25 YEARS OF INSURANCE
SINCE 1996-2020

२४औं वार्षिक प्रतिवेदन २०७५/०७६

24TH ANNUAL REPORT 2018-19

Registered Office : Anamnagar, Kathmandu
Established: 16th December 1994
Phone : 01-4770415(Hunting), Toll Free No.: 16600130415
Fax:: 977-1-4770162 P.O.B NO. 12271
Email : info@neco.com.np, Web: https://neco.com.np

Board of **DIRECTORS**

Mr. Ramesh Kumar Niraula
Chairman

Mr. Niraula represents from the promoter shareholder S.V.R. Public Pvt. Ltd. He has academic qualifications on Bachelors in Scinece and Law. He has experience of Directors of NDEP Development and Machhapuchchhre Bank.

Mr. Keshav Prasad Lamsal
Director

Mr. Lamsal represents from the promoter shareholder Rastriya Banijya Bank. He has academic qualifications on Bachelors in Scinece and Masters in Humanities and Management, He has long Experience in Bank and now he serves as Deputy CEO of Rastriya Banijya Bank.

Mr. Dhruba Chandra Gautam
Director

Mr. Gautam represents from the promoter shareholder Agricultural Development Bank. He has academic qualifiation on Bachelors in Business Adminitration. He has long Experience in Bank and now he serves as Deputy GM of ADBL.

NECO

Mr. Ratna Raj Pandeya
Director

Mr. Pandeya represents from the promoter shareholder S.S. Binayak Pvt. Ltd. He has academic qualifications on Bachelors in Law and Masters in Management. He was past Chairman of Nepal Television. He was retired from Nepal Goverment's Service as Joint Secretary.

Mr. Bhanu Bhakta Pokhrel
Director

Mr. Pokhrel represents from the public shareholders. He has academic qualification on Bachelors in Law. He has long experience as legal practitioner. He is involved in various organizations as Legal advisor.

Mr. Rohit Kumar Bhattarai
Independent Director

Mr. Bhattarai has academic qualifications on Bachelors in Law and Masters in Management. He was retired from Nepal Government's Service as Joint Secretary.

NECO

नेको इन्सुरेन्स लि.
NECO INSURANCE LTD.

25 YEARS OF INSURANCE
SINCE 1996-2020

CERTIFICATE
OF PARTNERSHIP

AIG & नेको इन्सुरेन्स लि. NECO INSURANCE LTD.

विश्वको नं. १ बीमा कम्पनी ए.आई.जी. को नेपालको लागि एकमात्र हामी आधिकारीक नेटवर्क पार्टनर हुन पाएकोमा गौरवान्वित छौं ।

SAR ASSOCIATES
CHARTERED ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Neco Insurance Limited

Report on the Audit of the Financial Statements (Amended)

Opinion

We have audited the amended financial statements of the Neco Insurance Limited (the "Company"), which comprise the amended statement of financial position as at Ashadh 31, 2076 (July 16, 2019), and the amended statement of profit or loss, amended statement of comprehensive income, amended statement of changes in equity and amended statement of cash flows for the year then ended, and amended notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying amended financial statements presents fairly, in all material respects, the financial position of the Company as at Ashadh 31, 2076 (16 July 2019), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our Report. We are independent of the Company in accordance with the *ICAN's Handbook of Code of Ethics for Professional Accountants* together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter- Basis of Amendment

After issuance of our independent auditor's report dated January 05, 2020, the management has prepared the attached amended financial statements as per the direction of Beema Samiti. We would like to draw your attention to changes in the financial statements relating to Insurance Fund, Deferred Tax Assets, retained earnings and other reserves on account of reduction in Unexpired Risk Reserve in Engineering Insurance as required by Insurance Act 2049, and resulting changes in statement of financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity. Our procedure for audit of this amended financial statements is limited to review of financial information as amended as per the direction of Beema Samiti.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Nepal Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

SAR Associates Kathmandu

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that includes our opinion. Reasonable assurance is high level of assurance but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting polices used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the requiremeants of Companies Act 2063 and Insurance Act 2049

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the company, though the statements are independently not audited, were adequate for the purpose of the audit; the financial statements have been prepared in accordance with the provisions of the Companies Act 2063, and they are in agreement with the books of accounts of the company; and the accounts and records of the company are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that adequate amount have been set aside for insurance fund and other statutory reserves as per Beema Samiti Directives; the business of the Company was conducted satisfactorily in

