532,328.00	2,515,450,774.00
Share Application Money Pending Allotment	-	-
Share Premium	111,780,000.00	111,780,654.00
Special Reserve	2,319,044,472.00	2,313,656,924.00
Catastrophe Reserves	167,710,964.00	167,172,209.00
Retained Earnings	587,138,042.00	767,745,475.00
Other Equity	403,415,315.00	434,267,266.00
<b>Total Equity</b>	<b>6,280,621,121.70</b>	<b>6,310,073,302.08</b>
<b>Liabilities:</b>		
Provisions	38,590,431.00	33,090,431.00
Gross Insurance Contract Liabilities	5,083,543,251.00	3,539,178,399.00
Deferred Tax (Liabilities)	3,255,250.00	8,520,023.00
Insurance Payables	463,939,917.00	529,849,742.00
Current Tax Assets/(Liabilities)	-	-
Borrowings	-	-
Other Liabilities	221,297,046.00	370,458,269.00
Other Financial Liabilities	117,605,144.00	242,925,977.00
<b>Total Liabilities</b>	<b>5,928,231,038.00</b>	<b>4,724,022,840.00</b>
<b>Total Equity and Liabilities</b>	<b>12,208,852,160.00</b>	<b>11,034,096,142.00</b>

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**Quarterly Financial Results for 2nd Quarter, F.Y. 2082/83 B.S.**

**CONDENSED STATEMENT OF PROFIT OR LOSS**

Fig in NPR.

Particulars	Current Year (Unaudited)		Corresponding Previous Year (Unaudited)	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
<b>Income:</b>				
Gross Earned Premiums	659,164,675.00	1,185,447,486.00	696,721,846.00	1,201,551,255.00
Premiums Ceded	(257,665,004.00)	(488,540,472.00)	(295,655,845.00)	(514,893,556.00)
<b>Net Earned Premiums</b>	<b>401,499,671.00</b>	<b>696,907,014.00</b>	<b>401,066,001.00</b>	<b>686,657,699.00</b>
Commission Income	89,261,345.00	189,710,128.00	68,014,794.00	163,824,609.00
Other Direct Income	5,417,167.00	8,874,710.00	4,573,918.00	7,717,139.00
Income from Investments and Loans	53,777,038.00	106,653,095.00	68,568,124.00	160,239,177.00
Net Gain/(Loss) on Fair Value Changes	-	-	-	-
Net Realised Gains/(Losses)	1,132,045.00	16,741,913.00	3,077,298.00	25,791,787.00
Other Income	4,227,682.00	8,240,214.00	2,788,120.00	-
<b>Total Income</b>	<b>555,314,947.00</b>	<b>1,027,127,074.00</b>	<b>548,088,255.00</b>	<b>1,047,018,531.00</b>
<b>Expenses:</b>				
Gross Claims Paid	394,584,224.00	924,564,508.00	302,321,977.00	623,332,127.00
Claims Ceded	151,055,066.00	437,127,057.00	115,710,497.00	209,093,270.00
Gross Change in Contract Liabilities	134,279,434.00	926,960,769.00	139,882,230.00	1,147,674,765.00
Change in Contract Liabilities Ceded to Reinsurers	131,399,258.00	759,331,156.00	69,144,892.00	1,071,180,162.00
<b>Net Claims Incurred</b>	<b>246,409,335.00</b>	<b>655,067,064.00</b>	<b>257,348,818.00</b>	<b>490,733,460.00</b>
Commission Expenses	13,117,103.00	31,019,928.00	10,309,663.00	21,493,104.00
Service Fees	4,087,824.00	8,354,130.00	3,464,229.00	7,224,609.00
Other Direct expenses	1,033,096.00	1,281,196.00	222,600.00	310,400.00
Employee Benefits Expenses	99,367,616.00	209,217,812.00	86,442,344.00	190,149,548.00
Depreciation and Amortization Expenses	8,634,773.00	20,254,780.00	11,642,470.00	23,576,680.00
Impairment Losses	-	-	-	-
Other Operating Expenses	48,508,411.00	86,539,170.00	56,427,044.00	90,630,402.00
Finance Cost	-	-	-	-
<b>Total Expenses</b>	<b>421,158,157.00</b>	<b>1,011,734,079.00</b>	<b>425,857,168.00</b>	<b>824,118,203.00</b>
<b>Net Profit/(Loss) For The Year Before Share of Net Profits of Associates Accounted for Using Equity Method and Tax</b>	<b>134,156,790.00</b>	<b>15,392,995.00</b>	<b>122,231,087.00</b>	<b>222,900,328.00</b>
Share of Net Profit of Associates accounted using Equity Method	-	-	-	-
<b>Profit Before Tax</b>	<b>134,156,790.00</b>	<b>15,392,995.00</b>	<b>122,231,087.00</b>	<b>222,900,328.00</b>
Income Tax Expenses	40,247,037.00	4,617,898.00	36,669,326.00	66,870,098.00
<b>Net Profit/(Loss) For The Year</b>	<b>93,909,753.00</b>	<b>10,775,096.00</b>	<b>85,561,761.00</b>	<b>156,030,230.00</b>
<b>Earning Per Share Annualized</b>				
Basic EPS		0.80		15.51
Diluted EPS		0.80		15.51

**CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME**

Fig in NPR.

Particulars	Current Year (Unaudited)		Corresponding Previous Year (Unaudited)	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Net Profit/(Loss) For The Year	93,909,753.00	10,775,096.00	85,561,761.00	156,030,230.00
Other Comprehensive Income	(89,684,803.00)	(21,671,791.00)	(42,404,889.00)	27,950,581.00
<b>Total Comprehensive Income</b>	<b>4,224,950.00</b>	<b>(10,896,695.00)</b>	<b>43,156,872.00</b>	<b>183,980,811.00</b>

**Quarterly Financial Results for 2nd Quarter, F.Y. 2082/83 B.S.**

Particulars	Current Year	Previous Year
	Upto this Quarter (YTD) (Unaudited)	Upto this Quarter (YTD) (Unaudited)
1. Total Issued Policy Count	145,885.00	145,693.00
2. Total Renewed Policy Count	52,765.00	48,986.00
3. Total Claims Paid Count	5,378.00	4,863.00
4. Outstanding Claims Count (including Covid Claims)	10,567.00	10,316.00
5. Gross Outstanding Claim Including IBNR and IBNER	2,914,603,766.00	2,842,755,286.00
6. Net Outstanding Claim Including IBNR and IBNER	924,401,272.00	2,051,281,731.00
7. Margin over Best Estimate (MoBE)	86,704,650.00	10,887,366.00
8. Unearned Premium Reserve	1,255,346,396.00	1,168,298,298.00
9. Unexpired Risk Reserve	-	-
10. Earthquake Premium Reserve	71,090,029.00	14,777,831.00
11. Long Term Investments	850,975,564.00	1,334,069,443.00
12. Short Term Investment	5,386,399,885.00	5,923,305,102.00
13. Direct Premium	1,802,851,568.00	1,665,123,020.00
14. Investment in Cost	6,237,375,449.00	6,538,290,666.00
15. Solvency Margin Ratio	5.06	3.85

**Note:**

- The detailed Interim Financial Report has been published in the company's website [www.neco.com.np](http://www.neco.com.np)
- Figures presented above are unaudited figures and might be changed after actuarial report/statutory audit.
- Above Financials are prepared as per Nepal Financial Reporting Standards (NFRS).
- The above figures are regrouped and rearranged whenever necessary.

**Disclosures as per section 84(3) of Insurance Act, 2079**

**1. Solvency Ratio :** The solvency ratio of the company is 5.06 as per the actuarial valuation report of FY 2081-82.

**2. Reinsurance related Disclosure :** The company has various reinsurance arrangements with national and international reinsurance companies in order to mitigate its risk exposure as per the need of the company.

**3. Details regarding legal proceedings:** There are no legal proceedings against the company arising from activities other than normal business operations.

