American Life Insurance Company

Interim Financial Statements

Third Quarter

F.Y. 2081/82 B.S. (2024-25)

As on Chaitra 31, 2081 (13 April, 2025)

CONDENSED STATEMENT OF FINANCIAL POSITION
As on Quarter Ended Chaitra 31, 2081

Fig in NPR.

Particulars	Unaudited At the end of this Quarter	Audited At the end of Immediate Previous Year
Assets:		
Goodwill & Intangible Assets	15,376,932	8,388,052
Property and Equipment	184,804,637	217,215,973
Investment Properties	-	-
Deferred Tax Assets	61,751,154	64,093,501
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investments	31,080,178,402	28,655,002,682
Loans	1,842,277,160	1,748,830,951
Reinsurance Assets	12,917,098	8,629,092
Current Tax Assets	1,563,863	52,249,775
Insurance Receivables	189,036,692	70,981,286
Other Assets	154,462,944	164,493,517
Other Financial Assets	148,688,458	132,671,040
Cash and Cash Equivalent	719,532,327	446,285,586
Total Assets	**34,410,589,667**	**31,568,841,455**
Equity:		
Share Capital	-	-
Share Application Money Pending Allotment	-	-
Share Premium	-	-
Catastrophe Reserves	562,397,906	527,652,272
Retained Earnings	2,525,907,185	2,561,162,305
Other Equity	1,138,503,054	1,077,364,515
Total Equity	**4,226,808,145**	**4,166,179,092**
Liabilities:		
Provisions	194,627,207	195,221,892
Gross Insurance Contract Liabilities	29,351,276,030	26,600,068,702
Deferred Tax Liabilities	-	-
Insurance Payable	227,734,783	91,242,930
Current Tax Liabilities	-	-
Borrowings	-	-
Other Liabilities	304,116,558	345,648,446
Other Financial Liabilities	106,026,944	170,480,393
Total Liabilities	**30,183,781,522**	**27,402,662,363**
Total Equity and Liabilities	**34,410,589,667**	**31,568,841,455**

CONDENSED STATEMENT OF PROFIT OR LOSS
For the Quarter Ended Chaitra 31, 2081 (13 Apr 2025)

Fig in NPR.

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Income:				
Gross Earned Premiums	1,575,574,218	4,444,100,587	1,446,743,912	4,133,239,995
Premiums Ceded	(57,625,434)	(178,977,024)	(55,627,518)	(157,249,178)
Net Earned Premiums	**1,517,948,784**	**4,265,123,563**	**1,391,116,394**	**3,975,990,817**
Commission Income	28,549,310	94,383,300	28,644,552	82,796,065
Other Direct Income	1,221,262	2,449,303	1,215,542	2,304,416
Interest Income on Loan to Policyholders	47,020,660	146,256,397	43,857,253	141,511,922
Income from Investments and Loans	621,640,495	1,943,162,522	603,749,457	1,874,402,555
Net Gain/(Loss) on Fair Value Changes	-	-	-	-
Net Realised Gains/(Losses)	-	-	-	-
Other Income	1,702,997	8,209,394	4,865,536	7,789,080
Total Income	**2,218,083,508**	**6,459,584,479**	**2,073,448,734**	**6,084,794,855**
Expenses:				
Gross Benefits and Claims Paid	757,490,787	2,184,280,432	770,402,221	2,411,388,330
Claims Ceded	(31,337,028)	(50,337,184)	(17,356,384)	(66,670,744)
Gross Change in Contract Liabilities	959,922,876	2,751,207,329	847,625,213	2,305,771,715
Change in Contract Liabilities Ceded to Reinsurers	(1,743,153)	(4,288,006)	11,789,725	8,665,374
Net Benefits and Claims Paid	**1,684,333,482**	**4,880,862,571**	**1,612,460,775**	**4,659,154,675**
Commission Expenses	134,236,268	371,933,938	121,478,725	360,779,125
Service Fees	11,816,807	33,330,755	10,850,579	30,999,300
Other Direct expenses	-	-	-	-
Employee Benefits Expenses	81,902,438	264,647,816	69,248,138	234,825,509
Depreciation and Amortization Expenses	15,882,890	47,221,339	14,896,434	45,984,564
Impairment Losses	-	-	-	-
Other Operating Expenses	61,895,447	174,409,772	58,623,541	160,012,705
Finance Cost	3,474,145	10,751,972	1,824,579	5,847,231
Total Expenses	**1,993,541,477**	**5,783,158,163**	**1,889,382,771**	**5,497,603,109**
Net Profit/(Loss) for the period before share of net profits of associates accounted for using equity method and tax	**224,542,031**	**676,426,316**	**184,065,963**	**587,191,746**
Share of Net Profit of Associates accounted using Equity Method	-	-	-	-
Profit Before Tax	**224,542,031**	**676,426,316**	**184,065,963**	**587,191,746**
Income Tax Expenses	101,987,691	331,312,315	107,464,786	316,740,362
Net Profit/(Loss) for the period	**122,554,340**	**345,114,001**	**76,601,177**	**270,451,384**
Earning Per Share				
Basic EPS	-	-	-	-
Diluted EPS	-	-	-	-

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the Quarter Ended Chaitra 31, 2081 (13 Apr 2025)

Fig in NPR.

