

NECO INSURANCE LIMITED

(Mention the address, contact information and website details)

Quarterly Financial Results for 1st Quarter, F.Y. 2080/81 B.S

Unaudited

Unaudited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Fig in NPR.

Particulars	At the end of this Quarter	At the end of Immediate Previous Year
Assets:		
Goodwill & Intangible Assets	2,644,352.38	3,305,440.47
Property and Equipment	562,186,841.15	542,404,741.89
Investment Properties	124,132,305.27	125,031,477.79
Deferred Tax Assets	90,558,927.73	81,146,964.09
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investments	5,284,854,231.52	4,911,275,012.80
Loans	-	-
Reinsurance Assets	1,810,816,841.53	1,748,837,027.91
Current Tax Assets	237,207,965.41	38,352,400.21
Insurance Receivables	219,354,461.08	189,024,178.07
Other Assets	195,086,294.24	172,576,333.21
Other Financial Assets	304,895,585.03	262,737,475.55
Cash and Cash Equivalent	210,891,493.87	364,449,155.49
Total Assets	9,042,629,299.21	8,439,140,207.47
Equity:		
Share Capital	2,012,360,618.55	2,012,360,618.55
Share Application Money Pending Allotment	-	-
Share Premium	-	-
Catastrophe Reserves	105,730,332.70	109,301,487.73
Retained Earnings	331,698,875.88	286,128,848.62
Other Equity	1,810,542,175.75	1,845,905,500.14
Total Equity	4,260,332,002.88	4,253,696,455.03
Liabilities:		
Provisions	135,930,755.45	172,082,437.30
Gross Insurance Contract Liabilities	3,572,217,391.31	3,332,458,279.75
Deferred Tax Liabilities	-	-
Insurance Payable	325,901,716.85	193,483,804.84
Current Tax Liabilities	-	-
Borrowings	-	-
Other Liabilities	357,157,015.22	309,244,349.89
Other Financial Liabilities	391,090,417.50	178,174,880.66
Total Liabilities	4,782,297,296.33	4,185,443,752.44
Total Equity and Liabilities	9,042,629,299.22	8,439,140,207.47

NECO INSURANCE LIMITED

CONDENSED STATEMENT OF PROFIT OR LOSS
Quarterly Financial Results for 1st Quarter, F.Y. 2080/81 B.S

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Income:				
Gross Earned Premiums	490,286,501.57	490,286,501.57	753,845,846.63	753,845,846.63
Premiums Ceded	-	-	-	-
Net Earned Premiums	276,938,667.49	276,938,667.49	419,499,983.13	419,499,983.13
Commission Income	87,500,710.83	87,500,710.83	88,980,611.71	88,980,611.71
Other Direct Income	1,570,347.00	1,570,347.00	2,667,624.00	2,667,624.00
Income from Investments and Loans	116,131,735.20	116,131,735.20	107,076,939.87	107,076,939.87
Net Gain/(Loss) on Fair Value Changes	-	-	-	-
Net Realised Gains/(Losses)	-	-	-	-
Other Income	-	-	-	-
Total Income	482,141,460.53	482,141,460.53	618,225,158.71	618,225,158.71
Expenses:				
Gross Claims Paid	292,854,541.59	292,854,541.59	339,293,475.73	339,293,475.73
Claims Ceded	-	-	-	-
Gross Change in Contract Liabilities	12,996,820.88	12,996,820.88	321,263,639.22	321,263,639.22
Change in Contract Liabilities Ceded to Reinsurers	-	-	-	-
Net Claims Incurred	202,956,682.44	202,956,682.44	395,798,793.27	395,798,793.27
Commission Expenses	12,698,961.32	12,698,961.32	14,451,534.84	14,451,534.84
Service Fees	3,465,114.91	3,465,114.91	4,493,743.27	4,493,743.27
Other Direct expenses	786,789.21	786,789.21	1,055,714.61	1,055,714.61
Employee Benefits Expenses	97,841,467.27	97,841,467.27	90,594,050.98	90,594,050.98
Depreciation and Amortization Expenses	12,806,230.48	12,806,230.48	13,356,837.05	13,356,837.05
Impairment Losses	-	-	-	-
Other Operating Expenses	40,094,336.28	40,094,336.28	34,392,912.32	34,392,912.32
Finance Cost	-	-	-	-
Total Expenses	370,649,581.92	370,649,581.92	554,143,586.34	554,143,586.34
Net Profit/(Loss) For The Year Before Share of Net Profits of Associates Accounted for Using Equity Method and Tax	111,491,878.61	111,491,878.61	64,081,572.38	64,081,572.38
Share of Net Profit of Associates accounted using Equity Method	-	-	-	-
Profit Before Tax	111,491,878.61	111,491,878.61	64,081,572.38	64,081,572.38
Income Tax Expenses	23,448,430.64	23,448,430.64	28,795,054.52	28,795,054.52
Current tax	33,447,563.58	33,447,563.58	28,795,054.52	28,795,054.52
Deferred tax	-	-	-	-
Net Profit/(Loss) For The Year	88,043,447.97	88,043,447.97	35,286,517.86	35,286,517.86
Earning Per Share				
Basic EPS	17.50	17.50	8.07	8.07
Diluted EPS	17.50	17.50	8.07	8.07