**4. Regulatory limit on expense ratio:** The expense ratio of the company is within the prescribed limit by Nepal Insurance Authority.

**5. Corporate Governance :** The company has complied with the corporate governance directive issued by Nepal Insurance Authority. Company has a separate corporate governance unit and has established various mechanism and procedures to comply with Insurance Acts & Regulations, Directives & Circulars issued by Nepal Insurance Authority and all the relevant laws and regulation. The Board and management of the company is committed in upholding the best governance within the company.

**Additional Disclosures as per Securities Registration and Issuance Regulation-2073**

**(Sub Rule(1) of Rule 26, Annex (14))**

**1. Financial Statements:**

a) The statement of financial position and statement of Profit and Loss (Unaudited) has been published along with this report as per the Nepal Financial Reporting Standards (NFRS)

b) Major Financial Indicators:

Earning per Share Annualized (EPS) :	0.80
Price Earning Ratio (P/E) :	771.86
Net Worth per Share :	233.35
Total Assets per Share:	453.60

**2. Management Analysis:**

The company during the Year has written gross premium of 180.28 crores which is 8.27 % higher than the gross premium written in comparison to corresponding period of previous year. The company is aiming for higher business growth in upcoming period and formulating strategies to achieve so in a sustainable and organic manner. The Company paid total claims of 39.46 crores during the period. The company has utilized diversified investment portfolio & total investments of the company is 658.11(fair Value) crores till the end of second quarter of current fiscal year.

### 3. Details of Legal Proceedings:

There are no legal proceedings by or against the company, board of directors and management of the company apart from those arising from activities other than normal business operations.

### 4. Analysis of share transaction and progress of the company:

a) Management View on share transaction of the company at securities market: The management of the company has neutral view on the share price and transaction as it is determined at Nepal Stock Exchange through open share market operations.

b) Maximum, Minimum, Closing price, Total Traded days and Total Share transactions during the period:

Last Price	618.00	Total Trade Days	55
Highest Price	665.00	Total Trades	4,707
Lowest Price	562.00	Total Traded Shares	464,372

### 5. Problems and Challenges:

Effect of change in interest rate on deposit, high inflation, reduced economic activities and lack of awareness among people about the need and importance of insurance are some of the major problems of insurance industry today. Also the recruitment and retention of quality human resources, highly competitive market, changing regulatory frameworks, political instability, slowdown in economy etc. are other problems and challenges faced by the companies.

### 6. Corporate Governance:

The board of directors of the company and management is committed to follow good governance and ensure full compliance with all the applicable laws and regulations and directives and guidelines issued by Nepal Insurance Authority. The company has formed Audit committee, Risk Management committee and various departments as per the corporate governance directive of Nepal Insurance Authority for establishing good control system in the company. The company holds its external and internal audit timely and both the internal and external audit is carried out by the independent audit firms of Chartered Accountants.

### 7. Declaration by CEO

I hereby declare that the particulars, data & information mentioned in this report, to the best of my knowledge, are true, fair and complete. I have not knowingly concealed any material particulars & information to misguide the investors. I personally take the responsibility on the truthfulness of data, information and particulars disclosed in this report.



**NECO INSURANCE LIMITED**  
**Statement of Distributable Profit or Loss**  
**Quarterly Financial Results for 2nd Quarter, F.Y. 2082/83 B.S.**

