

**ओरिएण्टल
इंश्योरेंस**

पुष्पी, अग्नि, जल, आकाश। सबकी सुरक्षा हमारे पास।



**Oriental
insurance**

Prithvi, Agni, Jal, Aakash. Sab ki suraksha hamare pass.

SUNRISE BIZZ PARK, CHARKHAL, DILLIBAZAR, KATHMANDHU

TELEPHONE NO. 4416439, 4418578, FAX NO. 4420399

Email: oriental@orientalinsurance.com.np, Website: www.orientalinsurance.com.np

Quarterly Financial Results for (2nd quarter), F.Y. 2080/81 B.S.

The Oriental Insurance Company Limited

Statement of Financial Position

As at Poush 29, 2080 (January 14, 2024)

Fig in NPR

Particulars	Unaudited	Audited
	At the end of this Quarter	At the end of Immediate Previous Year
Assets		
Goodwill & Intangible Assets	550,583	611,759
Property and Equipment	16,179,605	18,658,562
Investment Properties	-	-
Deferred Tax Assets	162,497,689	16,343,241
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investments	2,806,573,308	2,518,848,308
Loans	12,246,813	7,360,114
Reinsurance Assets	645,561,024	492,804,850
Current Tax Assets	-	2,968,272
Insurance Receivables	223,347,634	386,892,117
Other Assets	15,585,136	23,471,892
Other Financial Assets	290,666,346	240,901,696
Cash and Cash Equivalent	553,245,026	313,325,289
Total Assets	4,726,453,164	4,022,186,100
Equity & Liabilities		
Equity		
Share Capital	251,197,769	251,197,769
Share Application Money Pending Allotment	-	-
Share Premium	-	-
Special Reserves	1,385,136,406	1,385,136,406
Catastrophe Reserves	47,433,603	36,217,260
Retained Earnings	3,937,111	(73,455,652)
Other Equity	665,083,391	495,374,624
Total Equity	2,352,788,280	2,094,470,407
Liabilities		
Provisions	152,246,488	120,864,907
Gross Insurance Contract Liabilities	1,871,952,279	1,571,650,870
Deferred Tax Liabilities	-	-
Insurance Payable	137,448,062	53,995,409
Current Tax Liabilities	54,678,549	-
Borrowings	-	-
Other Liabilities	62,751,589	87,071,738
Other Financial Liabilities	94,587,917	94,132,769
Total Liabilities	2,373,664,884	1,927,715,693
Total Equity and Liabilities	4,726,453,164	4,022,186,100

The Oriental Insurance Company Limited
Statement of Profit or Loss
For the year ended Poush 29, 2080 (January 14, 2024)

Fig. in NPR

Particulars	Unaudited		Unaudited	
	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Income:				
Gross Earned Premiums	499175708	756,125,284	409416776	701,445,440
Premiums Ceded	175204182	263,111,683	111373328	266,242,088
Net Earned Premiums	323,971,526	493,013,601	298,043,448	435,203,352
Commission Income	27800162	70,940,715	29515420	70,361,516
Other Direct Income	6350	6,350	-	-
Income from Investments & Loans	63778719	128,539,363	60001628	121,439,045
Net Gain/ (Loss) on Fair Value Changes	-	-	-	-
Net Realised Gains/ (Losses)	-	-	-	-
Other Income	897713	1,715,254	2950	5,500
Total Income	416,454,470	694,215,283	387,563,446	627,009,413
Expenses:				
Gross Claims Paid	165145060	309,227,983	363709566	437,925,995
Claims Ceded	(46605835)	(99,566,988)	(139458710)	(161,027,613)
Gross Change in Contract Liabilities	87589198	95,999,343	111211721	302,563,226
Change in Contract Liabilities Ceded to Reinsurers	(135437225)	(45,355,121)	(113164800)	(245,918,101)
Net Claims Incurred	70691198	260,305,217	222297778	333,543,507
Commission Expenses	13676133	31,821,910	8629956	17,214,705
Service Fees	2016791	5,961,177	3049779	7,014,454
Other Direct Expenses	614120	614,120	-	893,454
Employee Benefits Expenses	61117632	92,009,911	(12579603)	20,427,933
Depreciation and Amortization Expenses	2428848	6,302,530	1207600	1,207,600
Impairment Losses	0	-	-	-
Other Operating Expenses	9326919	14,237,808	53861479	62,856,368
Finance Cost	220310	528,386	-	-
Total Expenses	160,091,951	411,781,059	276,466,989	443,158,021
Net Profit/(Loss) For The Year Before Share of Net Profits of Associates Accounted for Using Equity Method and Tax	256,362,519	282,434,224	111,096,457	183,851,392
Share of Net Profit of Associates accounted using Equity Method		-		-
Profit Before Tax	256,362,519	282,434,224	111,096,457	183,851,392
Income Tax Expense	12952650	24,116,351	33328937	55,155,418
Net Profit/(Loss) For The Year	243,409,868	258,317,873	77,767,520	128,695,974
Earning Per Share				
Basic EPS				
Diluted EPS				