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

Fig in NPR.

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Net Profit/(Loss) For The Year	88,043,447.97	88,043,447.97	35,286,517.86	35,286,517.86
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	88,043,447.97	88,043,447.97	35,286,517.86	35,286,517.86

NECO INSURANCE LIMITED
Other Details for Quarterly Financial Statement 1st Quarter 2080/81

Particulars	Current Year	Previous Year
	Upto this Quarter (YTD)	Upto this Quarter (YTD)
1. Total Issued Policy Count (Only for Non Life and Non Micro Life)	51,920.00	78,604.00
2. Total Renewed Policy Count (Only for Non Life and Non Micro Life)	23,996.00	21,779.00
3. Total Claims Paid Count	2,424.00	2,356.00
4. Outstanding Claims Count	9,699.00	10,011.00
5. Long Term Investments (Amount)	560,219,531.20	572,761,844.16
6. Short Term Investments (Amount)	4,724,634,700.32	4,338,513,168.64

Note:

1. The detailed Interim Financial Report has been published in the company's website www.neco.com.np
2. Figures presented above are unaudited figures and might be changed after actuarial report/statutory audit.
3. Above Financials are prepared as per Nepal Financial Reporting Standards (NFRS).
4. 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 5.49 as per the actuarial valuation report of FY 2078-79.

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 (EPS) :	17.50 (Annualized)
Price Earning Ratio (P/E) :	46.06
Net Worth per Share :	211.71
Total Assets per Share:	449.35

2. Management Analysis:

The company during the first quarter has earned gross premium of 84.04 crores which is 1.45 % higher than the gross premium earned 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 29.29 crores during the period. The company has utilized diversified investment portfolio to increase the revenue & total investments of the company is 528.49 crores till the end of first 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	806	Total Trade Days	61
Highest Price	922	Total Trades	27,013
Lowest Price	797	Total Traded Shares	475,276

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 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
Consolidated Statement of Cash Flows
Quarterly Financial Results for 1st Quarter, F.Y. 2080/81 B.S

Particulars	Current Year YTD
Cash Flow From Operating Activities:	
Cash Received	
Gross Premium Received	764,779,984.19
Reinsurance Commission Received	87,500,710.83
Claim Recovery Received from Reinsurers	68,018,688.36
Realised Foreign Exchange Income other than on Cash and Cash Equivalents	-
Other Direct Income Received	4,188,959.01
Others (Other Income received)	-
Cash Paid	
Gross Benefits and Claims Paid	- 292,854,541.59
Reinsurance Premium Paid	- 200,375,572.31
Commission Paid	- 12,698,961.32
Service Fees Paid	- 3,465,114.91
Employee Benefits Expenses Paid	- 97,841,467.27
Other Expenses Paid	- 40,094,336.28
Other Direct Expenses Paid	- 786,789.21
Others (Changes in Working Capital)	93,468,072.34
Income Tax Paid	- 232,303,128.79
Net Cash Flow From Operating Activities [1]	137,536,503
Cash Flow From Investing Activities	
Acquisitions of Intangible Assets	661,088.09
Proceeds From Sale of Intangible Assets	-
Acquisitions of Investment Properties	-
Proceeds From Sale of Investment Properties	899,172.52
Acquisitions of Property & Equipment	- 32,588,329.74
Proceeds From Sale of Property & Equipment	-
Investment in Subsidiaries	-
Receipts from Sale of Investments in Subsidiaries	-
Investment in Associates	-
Receipts from Sale of Investments in Associates	-
Purchase of Equity Instruments	- 373,579,218.72
Proceeds from Sale of Equity Instruments	-
Purchase of Mutual Funds	-
Proceeds from Sale of Mutual Funds	-
Purchase of Preference Shares	-
Proceeds from Sale of Preference Shares	-
Purchase of Debentures	-
Proceeds from Sale of Debentures	-
Purchase of Bonds	-
Proceeds from Sale of Bonds	-
Investments in Deposits	-
Maturity of Deposits	-
Loans Paid	-
Proceeds from Loans	-
Rental Income Received	1,429,023.20
Proceeds from Finance Lease	-