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Net Profit/(Loss) for the period	122,554,340	345,114,001	76,601,177	270,451,384
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**122,554,340**	**345,114,001**	**76,601,177**	**270,451,384**

OTHER INDICATORS

Particulars	Current Year Upto this Quarter (YTD)	Previous Year Upto this Quarter (YTD)
1. Total inforce policy count	764,818	861,884
2. Total number of policies issued during the period	486,518	427,292
3. First Year Premium (including Single Premium)	985,157,263	939,107,023
4. Single Premium	363,088,961	386,837,077
5. Renewal Premium	3,458,943,324	3,194,132,972
6. Total Benefits and Claims Paid in count	16,696	17,757
7. Outstanding Benefits and Claims in count	6,966	5,456
8. Gross Claim outstanding (Amount)	520,119,109	566,039,937
9. Declared Bonus rate (FY 2080-81)	3PP- 45/55/65, MTG- 45/50/55, Endowment- 55/65/75, EPP- 55/65/75	3PP- 45/55/65, MTG- 45/50/55, Endowment- 55/65/75, EPP- 55/65/75
10. Interim bonus rate	3PP- 45/55/65, MTG- 45/50/55, Endowment- 55/65/75, EPP- 55/65/75	3PP- 45/55/65, MTG- 45/50/55, Endowment- 55/65/75, EPP- 55/65/75
11. Long Term Investments (Amount)	23,842,137,451	23,901,905,000
12. Short Term Investments (Amount)	7,238,040,951	3,757,614,368
13. Policyholders Loan	1,840,678,982	1,720,901,123
14. Investment in cost value	31,080,178,402	27,659,519,368
15. Life Insurance Fund (Amount)	28,395,675,408	25,071,135,446
16. Unearned Premium reserve for term policies (Amount)	435,481,513	540,012,053
17. Solvency Margin Ratio	2.70	2.70

Note:

1. Above unaudited figures are subject to change after audit finalization.
2. Total benefit and claims paid in count of current year YTD includes 4,264 related to Death claims.
3. Outstanding Benefits and claims in count of current year YTD includes 115 related to Death claims.
4. The company is operating as a branch of foreign insurance company thus it doesn't have equity share capital. Therefore, EPS is not calculated.

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

1. The company has made adequate reinsurance arrangement to cover the risk from the class of its business.
2. Details regarding legal proceeding: There are no cases filed by or against the company except tax related litigation in the normal course of business.
3. Corporate Governance: Company has complied Corporate governance Directive issued by Nepal Insurance Authority.

Statement of Changes in Equity

As on Quarter Ended Chaitra 31, 2081 (13 Apr 2025)

Fig. in NPR

Previous Year

	Ordinary Share Capital	Preference Shares	Share Application Money Pending	Share Premium	Retained Earnings	Revaluation Reserves	Capital Reserves	Catastrophe Reserves	CSR Reserves	Insurance Fund	Fair Value Reserves	Actuarial Reserves	Deferred Tax Reserves	Other Reserves (HO Fund)	Other Reserves (Contingency)	Other Reserves (Housing Fund)	Other Reserves (Regulatory Reserves)	Other Reserves (Employee Capacity	Total
Balance as at Shrawan 1, 2080	-	-	-	-	**2,447,485,748**	-	**700,209,338**	**445,894,495**	**12,174,106**	-	-	**(31,247,221)**	**40,889,045**	**75,444,600**	**15,000,000**	**96,941,329**	-	-	**3,802,791,440**
Prior period adjustment*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated Balance as at Shrawan 1, 2080	-	-	-	-	**2,447,485,748**	-	**700,209,338**	**445,894,495**	**12,174,106**	-	-	**(31,247,221)**	**40,889,045**	**75,444,600**	**15,000,000**	**96,941,329**	-	-	**3,802,791,440**
Profit/(Loss) For the Year	-	-	-	-	827,915,679	-	-	-	-	-	-	-	-	-	-	-	-	-	**827,915,679**
Other Comprehensive Income for the Year, Net of Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
i) Changes in Fair Value of FVOCI Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ii) Gains/ (Losses) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
iii) Exchange differences on translation of Foreign Operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
iv) Changes in fair value of FVOCI Equity Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
v) Revaluation of Property, Plant and Equipment/ Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
vi) Remeasurement of Post-Employment Benefit Obligations	-	-	-	-	(7,352,413)	-	-	-	-	-	-	-	-	-	-	-	-	-	**(7,352,413)**
Transfer to Reserves/ Funds	-	-	-	-	(246,497,596)	-	163,515,553	81,757,777	8,175,778	-	-	(7,352,413)	-	-	-	-	-	400,901	**(0)**
Transfer of Deferred Tax Reserves	-	-	-	-	-	-	-	-	(7,124,414)	-	-	-	-	-	-	-	-	-	**(7,124,414)**
Transfer of Depreciation on Revaluation of Property, Plant Equipment	-	-	-	-	(10,337,913)	-	-	-	-	-	-	-	10,337,913	-	-	-	-	-	-
Transfer on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer on Disposal of Equity Instruments Measured at FVTOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Insurance Contract Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issuance Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Utiliation of Reserves)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution by/ Distribution to the owners of the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
i) Bonus Share Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ii) Share Issue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
iii) Cash Dividend	-	-	-	-	(427,548,640)	-	-	-	-	-	-	-	-	-	-	-	-	-	**(427,548,640)**
iv) Dividend Distribution Tax	-	-	-	-	(22,502,560)	-	-	-	-	-	-	-	-	-	-	-	-	-	**(22,502,560)**
v) Others (to be Specified)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at Ashadh 31, 2081	-	-	-	-	**2,561,162,305**	-	**863,724,891**	**527,652,272**	**13,225,470**	-	-	**(38,599,634)**	**51,226,958**	**75,444,600**	**15,000,000**	**96,941,329**	-	**400,901**	**4,166,179,092**