Summary of significant accounting policies

The Oriental Insurance Company Limited
Statement of Other Comprehensive Income
For the year ended Poush 29, 2080 (January 14, 2024)

Fig. in NPR

Particulars	Unaudited		Audited	
	Current Year		Corresponding Previous Year	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Net Profit/(Loss) For the Year	243,409,868	258,317,873	77,767,520	128,695,974
Other Comprehensive Income				
<u>a) Items that are or may be Reclassified to Profit or Loss</u>				
Changes in Fair Value of FVOCI Debt Instruments				
Cash Flow Hedge - Effective Portion of Changes in Fair Value				
Exchange differences on translation of Foreign Operation				
Share of other comprehensive income of associates accounted for using the equity method				
Income Tax Relating to Above Items				
Reclassified to Profit or Loss				
<u>b) Items that will not be Reclassified to Profit or Loss</u>				
Changes in fair value of FVOCI Equity Instruments				
Revaluation of Property and Equipment/ Goodwill & Intangible Assets				
Remeasurement of Post-Employment Benefit Obligations				
Share of other comprehensive income of associates accounted for using the equity method				
Income Tax Relating to Above Items		-		
Total Other Comprehensive Income For the Year, Net of Tax		-		-
Total Comprehensive Income For the Year, Net of Tax	243,409,868	258,317,873	77,767,520	128,695,974

Summary of significant accounting policies

The accompanying notes form an Integral Part of Financial Statements.

The Oriental Insurance Company Limited
Statement of Cash Flows
For the year ended Poush 29, 2080 (January 14, 2024)

Fig. in NPR

Particulars	Unaudited	Audited
	At the End of this Quarter	At the end of Immediate Previous Year
Cash Flow From Operating Activities:		
Cash Received		
Gross Premium Received	960,427,350	1,504,374,008
Reinsurance Commission Received	56,352,761	136,672,129
Claim Recovery Received from Reinsurers	263,111,471	226,606,878
Realised Foreign Exchange Income other than on Cash and Cash Equivalents		-
Other Direct Income Received	6,350	11,600
Others (to be specified)		
Cash Paid		
Gross Benefits and Claims Paid	(309,227,983)	(962,881,297)
Reinsurance Premium Paid	(287,060,083)	(624,305,784)
Commission Paid	(26,224,438)	(55,811,660)
Service Fees Paid	(10,671,082)	(14,403,537)
Employee Benefits Expenses Paid	(39,241,951)	(253,440,258)
Other Expenses Paid	(87,335,079)	(120,243,047)
Other Direct Expenses Paid		
Others (to be specified)		
Income Tax Paid	(112,623,978)	(236,977,088)
Net Cash Flow From Operating Activities [1]	407,513,338	(400,398,056)
Cash Flow From Investing Activities		
Acquisitions of Intangible Assets	-	(225,000)
Proceeds From Sale of Intangible Assets		
Acquisitions of Investment Properties		
Proceeds From Sale of Investment Properties		
Acquisitions of Property & Equipment	(3,874,909)	(366,560)
Proceeds From Sale of Property & Equipment	1,261,510	5,377
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	(70,225,000)	22,103,000
Purchase of Bonds		
Proceeds from Sale of Bonds		
Investments in Deposits		
Maturity of Deposits	(217,500,000)	237,500,000
Loans Paid	(4,886,699)	151,919
Proceeds from Loans		
Rental Income Received		
Proceeds from Finance Lease		
Interest Income Received	127,065,241	250,322,021
Dividend Received	-	-
Others (to be specified)	566,256	773,492
Total Cash Flow From Investing Activities [2]	(167,593,601)	510,264,249

The Oriental Insurance Company Limited
Statement of Cash Flows
For the year ended Poush 29, 2080 (January 14, 2024)