Interest Income Received	112,084,099.99
Dividend Received	-
Others (to be specified)	-
Total Cash Flow From Investing Activities [2]	(291,094,165)
Cash Flow From Financing Activities	
Interest Paid	-
Proceeds From Borrowings	-
Repayment of Borrowings	-
Payment of Finance Lease	-
Proceeds From Issue of Share Capital	-
Share Issuance Cost Paid	-
Dividend Paid	-
Dividend Distribution Tax Paid	-
Others (to be specified)	-
Total Cash Flow From Financing Activities [3]	-
Net Increase/(Decrease) In Cash & Cash Equivalents [1+2+3]	(153,557,662)
Cash & Cash Equivalents At Beginning of The Year/Period	364,449,155.49
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-
Cash & Cash Equivalents At End of The Year/Period	210,891,494
	-
Components of Cash & Cash Equivalents	
Cash In Hand	-
Cheuqe in Hand	-
Term Deposit with Banks (with initial maturity upto 3 months)	210,891,494
Balance With Banks	210,891,494

**Statement of Changes In Equity
For the First Quarter FY 2080/81**

Particulars	Ordinary Share Capital	Preference Shares	Share Application Money Pending Allotment	Share Premium	Retained Earnings	Revaluation Reserves	Special Reserves	Capital Reserves	Catastrophe Reserve	Corporate Social Responsibility (CSR) Reserves	Insurance Fund Including Insurance Reserve	Fair Value Reserves	Actuarial Reserves	Deferred Tax Reserve	Other Reserves	Total
Balance as on Shrawan 1, 2079	1,749,878,799	-	-	-	300,093,649	-	1,359,496,487	-	74,475,688	5,448,175	27,195,228	42,837,796	-	64,219,564	19,453,355	3,643,098,742
Prior period adjustment																
Restated Balance as at Shrawan 1, 2079	1,749,878,799	-	-	-	300,093,649	-	1,359,496,487	-	74,475,688	5,448,175	27,195,228	42,837,796	-	64,219,564	19,453,355	3,643,098,742
Profit/(Loss) For the Year					568,820,572.9											568,820,573
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												62,163,354				62,163,354
v) Revaluation of Property and Equipment/ Goodwill & Intangible Assets																-
vi) Remeasurement of Post-Employment Benefit Obligations																-
Transfer to Reserves/ Funds					292,403,975		251,783,163		34,825,799	5,795,013						-
Transfer to Deferred Tax Reserves					5,511,026									5,511,026		-
Transfer of Depreciation on Revaluation of Property and Equipment																-
Transfer on Disposal of Revalued Property and Equipment																-
Transfer on Disposal of Equity Instruments Measured at FVTOCI					6,889,377							2,002,338				4,887,038
Share Issuance Costs					1,684,343											1,684,343
Contribution by/ Distribution to the owners of the Company																-
i) Bonus Share Issued	262,481,820				262,481,820											-
ii) Share Issue																-
iii) Cash Dividend					13,814,833											13,814,833
iv) Dividend Distribution Tax																-
v) Others (To be specified)																-
Balance as on Ashadh end, 2080	2,012,360,619	-	-	-	286,128,848	-	1,611,279,650	-	109,301,488	11,243,188	27,195,228	107,003,489	-	69,730,590	19,453,355	4,253,696,455
Balance as on Shrawan 1, 2080	2,012,360,619	-	-	-	286,128,848	-	1,611,279,650	-	109,301,488	11,243,188	27,195,228	107,003,489	-	69,730,590	19,453,355	4,253,696,454
Prior period adjustment																-
Restated Balance as at Shrawan 1, 2080	2,012,360,619	-	-	-	286,128,848	-	1,611,279,650	-	109,301,488	11,243,188	27,195,228	107,003,489	-	69,730,590	19,453,355	4,253,696,454
Profit/(Loss) For the Year					88,043,448											88,043,448
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												81,407,899				81,407,899
v) Revaluation of Property and Equipment/ Goodwill & Intangible Assets																-
vi) Remeasurement of Post-Employment Benefit Obligations																-
Transfer to Reserves/ Funds					42,473,420		44,021,724		3,571,155	2,022,851						-
Transfer of Opening regulatory reserve																-
Transfer to Deferred Tax Reserves																-
Transfer of Depreciation on Revaluation of Property and Equipment																-
Transfer on Disposal of Revalued Property and Equipment																-
Transfer on Disposal of Equity Instruments Measured at FVTOCI																-
Share Issuance Costs																-
Contribution by/ Distribution to the owners of the Company																-
i) Bonus Share Issued																-
ii) Share Issue																-
iii) Cash Dividend																-
iv) Dividend Distribution Tax																-
v) Others (To be specified)																-
Balance as on Ashwin end, 2080	2,012,360,619	-	-	-	331,698,876	-	1,655,301,374	-	105,730,333	13,266,039	27,195,228	25,595,590	-	69,730,590	19,453,355	4,260,332,003