Statement of Changes in Equity

As on Quarter Ended Chaitra 31, 2081 (13 Apr 2025)

Current Period

	Ordinary Share Capital	Preference Shares	Share Application Money Pending	Share Premium	Retained Earnings	Revaluation Reserves	Capital Reserves	Catastrophe Reserves	CSR Reserves	Insurance Fund	Fair Value Reserves	Actuarial Reserves	Deferred Tax Reserves	Other Reserves (HO Fund)	Other Reserves (Contingency)	Other Reserves (Housing Fund)	Other Reserves (Regulatory Reserves)	Other Reserves (Employee Capacity	Total
Balance as at Shrawan 1, 2081	**-**	**-**	**-**	**-**	**2,561,162,305**	**-**	**863,724,891**	**527,652,272**	**13,225,470**	**-**	**-**	**(38,599,634)**	**51,226,958**	**75,444,600**	**15,000,000**	**96,941,329**	**-**	**400,901**	**4,166,179,092**
Prior period adjustment*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated Balance as at Shrawan 1, 2081	**-**	**-**	**-**	**-**	**2,561,162,305**	**-**	**863,724,891**	**527,652,272**	**13,225,470**	**-**	**-**	**(38,599,634)**	**51,226,958**	**75,444,600**	**15,000,000**	**96,941,329**	**-**	**400,901**	**4,166,179,092**
Profit/(Loss) For the Year	-	-	-	-	345,114,001	-	-	-	-	-	-	-	-	-	-	-	-	-	345,114,001
Other Comprehensive Income for the Year, Net of Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
i) Changes in Fair Value of FVOCI Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ii) Gains/ (Losses) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
iii) Exchange differences on translation of Foreign Operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
iv) Changes in fair value of FVOCI Equity Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
v) Revaluation of Property, Plant and Equipment/ Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
vi) Remeasurement of Post-Employment Benefit Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Reserves/ Funds	-	-	-	-	(107,711,468)	-	69,491,270	34,745,635	3,474,563	-	-	-	-	-	-	-	-	-	(0)
Transfer of Deferred Tax Reserves	-	-	-	-	2,342,347	-	-	-	-	-	-	-	(2,342,347)	-	-	-	-	-	-
Transfer of Depreciation on Revaluation of Property, Plant Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer on Disposal of Equity Instruments Measured at FVTOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Insurance Contract Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issuance Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Utiliation of Reserves)	-	-	-	-	-	-	-	-	(9,084,047)	-	-	-	-	-	-	-	-	(400,901)	(9,484,948)
Contribution by/ Distribution to the owners of the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
i) Bonus Share Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ii) Share Issue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
iii) Cash Dividend	-	-	-	-	(261,250,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(261,250,000)
iv) Dividend Distribution Tax	-	-	-	-	(13,750,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,750,000)
v) Others (to be Specified)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at Ashwin 30, 2081	**-**	**-**	**-**	**-**	**2,525,907,185**	**-**	**933,216,161**	**562,397,906**	**7,615,986**	**-**	**-**	**(38,599,634)**	**48,884,611**	**75,444,600**	**15,000,000**	**96,941,329**	**-**	**-**	**4,226,808,145**

Statement of Cash Flows

As on Quarter Ended Chaitra 31, 2081 (13 Apr 2025)

