



SHIKHAR INSURANCE COMPANY LIMITED

(Shikhar Biz Centre, Thapathali, Kathmandu, Tel: 5346101, Website: shikharinsurance.com)

Quarterly Financial Statements for the quarter ended Asadh 32, 2082, F.Y. 2081/82 B.S

CONDENSED STATEMENT OF FINANCIAL POSITION

Fig in NPR.

Particulars	At the end of this Quarter (Unaudited)	At the end of Immediate Previous Year(Audited)
Assets:		
Goodwill & Intangible Assets	8,537,974	9,731,690
Property and Equipment	755,842,160	725,474,278
Investment Properties	76,377,810	78,427,771
Deferred Tax Assets	65,125,666	72,442,756
Investment in Subsidiaries	-	-
Investment in Associates	163,611,239	163,611,239
Investments	4,795,638,546	4,562,299,198
Loans	-	-
Reinsurance Assets	5,097,178,234	4,082,692,043
Current Tax Assets	159,305,545	129,122,387
Insurance Receivables	1,245,160,560	540,782,925
Other Assets	503,889,229	364,055,047
Other Financial Assets	863,230,632	720,205,955
Cash and Cash Equivalent	70,582,935	145,852,288
Total Assets	13,804,480,528	11,594,697,578
Equity:		
Share Capital	2,923,099,000	2,654,947,300
Share Application Money Pending Allotment	-	-
Share Premium	-	-
Special Reserves	1,913,850,910	1,687,491,319
Catastrophe Reserves	160,773,726	138,137,767
Retained Earnings	211,757,525	287,508,942
Other Equity	606,612,351	592,329,039
Total Equity	5,816,093,512	5,360,414,366
Liabilities:		
Provisions	228,767,696	157,075,048
Gross Insurance Contract Liabilities	6,511,336,263	5,294,093,391
Deferred Tax Liabilities	-	-
Insurance Payable	195,536,194	214,734,502
Current Tax Liabilities	-	-
Borrowings	98,119,349	27,000,000
Other Liabilities	404,420,269	416,263,447
Other Financial Liabilities	550,207,245	125,116,823
Total Liabilities	7,988,387,016	6,234,283,211
Total Equity and Liabilities	13,804,480,528	11,594,697,578

CONDENSED STATEMENT OF PROFIT OR LOSS

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Income:				
Gross Earned Premiums	1,968,780,319	5,702,638,580	1,813,075,018	5,258,225,935
Premiums Ceded	(1,465,096,315)	(3,990,625,680)	(1,333,402,125)	(3,960,349,045)
Net Earned Premiums	503,684,004	1,712,012,900	479,672,893	1,297,876,890
Commission Income	290,839,021	690,992,962	196,870,706	719,726,915
Other Direct Income	20,767,319	40,767,319	38,826,018	38,826,018
Income from Investments and Loans	43,209,836	233,128,022	75,733,676	337,029,490
Net Gain/(Loss) on Fair Value Changes	-	-	-	-
Net Realised Gains/(Losses)	8,326,665	24,030,328	(1,263,900)	(2,225,184)
Other Income	4,235,086	29,314,067	11,692,863	51,874,207
Total Income	871,061,931	2,730,245,598	801,532,255	2,443,108,336
Expenses:				
Gross Claims Paid	1,026,436,409	3,074,356,064	826,275,560	2,248,775,675
Claims Ceded	(748,919,172)	(2,084,851,821)	(466,888,357)	(1,380,878,573)
Gross Change in Contract Liabilities	247,276,894	1,128,248,877	(155,063,207)	76,281,731
Change in Contract Liabilities Ceded to Reinsurers	(186,686,445)	(1,064,579,023)	175,150,752.56	(80,572,665)
Net Claims Incurred	338,107,686	1,053,174,097	379,474,748	863,606,168
Commission Expenses	30,029,299	67,226,277	1,346,324	34,338,483
Service Fees	1,513,616	13,902,528	3,748,675	11,159,515
Other Direct expenses	22,276,194	22,276,194	-	21,215,423
Employee Benefits Expenses	209,941,637	601,795,108	197,888,467	568,311,619
Depreciation and Amortization Expenses	10,699,080	52,312,503	21,727,863	48,470,113
Impairment Losses	-	-	-	6,375,000
Other Operating Expenses	99,048,889	253,253,420	67,709,637	230,501,816
Finance Cost	2,624,502	19,563,782	-	32,234,177
Total Expenses	714,240,902	2,083,503,909	671,895,714	1,816,212,314
Net Profit/(Loss) For The Year Before Share of Net Profits of Associates Accounted for Using Equity Method and Tax	156,821,029	646,741,689	129,636,541	626,896,022
Share of Net Profit of Associates accounted using Equity Method	-	-	-	293,608
Profit Before Tax	156,821,029	646,741,689	129,636,541	627,189,630
Income Tax Expenses	61,156,256	194,022,507	7,608,798	181,882,609
Net Profit/(Loss) For The Year	95,664,773	452,719,182	122,027,744	445,307,021
Earning Per Share				
Basic EPS		15.49		16.77
Diluted EPS		15.49		16.77