Fig. in NPR

	Unaudited	Audited
Cash Flow From Financing Activities		
Interest Paid		
Proceeds From Borrowings		
Repayment of Borrowings		
Payment of Finance Lease		
Proceeds From Issue of Share Capital		
Share Issuance Cost Paid		
Dividend Paid		
Dividend Distribution Tax Paid		
Others (Adjustment made of credit balance of Head Office balance into Share Capital)		
Total Cash Flow From Financing Activities [3]	-	-
Net Increase/(Decrease) In Cash & Cash Equivalents [1+2+3]	239,919,737	109,866,193
Cash & Cash Equivalents At Beginning of The Year/Period	313,325,289	203,459,096
Effect of Exchange Rate Changes on Cash and Cash Equivalents		
Cash & Cash Equivalents At End of The Year/Period	553,245,026	313,325,289
Components of Cash & Cash Equivalents		
Cash In Hand	34,023	65,612
Cheuqe in Hand	-	-
Term Deposit with Banks (with initial maturity upto 3 months)	255,000,000	115,000,000
Balance With Banks	298,076,445	198,218,019
Others	134,558	41,658

The Oriental Insurance Company Limited
Statement of Changes In Equity
For the year ended Poush 29, 2080 (January 14, 2024)

Fig. in NPR

Particulars	Ordinary Share Capital	Preference Shares	Share Application Money Pending Allotment	Share Premium	Retained Earnings	Revaluation Reserves	Special Reserves	Capital Reserves	Catastrophe Reserve	Corporate Social Responsibility (CSR) Reserves	Insurance Fund Including Insurance Reserve	Fair Value Reserves	Actuarial Reserves	Deferred Tax Reserve	Other Reserves	Total
Balance as on Shrawan 1, 2079	251,197,769	-	-	-	(170,111,429)	-	1,156,736,689	291,328,481	401,202	-	-	51,989,146	(2,810,003)	32,337,879	143,200,248	1,754,269,982
Prior period adjustment																-
Restated Balance as at Shrawan 1, 2079																1,754,269,982
Profit/(Loss) For the Year					325,137,053											325,137,053
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												13,041,280				13,041,280
v) Revaluation of Property and Equipment/ Goodwill & Intangible Assets																-
vi) Remeasurement of Post-Employment Benefit Obligations													2,022,092			2,022,092
Transfer to Reserves/ Funds(Capital Reserve)					(62,719,837)			62,719,837								-
Transfer to Reserves/ Funds(Insurance Fund)					-											-
Transfer to Reserves/ Funds(Special Reserve)					(156,799,593)		156,799,593									-
Transfer to Reserves/ Funds(Catastrophe Reserve)					(21,496,033)				21,496,033							-
Transfer to Reserves/ Funds(CSR Reserve)					(3,135,992)					3,135,992						-
Transfer to Reserves/ Funds					27,208,047		71,600,124	28,640,050	14,320,025	1,432,002					(143,200,248)	-
Transfer to Deferred Tax Reserves					(11,537,868)									11,537,868		-
Transfer of Depreciation on Revaluation of Property and Equipment																-
Transfer on Disposal of Revalued Property and Equipment																-
Transfer on Disposal of Equity Instruments Measured at FVTOCI																-
Share Issuance Costs																-
Contribution by/ Distribution to the owners of the Company																-
i) Bonus Share Issued																-
ii) Share Issue																-
iii) Cash Dividend																-
iv) Dividend Distribution Tax																-
v) Others (To be specified)																-
Balance as on Ashadh end, 2079	251,197,769	-	-	-	(73,455,652)	-	1,385,136,406	382,688,368	36,217,260	4,567,994	-	65,030,426	(787,911)	43,875,747	-	2,094,470,407

The Oriental Insurance Company Limited
Statement of Changes In Equity
For the year ended Poush 29, 2080 (January 14, 2024)