Particulars	Current Year YTD
Opening Balance in Retained Earnings	767,745,475.00
Transfer from OCI reserves to retained earning in current year	
Net profit or (loss) as per statement of profit or loss	10,775,096.00
<b>Appropriations:</b>	
i) Transfer to Insurance Fund	
ii) Transfer to Special Reserve	(5,387,548.00)
iii) Transfer to Catastrophe Reserve	(538,755.00)
iv) Transfer to Capital Reserve	
v) Transfer to CSR reserve	(107,751.00)
vi) Transfer to/from Regulatory Reserve	
vii) Transfer to Fair Value Reserve	
viii) Transfer of Deferred Tax Reserve	
ix) Transfer to OCI reserves due to change in classification	
x) Others (Share Issue Cost)	
<b>Deductions:</b>	
i) Accumulated Fair Value Gain on each Financial Assets Measured at FVTPL	
a) Equity Instruments	
b) Mutual Fund	
c) Others (if any)	
ii) Accumulated Fair Value gain on Investment Properties	
iii) Accumulated Fair Value gain on Hedged Items in Fair Value Hedges	
iv) Accumulated Fair Value gain on Hedging Instruments in Fair Value Hedges	
v) Accumulated Fair value gain of Ineffective Portion on Cash Flow Hedges	
vi) Goodwill Recognised	
vii) Unrealised Gain on fluctuation of Foreign Exchange Currency	
viii) Accumulated Share of Net Profit of Associates accounted using Equity Method included in Investment Account	
ix) Overdue loans	
x) Fair value gain recognised in Statement of Profit or Loss	
xi) Investment in unlisted shares	
xii) Delisted share Investment or mutual fund investment	
xiii) Bonus share/ dividend paid	(185,348,475.00)
xiv) Deduction as per Sec 17 of Financial directive	
xiv) Deduction as per Sec 18 of Financial directive	
xv) Others (Prior Period Adjustment)	
<b>Adjusted Retained Earning</b>	<b>587,138,042.22</b>
Add: Transfer from Share Premium Account	
Less: Amount apportioned for Assigned capital	
Less: Deduction as per sec 15(1) Of Financial directive	
Add/Less: Others (to be specified)	
<b>Total Distributable Profit/(loss)</b>	<b>587,138,042.22</b>

**Neco Insurance Limited**  
**Notes to the Financial Statements for the 2nd Quarter 2082/83**

**A 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 years presented, unless otherwise stated.

**B Statement of Compliance**

The 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 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 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.

**C Use of Estimates, assumptions and judgements**

**(a) Basis of Measurement**

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

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

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

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

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

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical Assets or Liabilities that the entity can access at the measurement date;
- Level 2 - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the Asset or Liability, either directly or indirectly; and
- Level 3 - Inputs are unobservable inputs for the Asset or Liability.

**(b) 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.

**(c) 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.

**(d) 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.

**Neco Insurance Limited**  
**Notes to the Financial Statements for the 2nd Quarter 2082/83**

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

**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) Recent Accounting Pronouncements**

Accounting standards issued and effective

All the accounting standard made effective by the ASB are applied while preparing the financial statement of the Company.

Accounting standards issued and non-effective

IFRS 17 "Insurance Contracts"

IFRS 16 "Leases"

**(i) Carve-outs**

The company has not applied any carve outs provided by ASB

**(j) 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

**(k) 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

**(l) 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

**4 Significant Accounting Policies**

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

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

**i) Recognition**

Freehold land is carried at historical cost and other items of property, plant and equipment are stated at cost of acquisition or construction less accumulated

**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. 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. 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 Company has not used revaluation model for subsequent measurement of its PPE.

**iii) Depreciation**

Depreciation on Property, Plant and Equipment ie Furniture & Fixtures, Computer and IT Equipment, Office Equipments and Vehicles is provided on. 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

Useful Life of Property, Plant and Equipment based on DBM is categorised as stated below:

List of Asset Categories	Rate of Depreciat on (In %) for DBM	Estimated Useful Life (In Years)
Buildings	5%	20
Furniture & Fixtures	25%	4
Computers and IT Equipments	25%	4
Office Equipment	25%	4
Vehicles	20%	5

**iv) Derecognition**

An item of Property, Plant and Equipment is derecognized upon disposal or when no Future Economic Benefits are expected to arise from the continued use of

**v) Impairment**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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

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

**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,

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

**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

**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

**(c) Investment Properties**

**Cost Model**

Property that is held for rental income or for capital appreciation or both, is classified as investment property. Investment properties are measured initially at Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no 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 OR

Fair Value Model:

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no 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