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Net Profit/(Loss) For The Year	95,664,773	452,719,182	122,027,744	445,307,021
Other Comprehensive Income	(3,177,908)	17,073,211	20,067,936	34,861,511
Total Comprehensive Income	92,486,865	469,792,393	142,095,680	480,168,532

OTHER DETAILS

Particulars	Current Year	Previous Year
	Upto this Quarter (YTD)	Upto this Quarter (YTD)
1. Total Issued Policy (Count)	309,863	317,157
2. Total Renewed Policy (Count)	95,158	85,010
3. Total Claims Paid (Count)	22,431	25,979
4. Gross Outstanding Claim Including IBNR and IBNER (Amount)	3,590,946,801	2,451,352,556
5. Net Outstanding Claim Including IBNR and IBNER (Amount)	461,868,173	398,198,319
6. Outstanding Claims (Count)	12,507	11,611
7. Margin Over Best Estimate (MOBE)	11,345,369	11,345,369
8. Unearned Premium Reserve (UPR) Amount	924,264,547	785,177,719
9. Unexpired Risk Reserve (URR) Amount	5,819,673	5,819,673
10. Earthquake Premium Reserve (Amount)	10,860,268	10,860,268
11. Long Term Investments (Amount)	1,531,244,575	1,747,991,314
12. Short Term Investments (Amount)	3,319,070,153	2,940,291,606
13. Direct Premium (Amount)	5,794,203,211	5,470,250,072
14. Investment in Cost (Amount)	4,850,314,728	4,688,282,919
15. Solvency Margin Ratio (RBC-S)	3.67	3.67

Note:

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

Above figures are subject to change upon otherwise instructions of Statutory Auditors and/or regulatory authority.

The interim financial report was published in the Nagarik Newspaper on August 15, 2025.

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

1. Disclosure on Solvency Ratio

Based on the Latest Audited Financial Statement of Shikhar Insurance Co. Ltd. (the company) the solvency ratio of the company is 3.67 times as per new Risk Based Capital and Solvency Directives 2022, which is above the regulatory required limit.

2. Reinsurance related disclosure:

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

To cover the catastrophic risks, the company has arranged for catastrophic reinsurance program, which is highest in the Nepalese Insurance Industry.

3. Details regarding legal actions:

The company has initiated legal proceedings against tax assessment of previous fiscal years from the Large Taxpayer's Office.

4. Corporate Governance:

The company has complied with the relevant provisions of Good Governance Directives issued by Nepal Insurance Authority.