Fig. in NPR

Particulars	Ordinary Share Capital	Preference Shares	Share Application Money Pending Allotment	Share Premium	Retained Earnings	Revaluation Reserves	Special Reserves	Capital Reserves	Catastrophe Reserve	Corporate Social Responsibility (CSR) Reserves	Insurance Fund Including Insurance Reserve	Fair Value Reserves	Actuarial Reserves	Deferred Tax Reserve	Other Reserves	Total
Balance as on Shrawan 1, 2079	251,197,769	-	-	-	(73,455,652)	-	1,385,136,406	382,688,368	36,217,260	4,567,994	-	65,030,426	(787,911)	43,875,747	-	2,094,470,407
Prior period adjustment																-
Restated Balance as at Shrawan 1, 2079																-
Profit/(Loss) For the Year					258,317,873											258,317,873
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 and Equipment/ Goodwill & Intangible Assets																-
vi) Remeasurement of Post-Employment Benefit Obligations																-
Transfer to Reserves/ Funds(Capital Reserve)					(22,432,685)			22,432,685								-
Transfer to Reserves/ Funds(Insurance Fund)																-
Transfer to Reserves/ Funds(Special Reserve)																-
Transfer to Reserves/ Funds(Catastrophe Reserve)					(11,216,343)				11,216,343							-
Transfer to Reserves/ Funds(CSR Reserve)					(1,121,634)					1,121,634						-
Transfer to Reserves/ Funds																-
Transfer to Deferred Tax Reserves					(146,154,448)									146,154,448		-
Transfer of Depreciation on Revaluation of Property and Equipment																-
Transfer on Disposal of Revalued Property and Equipment																-
Transfer on Disposal of Equity Instruments Measured at FVTOCI																-
Share Issuance Costs																-
Contribution by/ Distribution to the owners of the Company																-
i) Bonus Share Issued																-
ii) Share Issue																-
iii) Cash Dividend																-
iv) Dividend Distribution Tax																-
v) Others (To be specified)																-
Balance as on Ashadh end, 2080	251,197,769	-	-	-	3,937,111	-	1,385,136,406	405,121,053	47,433,603	5,689,628	-	65,030,426	(787,911)	190,030,195	-	2,352,788,280

The Oriental Insurance Company Limited
Statement of Distributable Profit or Loss
For the year ended Poush 29, 2080 (January 14, 2024)

Fig. in NPR

Particulars	Unaudited	Audited
	At the End of this Quarter	At the end of Immediate Previous Year
Opening Balance in Retained Earnings	(73,455,652)	(170,111,429)
Prior Period Adjustments	-	-
Transfer from OCI reserves to retained earning in current year		-
Net profit or (loss) as per statement of profit or loss	258,317,873	325,137,053
Appropriations:		
i) Transfer to Insurance Fund	-	-
ii) Transfer to Special Reserve	-	(156,799,593)
iii) Transfer to Catastrophe Reserve	(11,216,343)	(21,496,033)
iv) Transfer to Capital Reserve	(22,432,685)	(62,719,837)
v) Transfer to CSR reserve	(1,121,634)	(3,135,992)
vi) Transfer to/from Regulatory Reserve	-	27,208,047
vii) Transfer to Fair Value Reserve		
viii) Transfer of Deferred Tax Reserve	(146,154,448)	(11,537,868)
ix) Transfer to OCI reserves due to change in classification		
x) Others		-
Deductions:		
i) Accumulated Fair Value Gain on each Financial Assets Measured at FVTPL		
a) Equity Instruments		
b) Mutual Fund		
c) Others (if any)		
ii) Accumulated Fair Value gain on Investment Properties		
iii) Accumulated Fair Value gain on Hedged Items in Fair Value Hedges		
iv) Accumulated Fair Value gain on Hedging Instruments in Fair Value Hedges		
v) Accumulated Fair value gain of Ineffective Portion on Cash Flow Hedges		
vi) Goodwill Recognised		
vii) Unrealised Gain on fluctuation of Foreign Exchange Currency		
viii) Accumulated Share of Net Profit of Associates accounted using Equity Method included in Investment Account		
ix) Overdue loans		
x) Fair value gain recognised in Statement of Profit or Loss		
xi) Investment in unlisted shares		
xii) Delisted share Investment or mutual fund investment		
xiii) Bonus share/ dividend paid		
xiv) Deduction as per Sec 17 of Financial directive		
xiv) Deduction as per Sec 18 of Financial directive		
xv) Others (to be specified)		
Adjusted Retained Earning	3,937,111	(73,455,652)
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)	3,937,111	(73,455,652)

The Oriental Insurance Company Limited

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

1 General Information

The Oriental Insurance Company Limited (Company) herein after referred as "Company" is a branch office of Oriental Insurance Company Limited India incorporated under Companies Act of Nepal. The registered address of the Company is Sunrise Bizz Park, Charkhal, Dillibazar, Kathmandu.

2

(a) Statement of Compliance

The Financial Statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Nepal Accounting Standards Board (ASB), as per the provisions of The Institute of Chartered Accountants of Nepal Act, 1997. These confirm, in material respect, to NFRS as issued by the Nepal Accounting Standards Board. 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) Basis of Measurement

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

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

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

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

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

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

(c) Use of Estimates

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

(d) Functional and Presentation Currency

These Financial Statements are presented in Nepalese Rupees (NPR) which is the Company's functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

(e) Going Concern

The financial statements are prepared on a going concern basis. The management of the company 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.