**(d) Cash & Cash Equivalent**

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

**(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

**ii) Subsequent Measurement**

a) Financial Assets carried at Amortized Cost (AC)

**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

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

**(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

**ii) Subsequent Measurement**

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

**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

**(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

**(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

**(i) 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

**(j) Reserves and Funds**

i) Share Application Money Pending allotment: Share Application Money Pending Allotment means the amount received on the application on which

ii) Share Premium: If the Company issues share capital at premium it receives extra amount other than share capital such amount is transferred to share

iii) Catastrophe Reserves: The Company has allocated catastrophe reserve for the amount which is 10% of the net profit for the year as per Regulator's

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

v) Regulatory Reserves: Reserve created out of net profit in line with different circulars issued by regulatory authority.

vi) Actuarial Reserves: Reserves against actuarial gain or loss on present value of defined benefit obligation resulting from, experience adjustments (the effects

vii) Revaluation Reserves: Reserve created against revaluation gain on property, plant & equipments & intangible assets, other than the reversal of earlier

viii) Special Reserves: Reserve created as per the provision of Sec. 39 of Insurance Act, 2019.

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

**(k) Insurance Contract Liabilities**

i) Provision for unearned premiums

ii) Outstanding claims provisions

iii) Provision for claim incurred but not reported (IBNR)

Liability adequacy

**(l) 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/Social Security Fund 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 Expenses 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

**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

**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.

**(m) Revenue Recognition**

**i) Gross Premiums**

Gross Premium are recognized as soon as the amount of the premiums can be reliably measured. First premium is recognized from inception date. At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

**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 pro rate basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

**iii) Premium 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 claims, respectively, because this is consistent with how the business is managed.

**ii) Reinsurance Premium**

Direct Reinsurance premiums 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. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks- attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

**iii) Commission Income**

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

**iv) 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.

**v) Net realised gains and losses**

Net realised gains and losses recorded in the statement of profit or loss include gains and losses on financial assets and properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

**(n) Claims and Expenses**

**i) Gross Claims**

Claims includes 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.

Reserve for Incurred but not Reported Claims (IBNR) has been created as per the quarterly Financial Statement Directives issued by Nepal Insurance Authority.

## ii) Reinsurance Classification

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

## (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) Property Portfolio - Property/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 property/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.

## (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 liability has been accounted for under NFRS 16 "Leases". For all the significant lease, the Right-of-Use assets has been recognized at its initial After the commencement date, the right of use asset has been measured using cost model. The lease liability has been increased to reflect interest on the lease

**Finance Leases**  
**Operating Lease**

## (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 difference between the carrying amounts of Assets and 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 & Liability in a transaction that is not a business combination and affects neither accounting nor taxable Profit nor Loss at the time of the transaction.

## (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.

### (ii) Contingent Liabilities

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

### (iii) Contingent Assets

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

## (t) Functional Currency & Foreign Currency Transactions

The Financial Statements of the Company are presented in Nepalese Rupees, which in 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.

## (u) 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.

(v) **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".

**6 Related Party Disclosures**

**(a) Identify Related Parties**

**Holding Company:**

The company does not have any holding company.

**Subsidiaries:**

The company does not have any Subsidiaries.

**Associates:**

The company does not have any Associates.

**Fellow Subsidiaries:**

The company does not have any Fellow Subsidiaries.

**Key Management Personnel:**

KMPs of the Neco Insurance Company Ltd. includes members of Board of directors, Chief Executive Officer, Deputy CEO and Assistant General Manager namely:

Name of key management personnel	Designation
Mr. Ramesh Kumar Niraula	Chairman
Mr. Vinaya Raman Poudel	Director
Mr. Pratap Subedi	Director
Mr. Bharat Kumar Adhikari	Director
Mr. Bhanu Bhakta Pokhrel	Director
Dr. Neelima Shrestha	Director
Mr. Mani Dev Bhattarai	Independent Director
Mr. Ashok Kumar Khadka	CEO
Mr. Ganesh Lamsal	Deputy CEO
Mr. Pawan Thapa	Deputy CEO
Mr. Ramesh Bahadur Thapa	Assistant CEO
Mr. Bishal Kumar Thapa	Assistant General Manager

Notes to the Financial Statements (Continued...)