5. Any other disclosures deemed as relevant: None.

**Disclosure as per Securities Registration and Issuance Regulation 2073
Related to Rule 26, Subrule 1**

Quarterly Report of Fourth Quarter of FY 2081/82

1. Financial Statements

a. Quarterly Statement of Financial Position and Statement of Profit or Loss

The Statement of Financial Position and the Statement of Profit or Loss of the company for the fourth quarter of FY 2081/82 is published along with this Report. The Financial Statements are prepared based on Directives and Circular issued from Nepal Insurance Authority regarding preparation of Annual Financial Statements and Quarterly Financial Statements. The previous year's figures have been regrouped and adjusted as per the audited financial statements of FY 2080/81.

b. Major Financial Indicators

Earnings Per Share (Rs)	15.49	Net worth Per Share (Rs)	198.97
Price Earnings Ratio (Times)	49.95	Total assets per Share (Rs)	472.25

2. Management Analysis

The decrease in overall economic activity, low government expenditure on infrastructure project, and higher inflation rate has affected the growth of the insurance business of the company. The significant reduction in the interest rate offered by the bank and financial institutions has affected the investment return of the company in the current period. As an investment diversification objective and contribution to the nation's economy, the company has investment in different infrastructure projects. In the short run, even though these investments provide no return, we believe that these investments will contribute long term stable return in the coming days. The total claim liability for Ashwin 2081 unanticipated devastating flash flood is estimated to be around Rs 108 crores. The company has settled claim amount of Rs 72 crores for the 443 (97.57%) flood claims out of 454 intimated flood claims.

3. Details Regarding Legal Action

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

4. Details regarding Share Transaction of the Company

Maximum Price (Rs)	876.9	Closing Price (Rs)	773.54
Minimum Price (Rs)	708.7	Transaction Days	63
Transaction No.	8,051	Share Quantity	1,141,625

5. Problems and Challenges

- a. Impact on the insurance industry due to decrease in the economic activity of the country.
- b. Fluctuations in the interest rates offered by the bank and financial institutions.
- c. Lack of skilled manpower in the insurance industry.
- d. Catastrophic risk due to frequent catastrophes such as earthquake, Strome, flood and landslide.
- e. Unstable and volatile political and economic environment of the country.

6. Strategies

- a. Create new and unique insurance products each year to cater to the insurance needs of the market.
- b. To increase the insurance penetration and increase the business of the company through opening of new branches throughout the country.
- c. Investment diversification through investment in different infrastructure projects and sector providing long term stable return.
- d. Taking appropriate reinsurance program for minimizing catastrophic insurance risk.
- e. Training and development activities as continues exercise for the development of skilled manpower in the insurance industry.

7. Corporate Governance

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

8. Chief Executive Officer's Declaration

I, as of the date, hereby individually accept responsibility for the accuracy and truthfulness of the information and details disclosed in this report. I also hereby declare that to the best of my knowledge and belief the information contained in this report is true, accurate and complete and there are no other matters concealed, the omission of which shall adversely affect the informed investment decision by the investor. However, the figures may be changed after the audit of the financial statement or changes in the claim information or reinsurance information or any other information which was not available while making the financial statements.



SHIKHAR INSURANCE COMPANY LIMITED
Statement of Changes In Equity
For Period 17th July, 2024 to - 16th July, 2025
(For the Period Ended Asadh 2082)