Fig. in NPR

Particulars	At the end of this Quarter	At the end of Immediate Previous Year
Cash Flow From Operating Activities:		
Cash Received		
Gross Premium Received	4,435,882,137	5,681,492,339
Commission Received	21,990,575	115,596,451
Claim Recovery Received from Reinsurers	4,743,775	76,384,111
Realised Foreign Exchange Income other than on Cash and Cash Equivalents	-	-
Other Direct Income	2,533,166	7,513,570
Other Income	9,137,575	4,703,706
Increase in liabilities (Premium Deposit)	15,893,150	11,799,412
Cash Paid		-
Gross Benefits and Claims Paid	(2,184,280,432)	(3,235,380,116)
Reinsurance Premium Paid	(39,444,018)	(202,373,546)
Commission Paid	(373,069,606)	(494,275,629)
Service Fees Paid	(64,105,583)	(43,336,854)
Employee Benefits Expenses Paid	(315,042,822)	(372,141,502)
Other Expenses Paid	(197,700,835)	(278,650,677)
Income Tax Paid	(270,724,144)	(325,834,708)
Net Cash Flow From Operating Activities [1]	**1,045,812,937**	**945,496,555**
Cash Flow From Investing Activities		
Acquisitions of Intangible Assets	(10,823,825)	(3,377,072)
Proceeds From Sale of Intangible Assets	-	-
Acquisitions of Investment Properties	-	-
Proceeds From Sale of Investment Properties	-	-
Rental Income Received	-	-
Acquisitions of Property and Equipment	(3,382,041)	(23,677,317)
Proceeds From Sale of Property and Equipment	1,461,050	4,324,400
Investment in Subsidiaries	-	-
Receipts from Sale of Investments in Subsidiaries	-	-
Investment in Associates	-	-
Receipts from Sale of Investments in Associates	-	-
Purchase of Equity Instruments	-	-
Proceeds from Sale of Equity Instruments	-	-
Purchase of Mutual Funds	-	-
Proceeds from Sale of Mutual Funds	-	-
Purchase of Preference Shares	-	-
Proceeds from Sale of Preference Shares	-	-
Purchase of Debentures	-	-
Proceeds from Sale of Debentures	-	-
Purchase of Bonds	-	-
Proceeds from Sale of Bonds	-	-
Investments in Deposits	(8,109,891,218)	(6,893,097,682)
Maturity of Deposits	5,684,715,498	4,511,095,623
Loans Paid	(670,200,803)	(1,167,241,201)
Proceeds from Loans	576,754,594	978,670,685
Rental Income Received	-	-
Proceeds from Finance Lease	-	-
Interest Income Received	1,923,647,347	2,579,868,611
Dividend Received	-	-
Interest Income on Policy Loan	149,670,293	181,513,996
Total Cash Flow From Investing Activities [2]	**(458,049,105)**	**168,080,043**
Cash Flow From Financing Activities		
Interest Paid	-	-
Proceeds From Borrowings	-	-
Repayment of Borrowings	-	-
Payment of Finance Lease	(39,517,090)	(45,895,420)
Proceeds From Issue of Share Capital	-	-
Share Issuance Cost Paid	-	-
Dividend Paid	(275,000,000)	(984,372,045)
Dividend Distribution Tax Paid	-	(22,502,560)
Total Cash Flow From Financing Activities [3]	**(314,517,090)**	**(1,052,770,025)**
Net Increase/(Decrease) In Cash & Cash Equivalents [1+2+3]	**273,246,741**	**60,806,573**
Cash & Cash Equivalents At Beginning of The Year/Period	446,285,586	385,479,011
Effect of Exchange Rate Changes on Cash and Cash Equivalents		
Cash & Cash Equivalents At End of The Year/Period	**719,532,327**	**446,285,586**

Components of Cash & Cash Equivalents		
Cash In Hand	75,000	-
Cheuqe in Hand	-	-
Term Deposit with Banks (with initial maturity upto 3 months)	-	-
Balance With Banks	719,457,327	446,285,586

Statement of Distributable Profit or Loss

For Quarter Ended Chaitra 31, 2081 (13 Apr 2025)

Particulars	Current Year
Opening Balance in Retained Earnings	**2,561,162,305**
Transfer from OCI reserves to retained earning in current year	-
Net profit or (loss) as per statement of profit or loss	345,114,001
Appropriations:	
i) Transfer to Insurance Fund	-
ii) Transfer to Catastrophe Reserve	(34,745,635)
iii) Transfer to Capital Reserve	(69,491,270)
iv) Transfer to CSR reserve	(3,474,563)
v) Transfer to/from Regulatory Reserve	-
vi) Transfer to Fair Value Reserve	-
vii) Transfer of Deferred Tax Reserve	2,342,347
viii) Transfer to OCI reserves due to change in classification	-
ix) Transfer from contingency Reserve	-
x) Actuarial Reserves	-
Deductions:	-
i) Accumulated Fair Value Gain on each Financial Assets Measured at FVTPL	-
a) Equity Instruments	-
b) Mutual Fund	-
c) Others (if any)	-
ii) Accumulated Fair Value gain on Investment Properties	-
iii) Accumulated Fair Value gain on Hedged Items in Fair Value Hedges	-
iv) Accumulated Fair Value gain on Hedging Instruments in Fair Value Hedges	-
v) Accumulated Fair value gain of Ineffective Portion on Cash Flow Hedges	-
vi)) Goodwill Recognised	-
vii) Unrealised Gain on fluctuation of Foreign Exchange Currency	(2,308,296)
viii) Accumulated Share of Net Profit of Associates accounted using Equity Method included in Investment Account	-
ix) Overdue loans	(7,882)
x) Fair value gain recognised in Statement of Profit or Loss	-
xi) Investment in unlisted shares as per sec 16 of Financial Directive	(4,780,000)
xii) Delisted share investment or mutual fund investment	-
xiii) Bonus share/dividend paid	(275,000,000)
xiv) Deduction as per Sec 17 of Financial directive	-
xiv) Deduction as per Sec 18 of Financial directive	(3,265,705)
xv) Others (to be specified)	(1,667,392)
Adjusted Retained Earning	**2,513,877,911**
Add: Transfer from Share Premium Account	-
Less: Amount apportioned for Assigned capital	-
Less: Deduction as per sec 15(1) Of Financial directive	(38,599,634)
Add/Less: Others (Retained Earning)	(1,832,045,170)
Total Distributable Profit/(loss)	**643,233,107**