(f) Changes in Accounting Policies

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

(g) Recent Accounting

Accounting standards issued and effective

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

Accounting standards issued and non-effective

NFRS 17 "Insurance Contracts"

(h) Carve-outs

N.A.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

3 Significant Accounting Policies

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

(a) Property, Plant and Equipment (PPE)

i) Recognition

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it meets the recognition criteria as mentioned above. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

ii) Depreciation

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

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

Rate of Depreciation of Property, Plant and Equipment based on DBM is categorised as stated below:

List of Asset Categories	Rate of Depreciation (In %) for DBM
Land	Not Applicable
Leasehold Improvement	Lease Period
Furniture & Fixtures	25%
Computers and IT Equipments	25%
Office Equipment	25%
Vehicles	20%
Other Assets	25%

iv) Derecognition

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

v) Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the Asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets. Assets that suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. In case of such reversal, the carrying amount of the asset is increased so as not to exceed the carrying amount that would have been determined had there been no impairment loss.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

vi) Capital Work-In-Progress

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

(b) Intangible Assets

i) Recognition

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred.

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

ii) Amortization

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

Amortisation is recognised in income statement on straight line method over the estimated useful life of the intangible assets or diminishing balance method from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

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

List of Asset Categories	Useful Life (In Years) for SLM
Softwares	5

iii) Derecognition

An Intangible Asset is derecognised when no Future Economic Benefits are expected to arise from the continued use of the Asset. Any Gain or Loss arising on the derecognition is determined as the difference between the sales proceeds and the carrying amount of the Asset and is recognized in the Statement of Profit or Loss.

iv) Impairment of Assets

The Company assesses at each reporting date as to whether there is any indication that Intangible Assets may be impaired. If any such indication exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. An impairment loss is recognised in the Statement of Profit or Loss to the extent, asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

(c) Investment Properties

Cost Model:

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

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

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to PPE, the deemed cost for subsequent accounting is the fair value at the date of change in use. If PPE becomes an investment property, the Company accounts for such property in accordance with the policy stated under PPE up to the date of change in use.

(d) Cash & Cash Equivalent

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

(e) Financial Assets

i) Initial Recognition & Measurement

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

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

ii) Subsequent Measurement

a) Financial Assets carried at Amortized Cost (AC)

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

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

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

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

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

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

iii) De-Recognition

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

iv) Impairment of Financial Assets

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

(f) Financial Liabilities

i) Initial Recognition & Measurement

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

All Financial Liabilities are recognized initially at Fair Value, plus, in the case of Financial Liabilities not at fair value through profit or loss, transaction costs that are attributable to the issue of the Financial Liability.

ii) Subsequent Measurement

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

For trade and other payables maturing within one year from the date of Statement of Financial Position, the carrying amounts approximate Fair value due to short maturity of these instruments.

iii) De-Recognition

A Financial Liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing Financial Liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Profit or Loss.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position where there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

(h) Reinsurance Assets

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

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

(i) Share Capital/Assigned Capital

Company is branch office of Oriental Insurance Company Limited India incorporated under Companies Act of Nepal. The company has assigned Capital which is shown under Share Capital.

(j) Reserves and Funds

i) Share Premium: If the Company issues share capital at premium it receives extra amount other than share capital such amount is transferred to share premium. The amount in share premium is allowed for distribution of bonus shares.

ii) Insurance Fund: The Company has been allocating insurance fund for the amount which is 50% of the net profit every year as per Regulator's Directive. However, Since the actuarial report for FY 2079/80 hasnt been obtained till date of publication of this report, no amount has been appropriated from retained earnings to Insurance Fund in unaudited Financial Statement of FY 2079/80 & first quarter of FY 2080/81 respectively.

iii) Catastrophe Reserves: The Company has allocated Catastrophe Reserve for the amount which is 10% of the distributable profit for the year as per Regulator's Directive.

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

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

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

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

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

ix) Other Reserves: Reserve other than above reserves, for e.g. deferred tax reserve.

(k) Insurance Contract Liabilities

i) Provision for unearned premiums

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

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

ii) Outstanding claims provisions

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

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

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

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

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.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

Liability adequacy

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

(l) Employee Benefits

i) Short Term Obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.

ii) Post - Employment Benefits

- Defined Contribution Plan

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

- Defined Benefit Plan

For Defined Benefit Plan , the cost of providing benefits is determined using the Projected Unit Credit Method, with Actuarial Valuations being carried out at each Statement of Financial Position. Actuarial Gains & Losses are recognized in the Other Comprehensive Income in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a Straight Line Basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the Fair Value of plan Assets (If Any). Any Asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

iii) Long Term Employee Benefits

The liabilities for un-availed earned leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Leave Encashment has been computed using Actuarial Assumptions and these are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the year using the Projected Unit Credit Method. The benefits are discounted using the market yields at the end of the year that have terms approximating to the terms of assumptions.

iv) Termination

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

- a) when the Company can no longer withdraw the offer of those benefits; and
- b) when the entity recognises costs for a restructuring that is within the scope of NAS 37 and involves the payment of termination benefits.