SAR Associates Chartered Accountants Kathmandu line with the Beema Samiti Directives, and the Company's transactions were found to be within the scope of its authority. We did not come across cases of where the company has acted against the interest of insured and investors. Further, we did not come across cases of accounting related fraud and the cases where the board of directors or any director or any office bearer of the Company has acted contrary to the provisions of law, caused loss or damage to the Company or committed any misappropriation of the funds of company

SAR Associates Chartered Accountants Kathmandu

Sunir Kumar Dhungel
Managing Partner

Date: February 22, 2020
Place: Kathmandu

UDIN: 200302CA00109XzvEz

STATEMENT OF FINANCIAL POSITION

As at 31 Ashad 2076

	Schedule	FY 2075-76	FY 2074-75
		Rs	Rs
Assets			
Property Plant and Equipment	1	313,672,112	217,424,249
Intangible assets	2	239,429	356,700
Deferred Tax Assets	3	90,956,412	34,305,743
Financial assets			
Financial assets at amortized cost	4	2,428,312,058	2,231,559,693
Financial asset at fair value through other comprehensive income	5	299,724,633	234,166,505
Financial assets at fair value through profit or loss	6	-	-
Other Financial Assets	7	13,230,063	9,382,201
Reinsurance Asset	8	202,012,156	253,052,093
Insurance receivables	9	100,432,421	84,297,558
Other Assets	10	87,656,263	70,927,150
Current tax assets	11	30,113,505	4,726,265
Cash and cash Equivalent	12	290,202,531	143,855,543
Total Assets		3,856,551,582	3,284,053,699
Equity			
Share capital	13	1,176,278,400	1,176,278,400
Share premium	14	58,327,761	58,327,761
Insurance Fund	15.1	612,957,074	435,591,329
Catastrophic reserves	15.1	57,453,915	39,717,341
Retained Earnings	15.2	197,894,802	92,111,765
Other Reserves	15.3	89,447,352	24,820,997
Total Equity		2,192,359,304	1,826,847,591
Liabilities			
Insurance Contract Liabilities	16	1,134,524,167	1,004,676,328
Deferred Tax Liabilities	3	-	-
Other Financial Liabilities	17	62,677,806	71,385,265
Insurance Payables	18	231,413,285	213,404,075
Other Liabilities	19	186,719,594	126,223,057
Current Tax Liabilities	11	-	-
Trade and other payables	20	48,857,425	41,517,382
Total Liabilities		1,664,192,277	1,457,206,108
Total Liabilities and Equity		**3,856,551,582**	**3,284,053,699**

Bhuwan Mahat
Finance Head

Ashok Kumar Khadka
CEO

Bhanu Bhakta Pokhrel
Director

Keshav Prasad Lamsal
Director

Rohit Kumar Bhattarai
Independent Director

Dhruba Chandra Gautam
Director

Ratna Raj Pandeya
Director

Ramesh Kumar Niraula
Chairman

As per our attached report even date

C.A. Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Date: 2076/11/10

The notes to the financial statements as set out on schedules 01 to 44 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

Year ended 31 Ashad 2076

	Note	FY 2075-76	FY 2074-75
		Rs	Rs
Gross Premium	21	1,916,256,344	1,660,948,034
Premiums Ceded to Reinsurers	21	(771,406,352)	(675,778,324)
Net Premiums		1,144,849,992	985,169,709
Fees and commission income	22	196,255,398	153,365,943
Investment income	23	252,095,645	188,787,348
Net realised gains and losses	24	-	-
Fair value gains and losses	25	-	-
Other income	26	8,138,946	1,964,074
Other revenue		456,489,990	344,117,364
Total Revenue		1,601,339,983	1,329,287,074
Gross benefits and claims paid	27	(1,023,752,169)	(737,771,912)
Claims ceded to reinsurers	27	468,673,902	315,186,911
Change in insurance contract liabilities	28	(180,760,257)	(167,112,129)
Net benefits and claims		(735,838,524)	(589,697,130)
Finance costs	29	(3,193,611)	(5,215,721)
Other operating and administrative expenses	30	(418,763,238)	(331,684,218)
Other expenses		(421,956,848)	(336,899,938)
Total benefits, claims and other expenses		(1,157,795,372)	(926,597,068)
Profit before tax		443,544,610	402,690,005
Income Tax Expense	31	(94,619,869)	(131,806,287)
Profit For the Year		348,924,742	270,883,718
Basic earnings per share	32	29.66	28.26
Restated earnings per share	32	29.66	28.26