Fig. in NPR

Particulars	Ordinary Share Capital	Preference Shares	Share Application Money Pending	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, 2080	2,654,947,300	-	-	-	89,456,264	401,411,383	1,462,322,730	-	115,620,908	257,011	-	21,570,710	(7,340,170)	148,534,531	(14,091)	4,886,766,576
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated Balance as at Shrawan 1, 2080	2,654,947,300	-	-	-	89,456,264	401,411,383	1,462,322,730	-	115,620,908	257,011	-	21,570,710	-	148,534,531	(14,091)	4,886,766,576
Profit/(Loss) For the Year	-	-	-	-	445,307,020	-	-	-	-	-	-	-	-	-	-	445,307,020
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	-	-	-	-	-	-	-	-	-	-	-	(28,547,249)	-	-	-	-
v) Revaluation of Property and Equipment/ Goodwill & Intangible Assets	-	-	-	-	-	464,100	-	-	-	-	-	-	-	-	-	464,100
vi) Remeasurement of Post-Employment Benefit Obligations	-	-	-	-	-	-	-	-	-	-	-	-	(353,557)	-	-	353,557
vi) Investment in Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63,298,218	63,298,218
Transfer to Retained Earning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Reserves/ Funds	-	-	-	-	(252,188,819)	-	225,168,588	-	22,516,859	4,503,372	-	-	-	-	-	-
Transfer to Deferred Tax Reserves	-	-	-	-	5,030,156	-	-	-	-	-	-	-	-	(5,030,156)	-	-
Transfer to Fair Value Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of Depreciation on Revaluation of Property and Equipment	-	-	-	-	1,892,940	(1,892,940)	-	-	-	-	-	-	-	-	-	-
Transfer on Disposal of Revalued Property and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Catastrophe Reserve to Retained Earning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer on Disposal of Equity Instruments Measured at FVTOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Regulatory Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others -Prior Period Expenses	-	-	-	-	(1,988,618)	-	-	-	-	-	-	-	-	-	-	(1,988,618)
Others -CSR Reserve used during this year	-	-	-	-	-	-	-	-	-	(4,532,123)	-	-	-	-	-	(4,532,123)
Balance as on Ashadh end, 2081	2,654,947,300	-	-	-	287,508,943	399,982,543	1,687,491,318	-	138,137,767	228,260	-	-	6,976,539	-	143,504,375	5,360,414,366
Balance as on Shrawan 1, 2081	2,654,947,300	-	-	-	287,508,943	399,982,543	1,687,491,318	-	138,137,767	228,260	-	(6,976,539)	(7,693,727)	143,504,375	63,284,127	5,360,414,366
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated Balance as at Shrawan 1, 2081	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) For the Year	-	-	-	-	452,719,182	-	-	-	-	-	-	-	-	-	-	452,719,182
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	-	-	-	-	7,317,090.43	-	-	-	-	-	-	17,073,211	-	(7,317,090)	-	17,073,211
v) Revaluation of Property and Equipment/ Goodwill & Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
vi) Remeasurement of Post-Employment Benefit Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Reserves/ Funds	-	-	-	-	(253,522,742)	-	226,359,591	-	22,635,959	4,527,192	-	-	-	-	-	0
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	268,151,700.00	-	-	-	(268,151,700)	-	-	-	-	-	-	-	-	-	-	-
ii) Share Issue	-	-	-	-	(14,113,247)	-	-	-	-	-	-	-	-	-	-	-
iii) Cash Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
iv) Dividend Distribution Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
v) Others (To be specified)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as on Ashwin end, 2081	2,923,099,000	-	-	-	211,757,526	399,982,543	1,913,850,910	-	160,773,726	4,755,451	-	10,096,672	(7,693,727)	136,187,284.47	63,284,127	5,816,093,512

The accompanying notes form an Integral Part of Financial Statements.



SHIKHAR INSURANCE COMPANY LIMITED

Statement of Cash Flows

For Period 17th July, 2024 to - 16th July, 2025

(For the Period Ended Asadh 2082)

Fig. in NPR

Particulars	Current Period	Previous Year
Cash Flow From Operating Activities:		
Cash Received		
Gross Premium Received	5,794,203,211	5,413,799,732
Reinsurance Commission Received	690,992,962	702,205,607
Claim Recovery Received from Reinsurers	1,380,474,186	1,748,861,918
Realised Foreign Exchange Income other than on Cash and Cash Equivalents	-	346,369
Other Direct Income Received	33,663,956	38,826,018
Others (to be specified)	-	18,842,030
Cash Paid		
Gross Benefits and Claims Paid	(3,074,356,064)	(2,248,775,676)
Reinsurance Premium Paid	(3,944,972,557)	(3,875,763,626)
Commission Paid	(57,238,410)	(55,628,981)
Service Fees Paid	(32,592,555)	(42,724,246)
Employee Benefits Expenses Paid	(458,242,272)	(548,932,842)
Other Expenses Paid	(122,865,033)	(491,693,851)
Other Direct Expenses Paid	(22,276,194)	(21,215,423)
Others (to be specified)	-	-
Income Tax Paid	(224,205,664)	(300,056,495)
Net Cash Flow From Operating Activities [1]	(37,414,434)	338,090,534
Cash Flow From Investing Activities		
Acquisitions of Intangible Assets	-	(1,873,000)
Proceeds From Sale of Intangible Assets	-	-
Acquisitions of Investment Properties	-	-
Proceeds From Sale of Investment Properties	-	-
Acquisitions of Property & Equipment	(49,428,278)	(50,530,811)
Proceeds From Sale of Property & Equipment	-	202,699
Investment in Subsidiaries	-	-
Receipts from Sale of Investments in Subsidiaries	-	-
Investment in Associates	-	-
Receipts from Sale of Investments in Associates	-	-
Purchase of Equity Instruments	(225,282,270)	(146,305,016)
Proceeds from Sale of Equity Instruments	-	-
Purchase of Mutual Funds	3,159,818	(27,138,004)
Proceeds from Sale of Mutual Funds	-	-
Purchase of Preference Shares	-	-
Proceeds from Sale of Preference Shares	-	-
Purchase of Debentures	(100,865,924)	(31,671,000)
Proceeds from Sale of Debentures	-	-
Purchase of Bonds	-	-
Proceeds from Sale of Bonds	-	-
Investments in Deposits	-	(213,500,000)
Maturity of Deposits	57,500,000	-
Loans Paid	-	-
Proceeds from Loans	-	-
Rental Income Received	19,680,439	19,034,979
Proceeds from Finance Lease	-	-
Interest Income Received	233,128,022	316,102,944
Dividend Received	-	1,553,841
Others -Advance Against Investment	-	(1,366,840)
Total Cash Flow From Investing Activities [2]	(62,108,193)	(135,490,209)