The termination benefits are measured based on the number of employees expected to accept the offer in case of voluntary retirement scheme.

(m) Revenue Recognition

i) Gross Earned Premiums

Gross Earned Premiums are arrived at after deducting unearned premium reserves from Direct Premium and Faculative Inward Premium. Direct premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

ii) Reinsurance Premium

Direct Reinsurance premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

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

iii) Commission Income

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

iv) Investment income

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

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

v) Net realised gains and losses

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

(n) 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.

i) Fire Portfolio - Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

ii) Motor Portfolio - Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.

iii) Marine Portfolio - Marine insurance business means the business of affecting and carrying out contracts of insurance against loss of consignment of goods during transit.

iv) Engineering Portfolio - Engineering insurance business means the insurance that provides economic safeguard to the risks faced by the ongoing construction project, installation project, and machines and equipment in project operation.

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

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

vi) Aviation Portfolio – Aviation Insurance provides coverage for hull losses as well as liability for passenger injuries, environmental and third-party damage caused by aircraft accidents.

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

viii) Miscellaneous Portfolio – All the insurance business which doesn't fall in above categories fall under miscellaneous insurance business. Group Personal Accidents, Medical Insurances, Professional indemnity insurance etc. fall under this category of business.

(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 are substantially ready for their intended use or sale.

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

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

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

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

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

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

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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate to determine the present value is a Pre-Tax Rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

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

(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) Foreign Currency Transactions

The Financial Statements of the Company are presented in Nepalese Rupees, which is the Company's Functional Currency. In preparing the Financial Statements of the Company, transactions in currencies other than the Company's Functional Currency i.e. Foreign Currencies are recognized at the rates of exchange prevailing at the dates of the transactions.

(u) Earnings Per Share

Since the balance of Head Office account is treated as assigned capital, EPS is not calculated.

(v) Operating Segment

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

Company's Income & Expenses including interest are considered as part of un-allocable Income & Expenses which are not identifiable to any business segment. Company's Asset & Liabilities are considered as part of un-allocable Assets & Liabilities which are not identifiable to any business.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

(e) Going Concern

The financial statements are prepared on a going concern basis. The management of the company 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.

(f) Changes in Accounting Policies

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

(g) Recent Accounting

Accounting standards issued and effective

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

Accounting standards issued and non-effective

NFRS 17 "Insurance Contracts"

(h) Carve-outs

N.A.

3 Significant Accounting Policies

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

(a) Property, Plant and Equipment (PPE)

i) Recognition

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it meets the recognition criteria as mentioned above. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

ii) Depreciation

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

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

Rate of Depreciation of Property, Plant and Equipment based on DBM is categorised as stated below:

List of Asset Categories	Rate of Depreciation (In %) for DBM
Land	Not Applicable
Leasehold Improvement	Lease Period
Furniture & Fixtures	25%
Computers and IT Equipments	25%
Office Equipment	25%
Vehicles	20%
Other Assets	25%

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

iv) Derecognition

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

v) Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the Asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets. Assets that suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. In case of such reversal, the carrying amount of the asset is increased so as not to exceed the carrying amount that would have been determined had there been no impairment loss.

vi) Capital Work-In-Progress

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

(b) Intangible Assets

i) Recognition

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred.

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

ii) Amortization

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

Amortisation is recognised in income statement on straight line method over the estimated useful life of the intangible assets or diminishing balance method from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

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

List of Asset Categories	Useful Life (In Years) for SLM
Softwares	5

iii) Derecognition

An Intangible Asset is derecognised when no Future Economic Benefits are expected to arise from the continued use of the Asset. Any Gain or Loss arising on the derecognition is determined as the difference between the sales proceeds and the carrying amount of the Asset and is recognized in the Statement of Profit or Loss.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

iv) Impairment of Assets

The Company assesses at each reporting date as to whether there is any indication that Intangible Assets may be impaired. If any such indication exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. An impairment loss is recognised in the Statement of Profit or Loss to the extent, asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

(c) Investment Properties

Cost Model:

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

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

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to PPE, the deemed cost for subsequent accounting is the fair value at the date of change in use. If PPE becomes an investment property, the Company accounts for such property in accordance with the policy stated under PPE up to the date of change in use.