Bhuwan Mahat
Finance Head

Ashok Kumar Khadka
CEO

Bhanu Bhakta Pokhrel
Director

Keshav Prasad Lamsal
Director

Rohit Kumar Bhattarai
Independent Director

Dhruba Chandra Gautam
Director

Ratna Raj Pandeya
Director

Ramesh Kumar Niraula
Chairman

As per our attached report even date

C.A. Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Date: 2076/11/10

The notes to the financial statements as set out on schedules 01 to 44 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 31 Ashad 2076

	FY 2075-76	FY 2074-75
	Rs	Rs
Cash flow from opera		
Cash Received	1,387,730,415	1,150,596,833
Net premium income	1,144,849,992	985,169,709
Fee and Commission Income	234,741,476	163,463,050
Net realised gains and losses	-	-
Fair value gains and losses	-	-
Other Income	8,138,946	1,964,074
Cash Paid	(1,315,976,798)	(1,064,546,277)
Net Claim Paid	(555,078,267)	(422,585,001)
Staff Expense	(237,942,016)	(192,220,830)
Agent commission expense	(43,709,770)	(40,126,814)
Reinsurance commission expense	(659,523)	(548,507)
Service Charge	(11,448,500)	(9,851,697)
Other Expenses	(308,759,481)	(259,888,230)
Income Tax	(158,379,241)	(139,325,199)
Adjustment	(79,417,771)	(235,363,713)
Deferred Reinsurance commission income	(38,486,078)	(10,097,107)
Deferred Reinsurance commission Expense	119,337	48,304
Deferred Agent Commission	2,876,458	3,791,427
Depreciation	(15,296,011)	(10,968,192)
Unexpired risk reserve provision	(90,206,651)	(122,667,714)
Deferred Tax income/expense	63,759,372	7,518,912
Change in insurance contract outstanding claims provision	(2,184,199)	(102,989,342)
(Increase)/ Decrease of Current Assets	(65,525,610)	(53,569,674)
(Increase)/ Decrease in Financial Assets	(99,836,434)	77,334,440
(Increase)/ Decrease in Reinsurance Asset	51,039,938	(104,768,508)
(Increase)/ Decrease in Other Assets	(16,729,114)	(26,135,605)
Increase/ (Decrease) of Current Liabilities	297,192,820	459,390,149
Increase/ (Decrease) in Other Liabilities	297,192,820	459,390,149
Net cash flow from operating activities (A)	224,003,056	256,507,318
Cash flow from investing activities		
(Increase) / Decrease in Fixed Assets	(80,951,852)	(7,743,220)
(Increase) / Decrease in Intangible assets	117,271	126,901
(Increase) / Decrease in Investment in Govt. & Govt. Guaranteed Securities	13,714,154	-

(Increase) / Decrease in Investment in Fixed Deposit of Banks & Financial Institutions	(201,660,297)	(681,252,899)
(Increase) / Decrease in Investment in Other Deposit of Banks & Financial Institutions		
(Increase) / Decrease in Investment in Equity Share	(65,558,128)	(40,535,597)
(Increase) / Decrease in Investment in Preference Share / Debenture	(8,806,223)	(101,603,548)
(Increase) / Decrease in Other Investment		
(Increase) / Decrease in Loans and Advances		
Interest Income Received on Investment	249,100,507	188,787,348
Dividend Received	2,995,138	-
Interest Income Received on CIT	-	-
Net cash flow from investing activities (B)	(91,049,429)	(642,221,016)
Cash flow on financing activites	13,393,361	406,637,515
Interest Expence	(3,193,611)	(5,215,721)
Dividend Paid	-	-
(Increase) / Decrease in Equity after adjustment of net profit for the year	16,586,971	411,853,236
Net cash flow from financing activities (C)	13,393,361	406,637,515
Change in Exchange rate in Cash and Bank Balances (D)	-	-
Net increase/(decrease) in cash and cash equivalents (E=A+B+C)	146,346,988	20,923,818
Cash and cash equivalents at the beginning of the year (F)	143,855,543	122,931,725
Cash and cash equivalents at the end of the year (E+F)	290,202,530	143,855,543

Bhuwan Mahat
Finance Head

Ashok Kumar Khadka
CEO

Bhanu Bhakta Pokhrel
Director

Keshav Prasad Lamsal
Director

Rohit Kumar Bhattarai
Independent Director

Dhruba Chandra Gautam
Director

Ratna Raj Pandeya
Director

Ramesh Kumar Niraula
Chairman

The notes to the financial statements as set out on schedules 01 to 44 form an integral part of these financial statements.