Notes to the Financial Statements

for the Quarter ended Chaitra 31, 2081 (Apr 13, 2025)

1. General Information

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

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

2. Basis of Preparation

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

a) 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, Statement of Distributable Profit or Loss and Notes to the Financial Statements which have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by The Institute of Chartered Accountants of Nepal (ICAN) and in compliance with the requirements of Insurance Act 2079, Insurance Regulation 2049, related directives and circulars and Companies Act 2063. The format used in the preparation and presentation of the Financial Statements and disclosures made therein complies Insurer’s Financial Statement Related Directive, 2080 and amendment thereof issued by Nepal Insurance Authority.

The Financial Statements have been prepared on a going concern basis. The term NFRS, includes all the standards and the related interpretations which are consistently used.

b) Reporting Period and approval of financial statements

The Company reporting period is as below -

Condensed Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity - As at the end of Quarter (Chaitra 31, 2081) with comparative period as preceding year (Ashad end, 2081).

Condensed Statement of Profit or Loss and Statement of other comprehensive income - From Shrawan 1, 2081 to Chaitra 31, 2081 with corresponding previous quarter.

c) Basis of Measurement

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

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

ii. Defined Employee Benefits Obligations

iii. Life Insurance Fund under gross insurance contract liabilities which are required to be determined using actuarial valuation method prescribed by Risk Based Capital and Solvency Directive 2022 (2078) and Actuarial Valuation Directive, 2077.

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 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable other than quoted prices included within Level 1.

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

d) Use of Estimates, assumption, and judgement

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

Explanatory Notes:

A change in estimate (change in discount rate of employee benefit liabilities of company), is disclosed below in Employee benefit expenses section.

e) Functional and Presentation Currency

The 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 unless otherwise indicated.

f) Going Concern

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

g) Changes in Accounting Policies

Accounting policies are the specific principles, basis, conventions, rules, and practices applied by the company in preparing and presenting financial statements.

The company is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

The company applies its accounting policies consistently from year to year. Disclosure is provided if the change is required by the accounting standards.

h) Recent Accounting Pronouncements

Accounting standards issued and effective:

All accounting standards issued by Institute of Chartered Accountants of Nepal (ICAN) except mentioned below are effective and has been applied in preparation of these Financial Statements.

Accounting standards issued and non - effective.

Institute of Chartered Accountants of Nepal (ICAN) has issued NFRS 17(Insurance Contracts) which is yet to be effective. NFRS 9 will also be applied at the time of application of NFRS 17 and thus yet to be effective.

i) Carve-Outs

The Company has not applied any carve outs provided by ICAN.

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 relative liquidity and maturity pattern.

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 right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by Nepal Financial Reporting Standards, Insurance regulations and as specifically disclosed in the Significant Accounting Policies of the Company.

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 they are immaterial as permitted by the Nepal Accounting Standard-NAS 1 on Presentation of Financial Statements. Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

3. Significant accounting policies

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

a) Goodwill and Intangible Assets

i) Recognition

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in Statement of profit or loss in the year in which the expenditure is incurred.

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

ii) Amortization

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

Amortization is recognized in statement of profit or loss on Straight Line Method (SLM) over the estimated useful life of the intangible assets from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss.

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

List of Asset Categories	Useful Life (In Years)
Software	4
Licenses	As per license period

iii) Derecognition

An Intangible Asset is derecognized 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 recognized 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.

Explanatory notes:

The company does not have goodwill in this reporting period.

b) Property and Equipment (P&E)

i) Recognition

Freehold land is carried at historical cost and other items of property and equipment are stated at cost of acquisition or construction less accumulated depreciation when, it is probable that future economic benefits associated with the item will flow to the Company and it can be used for more than one year and the cost can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

ii) Revaluation

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

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

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

iii) Depreciation

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

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

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

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

iv) Derecognition

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

v) Impairment of Assets

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

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

vi) Capital Work-In-Progress

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

Explanatory notes:

The company does not have Land and has not revalued Property and Equipment in this reporting period.

c) Investment Properties

An investment property is defined as property held by the company to earn rentals or for capital appreciation or both, rather than own-occupied. It will not be held for consumption in the business operations and disposal would not affect the operations of the company. Investment properties are initially measured at cost, including transaction costs. Subsequently all investment properties (without exception) are reported at fair value with any gains or losses in fair value reported in the income statement as they arise. The fair value used is that which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction and should reflect market conditions at the balance sheet date.

Explanatory notes:

The company does not have any investment properties.

d) Deferred Tax Assets

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

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

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

e) Financial Assets

i) Initial Recognition & Measurement

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

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

ii) Subsequent Measurement

a) Financial Assets carried at Amortized Cost (AC)

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

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

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

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

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

iii) De-Recognition

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

iv) Impairment of Financial Assets

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

Explanatory notes:

The company has investments in term deposits of banks and government bonds. These financial assets are carried at Amortized Cost. Insurance receivables and other financial assets are recognized at realizable value.