(d) Cash & Cash Equivalent

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

(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.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

ii) Subsequent Measurement

a) Financial Assets carried at Amortized Cost (AC)

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

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

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

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

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

(f) Financial Liabilities

i) Initial Recognition & Measurement

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

All Financial Liabilities are recognized initially at Fair Value, plus, in the case of Financial Liabilities not at fair value through profit or loss, transaction costs that are attributable to the issue of the Financial Liability.

ii) Subsequent Measurement

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

For trade and other payables maturing within one year from the date of Statement of Financial Position, the carrying amounts approximate Fair value due to short maturity of these instruments.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

iii) De-Recognition

A Financial Liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing Financial Liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Profit or Loss.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position where there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(h) Reinsurance Assets

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

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

(i) Share Capital/Assigned Capital

Company is branch office of Oriental Insurance Company Limited India incorporated under Companies Act of Nepal. The company has assigned Capital which is shown under Share Capital.

(j) Reserves and Funds

i) **Share Premium:** If the Company issues share capital at premium it receives extra amount other than share capital such amount is transferred to share premium. The amount in share premium is allowed for distribution of bonus shares.

ii) **Insurance Fund:** The Company has been allocating insurance fund for the amount which is 50% of the net profit every year as per Regulator's Directive. However, Since the actuarial report for FY 2079/80 hasnt been obtained till date of publication of this report, no amount has been appropriated from retained earnings to Insurance Fund in unaudited Financial Statement of FY 2079/80 & first quarter of FY 2080/81 respectively.

iii) **Catastrophe Reserves:** The Company has allocated Catastrophe Reserve for the amount which is 10% of the distributable profit for the year as per Regulator's Directive.

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

v) **Regulatory Reserves:** Reserve created out of net profit in line with different circulars issued by Insurance Board.

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

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

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

ix) **Other Reserves:** Reserve other than above reserves, for e.g. deferred tax reserve.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

(k) Insurance Contract Liabilities

i) Provision for unearned premiums

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

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

ii) Outstanding claims provisions

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

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

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

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

Liability adequacy

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

(l) Employee Benefits

i) Short Term Obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.

ii) Post - Employment Benefits

- Defined Contribution Plan

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

- Defined Benefit Plan

For Defined Benefit Plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with Actuarial Valuations being carried out at each Statement of Financial Position. Actuarial Gains & Losses are recognized in the Other Comprehensive Income in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a Straight Line Basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the Fair Value of plan Assets (If Any). Any Asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

iii) Long Term Employee Benefits

The liabilities for un-availed earned leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Leave Encashment has been computed using Actuarial Assumptions and these are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the year using the Projected Unit Credit Method. The benefits are discounted using the market yields at the end of the year that have terms approximating to the terms of assumptions.

iv) Termination

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

- a) when the Company can no longer withdraw the offer of those benefits; and
- b) when the entity recognises costs for a restructuring that is within the scope of NAS 37 and involves the payment of termination benefits.

The termination benefits are measured based on the number of employees expected to accept the offer in case of voluntary retirement scheme.

(m) Revenue Recognition

i) Gross Earned Premiums

Gross Earned Premiums are arrived at after deducting unearned premium reserves from Direct Premium and Faculative Inward Premium. Direct premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

ii) Reinsurance Premium

Direct Reinsurance premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

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

iii) Commission Income

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

iv) Investment income

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

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

v) Net realised gains and losses

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

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

(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.

i) Fire Portfolio - Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

ii) Motor Portfolio - Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.

iii) Marine Portfolio - Marine insurance business means the business of affecting and carrying out contracts of insurance against loss of consignment of goods during transit.

iv) Engineering Portfolio - Engineering insurance business means the insurance that provides economic safeguard to the risks faced by the ongoing construction project, installation project, and machines and equipment in project operation.

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

vi) Aviation Portfolio - Aviation Insurance provides coverage for hull losses as well as liability for passenger injuries, environmental and third-party damage caused by aircraft accidents.

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

viii) Miscellaneous Portfolio - All the insurance business which doesn't fall in above categories fall under miscellaneous insurance business. Group Personal Accidents, Medical Insurances, Professional indemnity insurance etc. fall under this category of business.

(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 are substantially ready for their intended use or sale.

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

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

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

The Oriental Insurance Company Limited

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

Notes to the Financial Statements (Continued...)