As per our attached report even date

C.A. Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Date: 2076/11/10

STATEMENT OF CHANGES IN EQUITY
Year Ended 31nd Ashad 2076

	Share Capital	Share premium	Insurance reserves	Retained Earnings	Other reserves and funds	Catastrophic Reserves	Deferred Tax Reserve	Regulatory Reserve	Insurance fund	Fair value reserve	Actuarial reserve	Total Shareholders' Funds
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Balance as at 1 shrawan 2074	712,895,990	84,890,443	27,195,229	7,944,016	-	24,594,333	17,694,942	-	284,361,253	(5,977,527)	(9,488,040)	1,144,110,637
Net profit for the year	-	-	-	270,883,718		-	-	-	-	-	-	270,883,718
Issue of new shares	-	-	-	-	-	-	-	-	-	-	-	-
Calls in advance	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares Issued	71,289,599	(71,289,599)	-		-	-	-	-	-	-	-	-
Right Shares Issued	392,092,811	44,726,917	-	-	-	-	-	-	-	-	-	436,819,728
Proposed bonus shares	-	-	-	-	-	-	-	-	-	-	-	-
Addition from Acquisition	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Paid	-	-	-	(3,752,084)	-	-	-	-	-	-	-	(3,752,084)
Adjustment for Prior Period Issue	-	-	-	-	-	-	-	-	-	-	-	-
							-	-	-			-
Transfer to Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Share Premium	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to insurance fund	-	-	-	(151,230,076)	-	-	-	-	151,230,076	-	-	-
Transfer to catastrophic reserve	-	-	-	(15,123,008)	-	15,123,008	-	-	-	-	-	-
Transfer to Deferred tax Reserve	-	-	-	(16,610,800)	-	-	16,610,800	-	-	-	-	-
Transfer to Regulatory Reserve	-	-	-	-	-	-	-	-	-	-	-	
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
												-
Other Adjustments								-	-			-
Expenses Related to Previous Year	-	-	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	-	-	-	(7,429,127)	-	-	-	-	-	-	-	(7,429,127)
Proposed Dividend Reversal due to NFRS	-	-	-	7,429,127	-	-	-	-	-	-	-	7,429,127
Proposed bonus share	-	(44,726,917)	-	(96,426,491)	-	-	-	-	-	-	-	(141,153,408)
Proposed bonus share Reversal due to NFRS	-	44,726,917	-	96,426,491	-	-	-	-	-	-	-	141,153,408
Deferred tax Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Acturial Gain/loss	-	-	-	-	-	-	-	-	-	-	(5,560,472)	(5,560,472)
Fair value change	-	-	-	-	-	-	-	-	-	(15,653,936)	-	(15,653,936)

NFRS Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 32 Ashad 2075	1,176,278,400	58,327,761	27,195,229	92,111,765	-	39,717,340	34,305,743	-	435,591,329	(21,631,463)	(15,048,512)	1,826,847,593
Balance as at 1 shrawan 2075	**1,176,278,400**	**58,327,761**	**27,195,229**	**92,111,765**	**-**	**39,717,340**	**34,305,743**	**-**	**435,591,329**	**(21,631,463)**	**(15,048,512)**	**1,826,847,593**
Net profit for the year	-	-	-	348,924,742	-	-	-	-	-	-	-	348,924,742
Issue of new shares	-	-	-	-	-	-	-	-	-	-	-	-
Calls in advance	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares Issued	-	-	-	-	-	-	-	-	-	-	-	-
Right Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-
Proposed bonus shares	-	-	-	-	-	-	-	-	-	-	-	-
Addition from Acquisition	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment for Prior Period Issue	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Share Premium	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to insurance fund	-	-	-	(177,365,745)	-	-	-	-	177,365,745	-	-	-
Transfer to catastrophic reserve	-	-	-	(17,736,574)	-	17,736,574	-	-	-	-	-	-
Transfer to Deferred tax Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Regulatory Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Expenses Related to Previous Year	-	-	-	-	-	-	-	-	-	-	15,048,512	15,048,512
Proposed Dividend	-	-	-	(107,474,700)	-	-	-	-	-	-	-	(107,474,700)
Proposed Dividend Reversal due to NFRS	-	-	-	107,474,700	-	-	-	-	-	-	-	107,474,700
Proposed bonus share	-	-	-	-	-	-	-	-	-	-	-	-
Proposed bonus share Reversal due to NFRS	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax Reserve	-	-	-	(48,039,383)	-	-	56,650,669	-	-	(8,611,287)	-	-
Acturial Gain/loss	-	-	-	-	-	-	-	-	-	-	-	-
Fair value change	-	-	-	-	-	-	-	-	-	1,538,461	-	1,538,461
NFRS Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 Ashad 2076	**1,176,278,400**	**58,327,761**	**27,195,229**	**197,894,803**	**-**	**57,453,915**	**90,956,412**	**-**	**612,957,074**	**(28,704,288)**	**-**	**2,192,359,305**