Operating Segment

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.

- i) Property
- ii) Motor
- iii) Marine
- iv) Engineering
- v) Micro
- vi) Aviation
- vii) Cattle and Crop
- viii) Miscellaneous

a) Segmental Information for the Period ended Posuh 30, 2082 (Jan 14, 2026)

Particulars	Property	Motor	Marine	Engineering	Micro	Aviation	Cattle and Crop	Miscellaneous	Inter Segment Elimination	Total
<b>Income:</b>										
Gross Earned Premiums	395,928,105.53	445,307,856.88	23,190,095.80	154,236,493.71	5,752,079.22	-	50,402,385.35	110,630,469.44		<b>1,185,447,485.91</b>
Premiums Ceded	(154,869,195.62)	(95,915,428.10)	(6,329,832.97)	(121,022,386.38)	(429,512.12)	-	(40,593,511.45)	(69,380,605.26)	-	<b>(488,540,471.89)</b>
Inter-Segment Revenue	-	-	-	-	-	-	-	-	-	-
<b>Net Earned Premiums</b>	<b>241,058,909.91</b>	<b>349,392,428.78</b>	<b>16,860,262.83</b>	<b>33,214,107.34</b>	<b>5,322,567.10</b>	-	<b>9,808,873.89</b>	<b>41,249,864.18</b>	-	<b>696,907,014.02</b>
Commission Income	56,661,673.10	33,832,535.97	3,806,056.00	39,159,158.56	68,750.84	-	10,112,998.35	46,068,955.09	-	189,710,127.91
Other Direct Income		8,874,709.85								8,874,709.85
Income from Investments and Loans	1,930,962.39	(1,105,250.04)	30,783.41	1,199,830.95	93,637.05	-	187,773.48	828,771.27	-	3,166,508.51
Net Gains/ (Losses) on Fair Value Changes	-	-	-	-	-	-	-	-	-	-
Net Realised Gains/ (Losses)	303,113.61	(173,497.08)	4,832.24	188,343.96	14,698.71	-	29,475.82	130,096.71	-	497,063.97
Other Income	149,189.71	(85,393.65)	2,378.38	92,701.15	7,234.57	-	14,507.72	64,032.39	-	244,650.28
<b>Total Segmental Income</b>	<b>300,103,848.72</b>	<b>390,735,533.82</b>	<b>20,704,312.85</b>	<b>73,854,141.95</b>	<b>5,506,888.27</b>	-	<b>20,153,629.27</b>	<b>88,341,719.65</b>	-	<b>899,400,074.54</b>
<b>Expenses:</b>										
Gross Claims Paid	126,228,681.32	489,968,922.01	18,465,506.54	187,469,674.89	565,909.73		51,652,097.81	50,213,715.20	-	<b>924,564,507.50</b>
Claims Ceded	(82,234,468.51)	(103,688,485.00)	(6,206,079.90)	(179,496,995.39)	(67,909.16)	-	(37,057,737.30)	(28,375,381.55)	-	<b>(437,127,056.81)</b>
Gross Change in Contract Liabilities	476,898,708.22	138,210,251.85	(12,508,807.29)	(114,561,908.67)	71,330,226.72	-	(2,761,912.64)	370,354,210.93	-	<b>926,960,769.12</b>
Change in Reinsurance Assets	(357,532,269.37)	(86,064,239.36)	17,213,947.52	104,768,722.28	(72,342,124.97)	-	(5,288,564.29)	(360,086,627.56)	-	<b>(759,331,155.73)</b>
<b>Net Claims Paid</b>	<b>163,360,651.67</b>	<b>438,426,449.50</b>	<b>16,964,566.87</b>	<b>(1,820,506.89)</b>	<b>(513,897.68)</b>	-	<b>6,543,883.58</b>	<b>32,105,917.02</b>	-	<b>655,067,064.07</b>
Commission Expenses	14,392,315.00	7,664,028.24	1,466,998.02	1,001,440.56	183,253.05	-	1,860,944.76	4,450,948.18	-	31,019,927.81
Service Fees	2,777,131.69	4,212,328.06	366,503.08	374,357.31	39,111.79	-	121,034.67	463,663.62	-	8,354,130.22
Other Direct Expenses				1,281,195.70						1,281,195.70
Employee Benefits Expenses	56,832,770.42	68,495,634.51	6,759,945.36	24,645,670.57	860,530.41	-	8,635,326.05	22,066,153.19	-	188,296,030.51
Depreciation and Amortization Expenses	5,502,090.22	6,631,194.61	654,443.36	2,385,994.95	83,309.61	-	836,002.59	2,136,266.89	-	18,229,302.23
Impairment Losses	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	23,507,849.14	28,331,982.26	2,796,129.32	10,194,236.56	355,942.86	-	3,571,846.68	9,127,265.77	-	77,885,252.60
Finance Cost	-	-	-	-	-	-	-	-	-	-
<b>Total Segmental Expenses</b>	<b>266,372,808.14</b>	<b>553,761,617.19</b>	<b>29,008,586.00</b>	<b>38,062,388.76</b>	<b>1,008,250.04</b>	-	<b>21,569,038.32</b>	<b>70,350,214.67</b>	-	<b>980,132,903.14</b>
<b>Total Segmental Results</b>	<b>33,731,040.58</b>	<b>(163,026,083.37)</b>	<b>(8,304,273.15)</b>	<b>35,791,753.19</b>	<b>4,498,638.23</b>	-	<b>(1,415,409.06)</b>	<b>17,991,504.98</b>	-	<b>(80,732,828.59)</b>
<b>Segment Assets</b>	<b>811,825,676.47</b>	<b>371,208,215.61</b>	<b>24,542,240.38</b>	<b>376,813,121.27</b>	<b>553,214,776.26</b>	-	<b>105,678,594.37</b>	<b>587,302,406.31</b>	<b>255,533,213.71</b>	<b>3,086,118,244.38</b>
<b>Segment Liabilities</b>	<b>1,483,701,621.91</b>	<b>1,601,973,199.20</b>	<b>92,365,561.32</b>	<b>481,026,400.24</b>	<b>565,602,285.17</b>	-	<b>134,057,600.18</b>	<b>724,816,582.86</b>	<b>463,939,917.21</b>	<b>5,547,483,168.09</b>