SHIKHAR INSURANCE COMPANY LIMITED

Statement of Cash Flows

For Period 17th July, 2024 to - 16th July, 2025

(For the Period Ended Asadh 2082)

Fig. in NPR

Particulars	Current Period	Previous Year
Cash Flow From Financing Activities		
Interest Paid	(7,500,825)	(22,469,299)
Proceeds From Borrowings	98,119,349	-
Repayment of Borrowings	(27,000,000)	(120,801,819)
Payment of Finance Lease	(25,252,002)	(24,809,171)
Proceeds From Issue of Share Capital	-	-
Share Issuance Cost Paid	-	-
Dividend Paid	-	-
Dividend Distribution Tax Paid	(14,113,247)	-
Others (to be specified)	-	(1,988,618)
Utilization of CSR Expenses		(4,532,123)
Total Cash Flow From Financing Activities [3]	24,253,274	(174,601,030)
Net Increase/(Decrease) In Cash & Cash Equivalents [1+2+3]	(75,269,353)	27,999,296
Cash & Cash Equivalents At Beginning of The Year/Period	145,852,288	117,852,992
Effect of Exchange Rate Changes on Cash and Cash Equivalents		
Cash & Cash Equivalents At End of The Year/Period	70,582,935	145,852,288
Components of Cash & Cash Equivalents		
Cash In Hand	161,323	1,313,271
Cheque in Hand	-	
Term Deposit with Banks (with initial maturity upto 3 months)		
Balance With Banks	70,421,612	116,539,723

Notes:

The accompanying notes form an Integral Part of Financial Statements.



ABC NON-LIFE INSURANCE COMPANY LIMITED

Statement of Distributable Profit or Loss
For Period 17th July, 2024 to - 16th July, 2025
(For the Period Ended Asadh 2082)

Fig. in NPR

Particulars	Current Period
Opening Balance in Retained Earnings	287,508,941.63
Transfer from OCI reserves to retained earning in current year	
Net profit or (loss) as per statement of profit or loss	452,719,182.17
Appropriations:	
i) Transfer to Insurance Fund	(226,359,591.09)
ii) Transfer to Special Reserve	
iii) Transfer to Catastrophe Reserve	(22,635,959.00)
iv) Transfer to Capital Reserve	
v) Transfer to CSR reserve	(4,527,191.82)
vi) Transfer to/from Regulatory Reserve	-
vii) Transfer to Fair Value Reserve	7,317,090.43
viii) Transfer of Deferred Tax Reserve	-
ix) Transfer to OCI reserves due to change in classification	-
x) Others (to be Specified)	-
	-
Deductions:	-
i) Accumulated Fair Value Gain on each Financial Assets Measured at 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	(2,654,124)
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	(282,264,947)
xiv) Deduction as per Sec 17 of Financial directive	-
xiv) Deduction as per Sec 18 of Financial directive	-
xv) Others (to be specified)	
Adjusted Retained Earning	209,103,401
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)	209,103,401



Shikhar Insurance Company Limited.