NECO INSURANCE LIMITED
Statement of Distributable Profit or Loss
Quarterly Financial Results for 1st Quarter, F.Y. 2080/81 B.S
(For the Year Ended Ashad 2080)

Particulars	Current Year YTD
Opening Balance in Retained Earnings	286,128,848.62
Transfer from OCI reserves to retained earning in current year	-
Net profit or (loss) as per statement of profit or loss	88,043,447.97
Appropriations:	
i) Transfer to Insurance Fund	-
ii) Transfer to Special Reserve	(44,021,723.98)
iii) Transfer to Catastrophe Reserve	3,571,155.03
iv) Transfer to Capital Reserve	-
v) Transfer to CSR reserve	(2,022,850.76)
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)	-
Deductions:	
i) Accumulated Fair Value Gain on each Financial Assets Measured at FVTPL	
a) Equity Instruments	-
b) Mutual Fund	-
c) Others (if any)	-
ii) Accumulated Fair Value gain on Investment Properties	-
iii) Accumulated Fair Value gain on Hedged Items in Fair Value Hedges	-
iv) Accumulated Fair Value gain on Hedging Instruments in Fair Value Hedges	-
v) Accumulated Fair value gain of Ineffective Portion on Cash Flow Hedges	-
vi) Goodwill Recognised	-
vii) Unrealised Gain on fluctuation of Foreign Exchange Currency	-
viii) Accumulated Share of Net Profit of Associates accounted using Equity Method included in Investment Account	-
ix) Overdue loans	-
x) Fair value gain recognised in Statement of Profit or Loss	-
xi) Investment in unlisted shares	-
xii) Delisted share Investment or mutual fund investment	-
xiii) Bonus share/ dividend paid	-
xiv) Deduction as per Sec 17 of Financial directive	-
xiv) Deduction as per Sec 18 of Financial directive	-
xv) Others (Prior Period Adjustment)	-
Adjusted Retained Earning	331,698,877
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 Profit/(loss)	331,698,877

Neco Insurance Limited
Notes to the Financial Statements for the 1st Quarter 2080/81

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.

Notes to the Financial Statements (Continued...)

4 Significant Accounting Policies

(a) Property, Plant and Equipment (PPE)

i) Recognition

Freehold land is carried at historical cost and other items of property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation when, it is probable that future economic benefits associated with the item will flow to the Company and it can be used for more than one year and the cost can be measured reliably. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it meets the recognition criteria as mentioned above. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

ii) Revaluation

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 "Diminishing Balance Method (DBM)" 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, Plant and Equipment based on DBM is categorised as stated below:

List of Asset Categories	Rate of Depreciation (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 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.

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 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.

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 are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

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

List of Asset Categories	Useful Life (In Years) for SLM
Softwares	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 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

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

Land is carried at historical cost, however, buildings are depreciated over their estimated useful lives as mentioned above.