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	FY 2075-76	FY 2074-75
	Rs	Rs
Profit for the year	348,924,742	270,883,718
Gains /(losses) on re-measuring financial assets at fair value through other comprehensive income	2,197,802	(22,362,765)
Gain/(loss) on Actuarial valuation of defined benefit liability	21,497,874	(7,943,531)
Total other comprehensive income	23,695,676	(30,306,296)
Deferred tax income /(expense) relating to components of other comprehensive income	(7,108,703)	9,091,889
Other comprehensive income for the year, net of tax	16,586,973	(21,214,407)
Total comprehensive income for the year, net of tax	**365,511,715**	**249,669,311**

Bhuwan Mahat
Finance Head

Ashok Kumar Khadka
CEO

Bhanu Bhakta Pokhrel
Director

Keshav Prasad Lamsal
Director

Rohit Kumar Bhattarai
Independent Director

Dhruba Chandra Gautam
Director

Ratna Raj Pandeya
Director

Ramesh Kumar Niraula
Chairman

The notes to the financial statements as set out on schedules 01 to 44 form an integral part of these financial statements.

As per our attached report even date

C.A. Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Date: 2076/11/10

SIGNIFICANT ACCOUNTING POLICIES
For the year ended 31Ashad 2076

1. INSURANCE

1.1 General

Neco Insurance Company Limited (hereinafter referred to as "NIL") is a public limited company, established on 01/09/2051 from company registrar office, Kathmandu. The company obtained the license (08/053) from Beema Samiti on 17/02/2053 and finally got approval from Beema Samiti to carry on business from 17/02/2053 and company finally started its commercial operation from 17/02/2053.

1.2 Financial Statements

The Financial Statement of the NIL for the year ended 31 Ashad 2076 comprises Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Notes to the Financial Statements, Significant Accounting Policies of the Company and Statement of Financial Position and reconciliations.

1.3 Principal Activities and Operationz

Insurance

The principal activities of the Insurance is to issue Non - Life Insurance contract to the general public.
Ownership of Subsidiary and Associates as at 31 Ashad 2076 is given below:
There are no holding in subsidiary and associates.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENT AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Preparation

2.1.1. Statement of Compliance

The Financial Statement of NIL which comprises components mentioned above have been prepared in accordance with Nepal Financial Reporting Standards comprising of Nepal Financial Reporting Standards and Nepal Accounting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal and in compliance with the requirements of the Companies Act ,2006.

For all periods up to 31 Ashad 2075, the NIL prepared the financial statements in accordance with the Nepal Accounting Standards which were effective till that period. The financial statements for the year ended 31 Ashad 2075 were the first set of statements NIL prepared in accordance with NFRSs.

2.1.2. Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of Financial Statements of NIL as per the provisions of the Companies Act, 2006.

2.1.3 Approval of Financial Statements by Directors

The accompanied Financial Statements have been authorized by the Board of Directors vide its resolution and recommended for its approval by the Annual General Meeting of the shareholders.

2.1.4. Basis of Measurement

The Financial Statements of Insurance have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

Financial assets at fair value through other comprehensive income (quoted) are measured at fair value. Employee defined benefit obligations are measured in accordance with provision contained in NAS 19 based on report of the Actuary.