Notes to the Interim Financial Statements

for the Period ended Asadh 32, 2082(July 16, 2025)

1. Reporting Entity

Shikhar Insurance Company Limited (herein after referred to as the 'Company') is a public limited company incorporated on 28th May 2004 and operated as Non-life Insurance Company after obtaining license on 1st November 2004 under the Insurance Act 2049.

The registered office of the Company is located at Thapathali, kathmandu. The Company's shares are listed on Nepal Stock Exchange Ltd.

The principal activities of the company are to provide various non-life insurance products through its Head Office, Province Offices, Branches, Sub-branches, and network of Agents.

2. Basis of Preparation

The interim financial statements prepared for the fourth quarter of FY 2081-82 ending 16th July 2025(Asadh 32, 2081) are presented in accordance with Nepal Accounting Standard - NAS 34 on "Interim Financial Reporting" published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

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

3. Statement of Compliance

The Interim Condensed financial Statements of the company comprises of Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income Shown as two separated statements, Statements of Changes in Equity, Statements of Cash Flows, and Notes to the Interim 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 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.

4. Use of Estimates, assumptions, and judgements

(a) Basis of Measurement

The Interim 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 and 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) or in case of actuarial valuation is not made, in accordance with the provisions laid by the Nepal Insurance Authority.

Historical cost is generally Fair Value of the consideration given in exchange for goods and 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 Interim 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 measurements 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 Interim Financial Statements in conformity with NFRS requires management to make estimates, judgments, and assumptions. These estimates, judgments and assumptions affect the reported balance of Assets & Liabilities, disclosures relating to Contingent Liabilities as at the date of the Interim Financial Statements and the reported amounts of Income & Expenses for the period 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 Interim 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 interim 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, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease the operation of it.

(e) Carve-outs

The company has not applied any carve- outs provided by the ASB to prepare these interim financial statements.

(f) Presentation of Interim Financial Statements

The Assets and liabilities of the presented in the Interim Financial Statements are grouped by the nature and listed in an order that reflects their relative liquidity and maturity pattern.

(g) Offsetting

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

(h) Materiality and Aggregation

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

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

5. Significant Accounting Policies

This note provides a list of the significant policies adopted in the preparation of these interim financial statements.

(a) Property and Equipment

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

An increase in the carrying amount as a result of revaluation is 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 as a result 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.

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

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

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

List of Assets Categories	Useful Life (In Years) for SLM/Rate for WDV
Land	Not Applicable
Buildings	50
Leasehold Improvement	Lease Period
Furniture & Fixture	20
Computers and IT Equipment	5
Officer Equipment	10
Vehicles	10
Other Assets	8

iv)Derecognition

An item of Property, Plant and Equipment is derecognized up to 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 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 a 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 a 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 plants 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) 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 to 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 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 Assets Categories	Useful Life (In Years) for SLM
Software	10
Licenses	License Period
Others (to be specified)	-

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. 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) Cash & Cash Equivalent

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

(d) 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 achieved 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 the 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 is measured at FVTPL.

iii)De-Recognition

A Financial Assets is derecognized only when the Company has transferred the rights to receive cash flows from Financial Assets. 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 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.

(e) 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.

(f) 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. 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.

(g) Reinsurance Assets

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

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

(h) 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.

(i) Reserves and Funds

i) Share Application Money Pending Allotment: If the company has received any calls in advance amount, the amount will be presented under this head.

ii) Share Premium: If the Company issues share capital at premium, it receives an 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 Reserve: The Company has allocated the catastrophe reserve for the amount which is 10% of the distributable profit for the year as per Regulator's Directives.

iv) Fair Value Reserve: The Company has a policy of creating a fair value reserve equal to the amount of Fair Value Gain recognized in the statement of other comprehensive income as per the regulator's directive.

v) Regulatory Reserves: Reserve created out of net profit in line with different circulars issued by the Nepal Insurance Authority (NIA).