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 or minus, in the case of Financial Liabilities not at fair value through profit or loss recognized at 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Explanatory notes:

The company has not offset financial assets with liabilities in this reporting period.

h) Reinsurance Assets

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

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

Explanatory notes:

The company has created reinsurance assets for Claim Payment Reserve which will be received as per contractual provisions with the reinsurers. Reinsurance assets is not impaired as there is no event occurred due to which company may not receive all amounts due.

i) Current Tax Assets

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

j) Cash & Cash Equivalent

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

k) Equity

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

Explanatory notes:
The company is operating as branch operation of foreign insurance company. Therefore, it does not have Equity share capital in Nepal operation.

l) Funds and Reserves

i) Share Application Money Pending Allotment

Not applicable

ii) Share Premium

Not applicable

iii) Catastrophe Reserves

10% of net profit before adjustment of deferred tax income/expense is transferred to this reserve as required by Insurer's Financial Statement Related Directive, 2080.

iv) Retained Earnings

Retained earnings shows the company's accumulated earnings (or deficit in the case of losses) less dividends paid of previous year.

v) Capital Reserves

This reserve is created as per requirement of section 19(2) of Insurer's registration and Insurance Business Directive, 2073. The company has transferred 20% of current year net profit before adjustment of deferred tax income/expense to the capital reserve.

vi) Corporate Social Responsibility (CSR) Reserves

1% of net profit before adjustment of deferred tax income/expense is transferred to this reserve as required by Insurer's Financial Statement Related Directive, 2080.

vii) 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.

Explanatory notes:

The company does not have balance in this reserve as there are no such items recognized in SOCI.

viii) Actuarial Reserves

This reserve is created 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 occurred) and the effects of changes in actuarial assumptions. The company performs revaluation of defined benefit obligation in annual basis at the end of fiscal year.

ix) Revaluation Reserves

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

Explanatory notes:

The company does not create this reserve as P&E are not revalued in this reporting period.

x) Other Reserves

Other reserves include deferred tax reserve, contingency reserve, housing fund reserves, employee capacity development reserve and HO fund.

m) Provisions

Provisions are recognized when the company has a present legal or constructive obligation because 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.

Explanatory notes:

The company has provisioned difference amount between defined benefit obligation liability determined as per actuarial method and plan assets. Also, the company has provisioned total tax payable amount as a part of settlement under amnesty scheme introduced by Finance Act, 2077 & Finance Act, 2078 from FY 2065-66 to FY 2071-72 and the same is pending for clearance from Large Taxpayers' Office.

n) Gross Insurance Contract Liabilities

i) Life Insurance Fund

The company performs the liability valuation of its portfolio in annual basis at the end of each financial year as per Risk Based Capital and Solvency Directive, 2022 (2078) and Actuarial Valuation Directive, 2077.

For actuarial valuation purpose, all surplus arising from all the portfolios is transferred to Life Insurance Fund. Accumulated Life Insurance Fund is re-adjusted based on liability determined as per actuarial valuation to align with latest policy liabilities balance.

Poly Systems Life Master model is used for the calculation of liabilities. Liabilities calculated by the Model are based on mortality, persistency, expense, interest rate and bonus rate assumptions which are updated on annual basis.

ii) Claim Payment Reserve including IBNR

As per section 15(d) of Insurance Regulation, 2049 (1993), claim payment reserve including IBNR is made at 115% of the total outstanding claim. Incurred But Not Reported (IBNR) claims is calculated using chain ladder method based on actual claim intimated data till balance sheet date in accordance with the directive of Nepal Insurance Authority, Nepal Accounting Standards 10 on “Events after the Balance Sheet Date” and as per company practice.

o) Income Recognition

i) Gross Premium

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

Explanatory notes:

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

ii) Premiums on Reinsurance Accepted

Premium on reinsurance accepted comprise the total premiums payable for the whole cover provided by contracts entered the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

Explanatory notes:

The company has not accepted any reinsurance business in this reporting period.

iii) Commission income

Commission income refers to the reinsurance commission income earned for insurance business ceded to the reinsurer and is recognized on accrual basis supported by written confirmation from the reinsurer.

iv) Other direct income

Late fee and other direct incomes are recognized as and when received from the customer.

v) Interest Income from Investment and Loan to Policyholders

Interest income is recognized in the statement of profit or loss on accrual basis.

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

Net Gains/ (Losses) on fair value changes in the statement of profit or loss include gains and losses on financial assets, investment properties due to changes in fair value of such assets.

Explanatory notes:

The company does not have any Net Gains/ (Loss) on Fair value changes in this reporting period.

vii) Net realized gains/(losses)

Net realized gains and losses recorded in the statement of profit or loss include realized 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 amortized cost and are recorded on occurrence of the sale transaction.

Explanatory notes:

The company does not have any net realized gains/(losse**s)** in this reporting period.

viii) Other Income

Other income includes profit on sale of property and equipment, finance income, foreign currency exchange revaluation gains and other miscellaneous income.