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

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

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

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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate to determine the present value is a Pre-Tax Rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

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

(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) Foreign Currency Transactions

The Financial Statements of the Company are presented in Nepalese Rupees, which is the Company's Functional Currency. In preparing the Financial Statements of the Company, transactions in currencies other than the Company's Functional Currency i.e. Foreign Currencies are recognized at the rates of exchange prevailing at the dates of the transactions.

(u) Earnings Per Share

Since the balance of Head Office account is treated as assigned capital, EPS is not calculated.

(v) Operating Segment

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

Company's Income & Expenses including interest are considered as part of un-allocable Income & Expenses which are not identifiable to any business segment. Company's Asset & Liabilities are considered as part of un-allocable Assets & Liabilities which are not identifiable to any business.

The Oriental Insurance Company Limited
Notes to the Financial Statements
For the year ended Poush 29, 2080 (January 14, 2024)

52 Operating Segment

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

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

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

The Oriental Insurance Company Limited
Notes to the Financial Statements
For the year ended Poush 29, 2080 (January 14, 2024)

a) Segmental Information for the year ended Poush 29, 2080 (January 14, 2024)

Fig. in NPR

Particulars	Property	Motor	Marine	Engineering	Micro	Aviation	Cattle and Crop	Miscellaneous	Inter Segment Elimination	Total
Income:										
Gross Earned Premiums	262,940,997	69,461,045	208,592,623	132,585,724	151,794	-	37,644,326	44,748,775		756,125,284
Premiums Ceded	(106,260,091)	(20,698,023)	(43,155,685)	(53,355,826)	(25,971)	-	(31,518,232)	(8,097,855)		(263,111,683)
Inter-Segment Revenue										-
Net Earned Premiums	156,680,906	48,763,022	165,436,938	79,229,898	125,823	-	6,126,094	36,650,920	-	493,013,601
Commission Income	36,926,309	1,642,037	8,551,208	12,970,893	(12,307)	-	7,036,465	3,826,110		70,940,715
Other Direct Income	-	6,350	-	-	-	-	-	-		6,350
Income from Investments and Loans	44,699,297	11,808,200	35,460,212	22,539,234	25,805	-	6,399,439	7,607,176		128,539,363
Net Gain/ (Loss) on Fair Value Changes										-
Net Realised Gains/ (Losses)										-
Other Income										-
Total Segmental Income	238,306,512	62,219,609	209,448,358	114,740,025	139,321	-	19,561,998	48,084,206	-	692,500,029
Expenses:										
Gross Claims Paid	89,155,940	17,463,783	42,976,475	25,286,275	100,000	-	63,456,132	70,789,378		309,227,983
Claims Ceded	(17,791,124)	(5,385,936)	(8,409,551)	(2,284,511)	(100,000)	-	(53,141,938)	(12,453,928)		(99,566,988)
Gross Change in Contract Liabilities	8,828,073	10,401,028	49,885,407	1,656,910	(8,180,000)	-	25,769,346	7,638,579		95,999,343
Change in Contract Liabilities Ceded to Reinsurers	(23,891,990)	(4,979,573)	(9,177,734)	7,058,054	8,180,000	-	(21,656,708)	(887,170)		(45,355,121)
Net Claims Paid	56,300,899	17,499,302	75,274,597	31,716,728	-	-	14,426,832	65,086,859	-	260,305,217
Commission Expenses	13,314,577	304,633	457,244	8,801,693	5,572	-	7,602,312	1,335,879		31,821,910
Service Fees	5,961,177	-	-	-	-	-	-	-		5,961,177
Other Direct Expenses	-	-	614,120	-	-	-	-	-		614,120
Employee Benefits Expenses	31,996,255	8,452,441	25,382,816	16,133,835	18,471	-	4,580,790	5,445,302		92,009,910
Depreciation and Amortization Expenses										-
Impairment Losses										-
Other Operating Expenses	4,951,168	1,307,949	3,927,791	2,496,584	2,858	-	708,841	842,617		14,237,808
Finance Cost										-
Total Segmental Expenses	112,524,076	27,564,325	105,656,568	59,148,840	26,901	-	27,318,775	72,710,657	-	404,950,142
Total Segmental Results	125,782,436	34,655,284	103,791,790	55,591,185	112,420	-	(7,756,777)	(24,626,451)	-	287,549,887
Segment Assets	320,934,243	83,972,733	145,852,212	158,060,328	53,118,235	-	104,696,885	2,274,023		868,908,659
Segment Liabilities	771,127,520	179,462,459	381,881,617	366,679,207	53,222,117	-	128,732,560	128,294,861		2,009,400,341