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

vii) Cashflow Hedge Reserves: Is the exposure to variability in cash flows that is attributable to a particular risk associated with all or a component of a recognized asset or liability or a higher probable forecast transaction and could affect profit or loss. Reserve represents an effective portion of the gain or loss on the hedging instrument recognized in other comprehensive income.

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

ix) Special Reserve: The Company has allocated a special reserve per Regulator's Directive.

x) Other Reserves: Reserve other than above reserves, for e.g. deferred tax reserve & Corporate Social Responsibility Reserve.

(j) Insurance Contract Liabilities

i) Provision for unearned premiums

Unearned premiums reserve represents the portion of the premium written in the year but relates 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.

For the reporting period Actuarial Valuation is not carried out to estimate liability of Claim incurred but not reported (IBNR) and amount provided is using a ratio of latest Actuary report as per the directives issued by the Nepal Insurance Authority.

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.

For the reporting period the Liability Adequacy Test (LAT) is not carried out and the amount provided in interim financial statements is estimated based on the latest actuary report.

(k) 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 obligation in the Statement of Financial Position.

ii) Post-Employment Benefits

-Defined Contribution Plan

The Company pays Provident Fund contributions to publicly administered Provident Funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as Employee Benefit Expenses when they are due.

-Defined Benefit Plan

For the 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 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 the case of voluntary retirement scheme.

For the reporting period Actuarial Valuation is not carried out and the amount provided in interim financial statements is estimated based on the latest actuary report.

(I) Revenue Recognition**i) Gross Premium**

Gross premium comprises the total premiums receivable for the whole period of cover provided by contracts entered during the reporting period. Gross premium is generally recognized upon inception date of the insurance contract policy. 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) Premiums on Reinsurance Accepted

Premiums on reinsurance accepted comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

iv) 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 risk- 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.

v) Commission Income

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

vi) Investment Income

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

vii) Net realized gains and losses.

Net realized 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 amortized cost and are recorded on occurrence of the sale transaction.

(m) Claims and Expenses

i) Gross Claims

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

ii) Reinsurance Claims

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

(n) 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 the above categories fall under miscellaneous insurance business. Group Personal Accidents, Medical Insurances, Professional indemnity insurance etc. fall under this category of business.

(o) 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 is 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 the statement of profit or loss in the period in which they are incurred.

(p) 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.

(q) Leases

The lease liability has been accounted for under NFRS 16 "Leases". For all the significant lease, the Right-of-Use assets have 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 10%.

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.

(r) 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 as a 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.

(s) 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 the 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 as a matter of abundant precaution and conservative approach based on management's best estimate. However, Management believes that the 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.

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 Earnings 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 earnings per share, the weighted average number of ordinary shares in issue is adjusted to assumed 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".

The 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. Changes in Accounting Policies

Accounting Policies are the specific principles, bases, conventions, rules, and practices applied by the Company in preparing and presenting financial statements. The Company is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flow.

7. Related Party Disclosures

a) Holding Company: N.A

b) Subsidiaries: N.A

c) Associates

Machhapuchhre Capital Limited
Kriti Venture Fund

d) Board of Directors and Key Management Personnel

Gaurab Agrawal	Chairperson
Ramesh Kumar Luitel	Director
Saurav J. B. Rana.	Director
Dr. Shrujana Shrestha	Director
Dinesh Bajra Bajracharya	Director
Skand Amatya	Director
Dip Prakash Panday	Chief Executive Officer
Bimal Raj Nepal	Deputy Chief Executive Officer
Sabita Maskey	Deputy Chief Executive Officer

Segmental Information

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

a) Segmental Information for the Period ended Asadh 32, 2082 (July 16, 2025)