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

<b>Particulars</b>	<b>Current Year</b>
Segmental Profit	(80,732,829)
Less: Employee Benefit Expenses	(20,921,781)
Less: Depreciation and Amortization	(2,025,478)
Less: Other Operating Expenses	(8,653,917)
Less: Impairment Losses	-
Less: Finance Cost	
Add: Unallocable Other Income	127,727,000
<b>Profit Before Tax</b>	<b>15,392,995</b>

**d) Reconciliation of Assets**

<b>Particulars</b>	<b>Current Year</b>
Segment Assets	3,086,118,244
Goodwill and Intangible Assets	3,073,114
Property, Plant and Equipment	626,738,019
Investment Properties	59,680,601
Deferred Tax Assets	-
Investments in Subsidiaries	-
Investments in Associates	-
Investments	6,581,106,593
Loans	-
Current Tax Assets (Net)	128,737,697
Other Assets	174,106,896
Other Financial Assets	167,848,555
Cash and Cash Equivalents	1,381,442,441
<b>Total Assets</b>	<b>12,208,852,160</b>

**e) Reconciliation of Liabilities**

<b>Particulars</b>	<b>Current Year</b>
Segment Liabilities	5,547,483,168
Provisions	38,590,431
Deferred Tax Liabilities	3,255,250
Current Tax Liabilities (Net)	-
Other Financial Liabilities	117,605,144
Other Liabilities	221,297,046
<b>Total Liabilities</b>	<b>5,928,231,038</b>