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.

Neco Insurance Limited
Notes to the Financial Statements for the 1st Quarter 2080/81

Notes to the Financial Statements (Continued...)

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. The company does not have any Investment Property as on Ashadh end.

(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 determines the classification of its Financial Assets at initial recognition.

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

ii) Subsequent Measurement

a) Financial Assets carried at Amortized Cost (AC)

A Financial Asset is measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income in these financial assets is measured using effective interest rate method.

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

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

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

A Financial Asset which is not classified in any of the above categories are measured at FVTPL.

iii) De-Recognition

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

iv) Impairment of Financial Assets

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

(f) 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 Company or the counterparty.

(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 re-insurer. If a reinsurance asset is impaired, the company reduces the carrying amount accordingly and is recognized in statement of profit or loss.

(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 Asset.

(j) Reserves and Funds

i) Share Application Money Pending allotment: Share Application Money Pending Allotment means the amount received on the application on which allotment is not yet made (pending allotment).

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 premium. The amount in share premium is allowed for distribution subject to provisions of company act & regulatory requirement.

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 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.

Notes to the Financial Statements (Continued...)

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

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

vii) 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.

viii) Special Reserves: Reserve created as per the provision of Sec. 39 of Insurance Act, 2079.

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

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

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

ii) Outstanding claims provisions

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

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

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

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

Liability adequacy

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

(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 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.

(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.

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.

Notes to the Financial Statements (Continued...)

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 actuarial Valuation.

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.

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

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

(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 recognition under cash model. The Lease liability has been recognized at the present value of the lease payments that are not paid at that date. The lease payment has been discounted at the incremental borrowing rate in lease which is 7%.

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 liability & has been reduced by the lease payment.

The lease assets having the lease liability of equal to or less than NPR 10,000.00 present value at inception has been considered as low value and for those lease the expenses has been recognized under straight line basis.

(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.

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

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

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

Neco Insurance Limited
Notes to the Financial Statements for the 1st Quarter 2080/81

Notes to the Financial Statements (Continued...)

(f) 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 expenses.

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

(ii) Contingent Liabilities

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

As per the Amnesty Provisions mentioned in Finance Act 2080, If Tax Liability applicable on Bonus Shares distributed from Share Premium raised from Further Public Offering (FPO) till FY 2078/79 is paid within Mangsir End 2080, no further Interest and Penalty charge shall be levied by government.

In this regard, Neco Insurance Limited (NIL) had utilized Rs. 19,761,465.00, Rs. 84,980,442.85 and Rs. 44,726,917.57 (in total Rs. 149,378,825.42) from share premium received on Right Share issued to distribute bonus share during FY 2071/72, FY 2073/74 and FY 2074/75 respectively. There is a possibility of tax liability arising in the case for which different banks and insurance have collectively filed Writ Petition at Supreme Court against such retrospective tax implication on distribution.

(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.

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.

(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".

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.

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. Rohit Kumar Bhattarai	Chairman
Mr. Vinaya Raman Poudel	Director
Mr. Pratap Subedi	Director
Mr. Bharat Kumar Adhikari	Director
Mr. Bhanu Bhakta Pokhrel	Director
Mr. Ratna Raj Pandey	Director
Dr. Neelima Shrestha	Director
Mr. Ashok Kumar Khadka	CEO
Mr. Ganesh Lamsal	Deputy CEO
Mr. Ramesh Bahadur Thapa	Assistant General Manager
Mr. Bishal Kumar Thapa	Assistant General Manager

7 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. Perfo 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 gec