Insurance contract liabilities are determined in accordance with provision contained in NFRS 4 & actuarial report for Liability Adequacy Test (LAT), however, insurance contract liabilities are also determined in accordance contained in Insurance Act 1992 and Final Liability is taken as higher of two in compliance with Insurance Board Circular dated 28th September 2018.

2.1.5. Functional and Presentation Currency

The Financial Statements of SIL are presented in Nepalese Rupees (Rs), which is the currency of the primary economic environment in which the Insurance operates. Financial information presented in Nepalese Rupees. There was no change in NIL's presentation and functional currency during the year under review.

2.1.6. Presentation of Financial Statements

The assets and liabilities of NIL presented in the Statement of Financial Position are grouped in an order of liquidity.

2.1.7. Materiality and Aggregation

In compliance with Nepal Accounting Standard - NAS 01 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial. Financial Assets and Financial Liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

2.1.8. Comparative Information

The accounting policies have been consistently applied by Insurance Company with those of the previous financial year in accordance with NAS 01 Presentation of Financial Statements, except those which had to be changed as a result of application of the new NFRS. Further, comparative information is reclassified wherever necessary to comply with the current NFRS presentation.

2.1.9. Going Concern

The Directors have made an assessment of Insurance's ability to continue as a going concern and satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon Insurance's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.2. Standards neither issued nor made effective

Standards neither issued nor made effective up to the date of issuance of the financial statements are set out as below.

These standards will be applied by the insurance company when issued and made effective making a reasonable difference in Financials. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

i. IFRS 17- Insurance Contract
IFRS 17, if issued would be an updated version of NFRS 4, Insurance Contracts. IFRS 17 requires entities to reflect the time value of money in estimated payments to settle the incurred claims, which is not provisioned by NFRS 4. IFRS 17 requires a company to recognize profits as it delivers insurance services (rather than when it receives premiums) and to provide information about insurance contract profits the company expects to recognize in the future.

2.3. Property, Plant and Equipment

A.Recognition of Property, Plant and Equipment

The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:

(a) It is probable that future economic benefits associated with the item will flow to the entity; and
(b) The cost of the item can be measured reliably.

a) Initial Cost

Items of property, plant and equipment may be acquired for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits of any particular existing item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive future economic benefits from related assets in excess of what could be derived had those items not been acquired.

b) Subsequent Cost

An entity does not recognize in the carrying amount of an item of property, plant and equipment the costs of the day-today servicing of the item. Rather, these costs are recognized in profit or loss as incurred. Costs of day-to-day servicing are primarily the costs of labor and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the item of property, plant and equipment.

Parts of some items of property, plant and equipment may require replacement at regular intervals. An entity recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of this Standard.

B. Measurement of property, plant and equipment

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. The cost of an item of property, plant and equipment comprises:

(a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

(b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to becapable of operating in the manner intended by management.

(c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

C. Measurement after recognition

An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

Cost model

Property and equipment is stated at cost less accumulated depreciation less accumulated impairment losses. The company has applied the cost model of valuation of property, plant and equipment for the fiscal year ended 31st Ashad 2076.

Revaluation model

The Insurance Company has not applied the revaluation model to the any class of freehold land and buildings or other assets. Such properties are carried at a previously recognized GAAP Amount.

Depreciation

The company applies written down value methods of depreciation calculation.
Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning and not when it starts to be used. Items of Property, Plant and Equipment are depreciated in a manner that amortizes the cost (or other amount substituted for cost) of the assets after commissioning, less its residual value, over their useful lives on a Written down value basis. Land is not depreciated.
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
A significant part of an item of property, plant and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge.
The depreciation charge for each period shall be recognized in profit or loss unless it is included in the carrying amount of another asset.

Estimated rate of Depreciation

The estimated rate of Depreciation of property, plant and equipment of the Company are as follows:

Asset Class	Rate of Depreciation
A-Building	5%
B-Leasehold	25%
B- Furniture & Fixture	25%
B- Computer & Accessories	25%
B- Office equipment	25%
C- Motor Vehicle	20%

Property, plant and equipment's residual values and useful lives are reviewed at each Statement of Financial Position date and changes, if any, are treated as changes in accounting estimate as per NAS 8.