Particulars	Property	Motor	Marine	Engineering	Micro	Aviation	Cattle and Crop	Miscellaneous	Inter Segment Elimination	Total
Income:										
Gross Earned Premiums	1,330,829,038	1,547,260,358	354,068,538	1,182,587,131	1,255,012	95,295,264	543,739,023	647,604,216	-	5,702,638,580
Premiums Ceded	(1,240,554,694)	(478,988,478)	(204,382,820)	(1,147,838,774)	(946,728)	(94,837,574)	(453,687,987)	(369,388,626)	-	(3,990,625,680)
										-
Inter-Segment Revenue										-
Net Earned Premiums	90,274,345	1,068,271,879	149,685,718	34,748,357	308,284	457,691	90,051,036	278,215,590	-	1,712,012,900
Commission Income	161,257,545	187,482,689	42,902,748	143,294,963	152,071	11,546,998	65,885,262	78,470,685	-	690,992,962
Other Direct income		20,383,659.45			8,153,463.78		12,230,195.67			40,767,319
Investment Income	54,405,261	63,253,131	14,474,580	48,345,024	51,306	3,895,740	22,228,448	26,474,532	-	233,128,022
Net Gains/ (Losses) on Fair Value Changes	-	-	-	-	-	-	-	-	-	-
Net Realised Gains/ (Losses)	5,607,976	6,519,995	1,492,008	4,983,300	5,288	401,564	2,291,260	2,728,937	-	24,030,328
Other Income	6,841,046	7,953,598	1,820,068	6,079,017	6,451	489,860	2,795,057	3,328,970	-	29,314,067
Total Segmental Income	318,386,173	1,353,864,952	210,375,122	237,450,661	8,676,864	16,791,853	195,481,259	389,218,714	-	2,730,245,598
Expenses:										
Gross Claims Paid	851,496,383.91	1,046,913,263.68	117,112,991.26	145,465,864.84	1,984,639.32	2,734,200.00	429,701,007.41	478,947,713.43	-	3,074,356,064
Claims Ceded	(774,643,142)	(435,441,926)	(89,440,150)	(138,316,757)	(1,386,044)	(2,734,200)	(356,109,140)	(286,780,462)	-	(2,084,851,821)
Gross Change in Contract Liabilities	312,488,150	384,203,615	42,978,952	53,384,089	728,337	1,003,416	157,694,707	175,767,611	-	1,128,248,877
Change in Contract Liabilities Ceded to Reinsurers	(294,853,677)	(362,522,062)	(40,553,544)	(50,371,494)	(687,235)	(946,791)	(148,795,608)	(165,848,613)	-	(1,064,579,023)
Net Claims Paid	94,487,716	633,152,891	30,098,249	10,161,703	639,697	56,625	82,490,967	202,086,249	-	1,053,174,097
Commission Expenses	12,480,870	6,690,445	1,585,959	2,443,978	17,617	-	38,616,809	5,390,598		67,226,277
Service Fees	3,244,443.31	3,772,083.69	863,187.73	2,883,042.67	3,059.61	232,321.41	1,325,587.57	1,578,801.71	-	13,902,528
Other Direct Expenses	-	22,276,194	-	-	-	-	-	-		22,276,194
Employee Benefits Expenses	31,732,623	375,511,651	52,616,504	12,214,506	108,366	160,884	31,654,126	97,796,448	-	601,795,108
Depreciation and Amortization Expenses	12,208,208	14,193,616	3,248,007	10,848,328	11,513	874,180	4,987,928	5,940,723		52,312,503
Impairment Losses	-									-
Other Expenses	13,354,039	158,026,559	22,142,602	5,140,230	45,604	67,705	13,321,005	41,155,677	-	253,253,420
Finance Cost	4,565,614	5,308,115	1,214,687	4,057,048	4,306	326,925	1,865,381	2,221,706		19,563,782
Total Segmental Expenses	172,073,513	1,218,931,555	111,769,195	47,748,835	830,162	1,718,641	174,261,804	356,170,204	-	2,083,503,909
Total Segmental Results	146,312,660	134,933,397	98,605,927	189,701,826	7,846,702	15,073,212	21,219,455	33,048,510	-	646,741,689
Segment Assets	1,480,116,356	1,720,826,115	393,786,594	1,315,245,238	1,395,795	105,985,123	604,733,590	720,249,983	-	6,342,338,794
Segment Liabilities	1,565,187,851	1,819,732,696	416,419,959	1,390,840,564	1,476,020	112,076,748	639,491,391	761,647,230		6,706,872,457