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

a) Segmental Information for the 1st Quarter 2080/81

Particulars	Property	Motor	Marine	Engineering	Micro	Aviation	Cattle and Crop	Miscellaneous	Inter Segment Elimination	Total
Income:										
Gross Earned Premiums	151,433,958	184,842,448	13,186,311	53,854,164	2,263,811	-	41,810,213	42,895,596	-	490,286,502
Premiums Ceded	- 73,987,272	- 34,613,098	- 4,241,894	- 44,515,928	- 270,419	-	- 33,072,414	- 22,646,808	-	- 213,347,834
Inter-Segment Revenue	-	-	-	-	-	-	-	-	-	-
Net Earned Premiums	77,446,686	150,229,351	8,944,417	9,338,236	1,993,391	-	8,737,798	20,248,788	-	276,938,667
Commission Income	32,109,623	8,429,909	1,958,887	21,706,684	81,289	-	10,228,317	12,986,001	-	87,500,711
Other Direct Income					1,570,347					1,570,347
Income from Investments and Loans	1,782,040	1,447,759	124,798	525,580	(16,880)	-	(91,881)	137,018	-	3,908,434
Net Gains/ (Losses) on Fair Value Changes	-	-	-	-	-	-	-	-	-	-
Net Realised Gains/ (Losses)	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-
Total Segmental Income	111,338,349	160,107,019	11,028,102	31,570,500	3,628,147	-	18,874,234	33,371,808	-	369,918,160
Expenses:										
Gross Claims Paid	49,318,813	144,900,935	8,199,244	19,476,638	537,102	-	27,957,841	42,463,967	-	292,854,542
Claims Ceded	- 15,688,308	- 43,144,677	- 2,113,200	- 15,424,758	- 427,420	-	- 6,341,469	- 15,209,139	-	- 98,348,971
Gross Change in Contract Liabilities	6,266,968	- 1,963,256	- 219,652	7,097,487	3,241,923	-	790,350	636,299	-	12,996,821
Change in Reinsurance Assets	- 1,733,170	191,545	74,082	- 2,180,409	- 973,714	-	- 13,501	89,459	-	- 4,545,709
Net Claims Paid	38,164,303	99,984,547	5,940,475	8,968,958	2,377,891	-	20,812,520	26,707,988	-	202,956,682
Commission Expenses	3,777,939	2,928,641	209,478	2,823,372	307,378	-	1,470,906	1,181,247	-	12,698,961
Service Fees	1,356,436	1,917,258	113,265	(288,873)	17,011	-	98,900	251,117	-	3,465,115
Other Direct Expenses				786,789						786,789
Employee Benefits Expenses	27,213,474	33,396,179	2,382,361	9,520,439	380,126	-	7,467,997	7,696,743	-	88,057,321
Depreciation and Amortization Expenses	3,561,905	4,371,144	311,821	1,246,107	49,754	-	977,468	1,007,408	-	11,525,607
Impairment Losses	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	11,151,776	13,685,380	976,265	3,901,369	155,771	-	3,060,302	3,154,039	-	36,084,903
Finance Cost	-	-	-	-	-	-	-	-	-	-
Total Segmental Expenses	85,225,833	156,283,151	9,933,665	26,958,162	3,287,931	-	33,888,094	39,998,543	-	355,575,379
Total Segmental Results	26,112,516	3,823,868	1,094,437	4,612,338	340,216	-	(15,013,860)	(6,626,735)	-	14,342,781
Segment Assets	267,878,925	329,290,470	37,213,735	438,021,106	557,697,123	-	32,345,084	148,370,398	219,354,461	2,030,171,303
Segment Liabilities	649,053,150	1,279,321,394	79,066,231	516,017,297	583,638,180	-	197,647,156	267,473,983	325,901,717	3,898,119,108

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

Particulars	Current Year
Segmental Profit	14,342,781
Less: Employee Benefit Expenses	(9,784,147)
Less: Depreciation and Amortization	(1,280,623)
Less: Other Operating Expenses	(4,009,434)
Less: Impairment Losses	-
Less: Finance Cost	-
Add: Unallocable Other Income	112,223,301
Profit Before Tax	111,491,879

d) Reconciliation of Assets

Particulars	Current Year
Segment Assets	2,030,171,303
Goodwill and Intangible Assets	2,644,352
Property, Plant and Equipment	562,186,841
Investment Properties	124,132,305
Deferred Tax Assets	90,558,928
Investments in Subsidiaries	-
Investments in Associates	-
Investments	5,284,854,232
Loans	-
Current Tax Assets (Net)	237,207,965
Other Assets	195,086,294
Other Financial Assets	304,895,585
Cash and Cash Equivalents	210,891,494
Total Assets	9,042,629,299

e) Reconciliation of Liabilities

Particulars	Current Year
Segment Liabilities	3,898,119,108
Provisions	135,930,755
Deferred Tax Liabilities	-
Current Tax Liabilities (Net)	-
Other Financial Liabilities	391,090,417
Other Liabilities	357,157,015
Total Liabilities	4,782,297,296