Foreign currency exchange revaluation gains

Foreign Currencies are recognized at the rates of exchange prevailing at the dates of the transactions.
At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Exchange differences on monetary items are recognized in Statement of Profit and Loss in the period in which they arise.

p) Expenses recognition

i) Gross benefits & claims and Gross change in insurance contract liabilities.

Benefits and claims include the cost of all claims arising during the year, including external claims handling costs that are directly related to processing and settlements of claims except related employee cost. Benefits and claims that are paid during the financial year are recognized under Gross Benefits and claims paid.

Due benefits, intimated death benefits yet to be paid and change in liabilities in the reporting period are recognized under changes in gross insurance contract liabilities.

ii) Claims ceded and Change in Contract Liabilities Ceded to Reinsurers

Claims ceded (Reinsurer’s portion in claims paid) is recognized when the related gross insurance claim paid is recognized according to the terms of the reinsurance contracts.

Change in Contract Liabilities Ceded to Reinsurers (Reinsurer’s portion in claim payment reserve) is recognized when the related gross claim payment reserve is generated.

iii) Commission expenses

Commission expenses refer to commission earned by agents based on collected premium and are recognized on accrual basis.

iv) Service fees

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

v) Employee Benefit expenses

Short term obligation

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.
Employee bonus at the rate of 10% of profit (determined as per Financial Directive, 2080 issued by Nepal Insurance Authority) required to be paid as per Bonus act 2030, has been recognized under employee expenses.

Post-Employment Benefits

Defined contribution plan.
Contributions to defined contribution schemes (Social Security fund) are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions.
As per the provision of new Labor Act enacted and effective from September 4, 2017, gratuity plan has been converted into contribution plan from defined benefit plan. Accordingly, the company has deposited the contribution to Social Security Fund (SSF).

Defined benefit plan.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The Company recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss. The Company recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognized.
Revaluation of Defined Benefit Plan is performed on annual basis.

Long Term Employee Benefits

Employees have a statutory entitlement to payment of number of days in excess of required accumulation as per Labor Act.
The obligation for such long-term employee benefits is calculated using the projected unit credit method and is discounted to its present value based on an actuarial valuation. Service cost, interest cost and actuarial gain/loss are recognized in the profit or loss statement. Revaluation of Defined Benefit Plan is performed on annual basis.

Termination

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary retirement in exchange of these benefits. The Company recognizes termination benefits at the earlier of the following dates:
a) when the Company can no longer withdraw the offer of those benefits; and

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

a) when the Company can no longer withdraw the offer of those benefits; and

b) when the entity recognizes 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.

vi) Other operating expenses

Employee Benefit and Other operating expenses includes employee related expenses and administration expenses and is recognized on accrual basis.

vii) Finance Cost

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

q) Income tax expenses

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

Current tax

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

Deferred tax

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

r) Earnings per share

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

s) Contingent Liabilities & Contingent Assets

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.

Explanatory notes:

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

Final tax assessment from Large Taxpayers' Office for fiscal year 2077/78 to 2079/80 is pending as of the reporting date. The company has received the tax clearance certificate for Fiscal year 2080/81 from Inland Revenue Department.

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.

Explanatory notes:

The company does not have any contingent assets.

t) Leases

Finance Leases

Leases in which the Company has substantial portion of the risks and rewards of ownership are classified as Finance Leases. Assets acquired under Finance Leases are capitalized at the lower of the Fair Value of the Leased Assets at the inception of the Lease Term & the Present Value of Minimum Lease Payments. Lease Payments are apportioned between the Finance charge and the reduction of the outstanding liability. The Finance Charge is allocated to periods during the Lease Term at a constant periodic Rate of Interest on the remaining balance of the liability. Recognition of finance leases is done as per the requirement of NFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

Operating Leases

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

u) 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.

v) Operating segment

Operating Segments are reported as per Insurers' Financial Statement Related Directive 2080.

w) Leased assets

The Company has made the use of leasing arrangements principally for the provision of the office spaces. The rental contracts for the offices are typically negotiated for terms of between 2 to 6 years and some of these have extension terms. The Company has not entered sale and leaseback arrangements. All the leases are negotiated on an individual basis. The Company has assessed whether a contract is or contains a lease at inception of the company. The lease conveys the right to direct the use and obtain substantially all the economic benefits of an identified assets for a period in exchange for consideration.

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

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

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

Notes to Interim Financial Statements (Continued...)

a) Segmental Information for the quarter ended Chaitra 31, 2081 (Apr 13, 2025)

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

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

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

Business Segments of the Company's are:

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

Particulars	Endowment	Anticipated Endowment	Endowment Cum Whole Life	Whole Life	Foreign Employment Term	Other Term	Special Term	Others (Future care DPS)	Others (Micro)	Inter Segment Elimination	Total
Income:											
Gross Earned Premiums	1,028,298,424	284,755,145	-	-	-	618,924,882	-	2,428,488,786	83,633,350	-	4,444,100,587
Premiums Ceded	(7,331,160)	(3,864,289)	-	-	-	(57,894,720)	-	(109,845,955)	(40,900)	-	(178,977,024)
Inter-Segment Revenue	-	-	-	-	-	-	-	-	-	-	-
Net Earned Premiums	**1,020,967,264**	**280,890,856**	**-**	**-**	**-**	**561,030,162**	**-**	**2,318,642,831**	**83,592,450**	**-**	**4,265,123,563**
Commission Income	2,116,907	890,702	-	-	-	28,413,763	-	62,961,928	-	-	94,383,300
Income from Investments and Loans	528,927,757	151,211,743	-	-	-	37,603,007	-	1,125,695,885	14,567,120	-	1,858,005,512
Net Gains/(Losses) on Fair Value Changes	-	-	-	-	-	-	-	-	-	-	-
Net Realised Gains/(Losses)	-	-	-	-	-	-	-	-	-	-	-
Other Income	443,349	192,531	-	-	-	1,812,610	-	813	-	-	2,449,303
Total Segmental Income	**1,552,455,277**	**433,185,832**	**-**	**-**	**-**	**628,859,542**	**-**	**3,507,301,457**	**98,159,570**	**-**	**6,219,961,678**
Expenses:											
Gross Benefits and Claims Paid	630,328,386	354,925,075	-	-	-	339,474,570	-	792,075,740	67,476,661	-	2,184,280,432
Claims Ceded	(1,319,780)	(1,393,014)	-	-	-	(14,824,000)	-	(32,800,390)	-	-	(50,337,184)
Gross Change in Contract Liabilities	636,643,943	5,079,957	-	-	-	4,207,925	-	2,134,098,473	(28,822,969)	-	2,751,207,329
Change in Contract Liabilities Ceded to Reinsurers	(3,149,085)	900,000	-	-	-	2,019,638	-	(4,058,559)	-	-	(4,288,006)
Net Benefits and Claims Paid	**1,262,503,464**	**359,512,018**	**-**	**-**	**-**	**330,878,133**	**-**	**2,889,315,264**	**38,653,692**	**-**	**4,880,862,571**
Commission Expenses	100,946,282	22,547,044	-	-	-	39,617,468	-	199,842,971	8,980,173	-	371,933,938
Service Fees	7,712,238	2,135,664	-	-	-	4,629,984	-	18,213,666	639,203	-	33,330,755
Employee Benefits Expenses	47,994,517	12,153,233	-	-	-	27,862,675	-	108,228,630	2,986,622	-	199,225,678
Depreciation and Amortization Expenses	10,238,283	2,592,551	-	-	-	5,943,719	-	23,087,540	637,112	-	42,499,205
Impairment Losses	-	-	-	-	-	-	-	-	-	-	-
Other Operating Expenses	37,878,693	9,564,040	-	-	-	22,018,231	-	85,278,619	2,338,410	-	157,077,994
Finance Cost	2,331,186	590,306	-	-	-	1,353,344	-	5,256,873	145,066	-	9,676,775
Total Segmental Expenses	**1,469,604,663**	**409,094,857**	**-**	**-**	**-**	**432,303,554**	**-**	**3,329,223,562**	**54,380,278**	**-**	**5,694,606,915**
Total Segmental Results	**82,850,614**	**24,090,974**	**-**	**-**	**-**	**196,555,988**	**-**	**178,077,895**	**43,779,292**	**-**	**525,354,763**
Segment Assets	**8,706,441,300**	**2,466,088,752**	**-**	**-**	**-**	**361,721,234**	**-**	**18,562,382,577**	**184,103,520**	**-**	**30,280,737,385**
Segment Liabilities	**8,601,595,010**	**2,437,063,873**	**-**	**-**	**-**	**381,537,034**	**-**	**18,492,470,021**	**194,987,067**	**-**	**30,107,653,005**

Notes to Interim Financial Statements (Continued...)

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

Particulars	Upto this Quarter (YTD)
Segmental Profit	**525,354,763**
Less: Employee Benefits expenses	65,422,139
Less: Depreciation and Amortization	4,722,134
Less: Other operating expenses	17,331,779
Less: Impairment losses	-
Less: Finance Cost	1,075,197
Add: Unallocable Other Income	239,622,801
Profit Before Tax	**676,426,316**

d) Reconciliation of Assets

Particulars	At the end of this Quarter
Segment Assets	**30,280,737,385**
Goodwill & Intangible Assets	1,935,648
Property and Equipment	23,263,202
Investment Properties	-
Deferred Tax Assets	61,751,154
Investment in Subsidiaries	-
Investment in Associates	-
Investments	3,912,371,847
Loans	1,598,178
Current Tax Assets (Net)	196,859
Other Assets	19,443,791
Other Financial Assets	18,716,898
Cash and Cash Equivalents	90,574,706
Total Assets	**34,410,589,667**

e) Reconciliation of Liabilities

Particulars	At the end of this Quarter
Segment Liabilities	**30,107,653,005**
Provisions	24,499,665
Deferred Tax Liabilities	-
Current Tax Liabilities (Net)	-
Other Liabilities	38,282,182
Other Financial Liabilities	13,346,669
Total Liabilities	**30,183,781,522**