D. Impairment of property, plant and equipment

To determine whether an item of property, plant and equipment is impaired, an entity applies NAS 36 Impairment of Assets. That Standard explains how an entity reviews the carrying amount of its assets, how it determines the recoverable amount of an asset, and when it recognizes, or reverses the recognition of, an impairment loss.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when the compensation becomes receivable.
There is no any condition to the company to impair its property plant and equipment as on 31st Ashad 2076.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed, only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

E. Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment shall be derecognized:

(a) On disposal; or

(b) When no future economic benefits are expected from its use or disposal.

The gain or loss arising from derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized (unless NAS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

2.4. Intangible assets

Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

The company possess software as an intangible asset as on 31stAshad, 2076. Whose useful life is estimated by company as 5 years and same is amortized fully over its useful life.

Subsequent expenditure

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on software 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

Amortization of Intangible assets
Intangible assets are amortized on a straight line basis over the period of services to be rendered. Amortization is recorded in the statement of profit or loss.

Intangible assets with finite lives are amortized over the useful economic life. Amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates.

Amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.
Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows;

Asset Class	Useful Life	Amortization Method
Software	5 years	SLM

De-recognition of Intangible assets
An intangible asset is de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such intangible assets is included in the statement of profit or loss when the item is de-recognized.

Impairment of Intangible assets
An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of profit or loss.

Assessment of impairment of intangible assets
The Board of Directors has assessed the potential impairment indicators of Intangible assets as at 31 Ashad 2076. Based on the assessment, no impairment indicators were identified.

Capital Work in Progress
These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.
The Company does not have any capital work in progress as on 31st Ashad 2076.

2.5. Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except;

a) When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred Tax Assets and Deferred Tax liabilities

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the statement of profit or loss is recognized outside statement of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.6. Financial Assets

As per NFRS 9 Financial instrument are classified into following types;

A) Financial instrument measured at amortized cost
B) Financial instrument at fair value through profit and loss
C) Financial instrument at fair value through other comprehensive income

A. Financial instrument measured at amortized cost

Financial assets at amortized cost includes those financial assets that are held by the entity for long term purpose and intend to hold till maturity.

The asset is measured at the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognized in "Investment income" in statement of profit or loss.

Impairment of financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

B. Financial instrument at fair value through profit and loss

Recognition of financial instrument at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. Attributable transaction costs are recognized in the statement of profit or loss as incurred. These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value.

Changes in fair value are recorded in 'fair value gains and losses' in the statement of profit or loss. Interest is accrued and presented in 'investment income' using the Effective Interest rate (EIR). Dividend income is recorded in the 'investment income' when the right to the payment has been established. The Company will evaluate its financial assets at fair value through profit or loss (held for trading) by considering whether the intent to sell them in the near term is still appropriate.

For investments to be designated as at Fair Value through Profit or Loss, the following criteria must be met;
The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis.

C. Financial instrument at fair value through other comprehensive income
Recognition of Financial assets at fair value through other comprehensive income

Fair value through other comprehensive income (FVTOCI) financial investments include equity shares. Equity investments classified as fair value through OCI are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After the initial measurement, FVTOCI are subsequently measured at fair value, with unrealized gains or losses recognized in the statement of comprehensive income in the available-for-sale reserve. Dividends earned on investment measured at FVTOCI are recognized in the statement of profit or loss as 'Investment income' when the right of the payment has been established. When the asset is de-recognized, cumulative gain or loss is in the statement of profit or loss and other comprehensive income is transferred to the statement of profit or loss. If the asset is determined to be impaired, the cumulative loss is recognized in the statement of profit or loss and removed from the available-for-sale reserve.

Impairment of financial assets at fair value through OCI

If a fair value through OCI financial asset is impaired, an amount comprising the difference between its costs (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in other comprehensive income, is transferred from equity to the statement of profit or loss. Reversals in respect of equity instruments classified as fair value through OCI are not recognized in the statement of profit or loss.

Reversals of impairment losses on debt instruments classified at fair value through OCI are reversed through the statement of profit or loss, if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognized in the statement of income.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position can be derived from active markets, they are derived from observable market data. However, if this is not available, judgment is required to establish fair values.

The financial assets and financial liabilities of the company are recognized at fair value. Fair value of the financial assets are determined on the basis of fair value hierarchy.

Determination of fair values of financial assets and financial liabilities recorded on the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1:** Listed/quoted (adjusted) prices in active markets for identical instruments are available. The Company measures the fair value of a financial instrument using active listed/quoted prices or dealer price quotations and managers buying price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- **Level 2**: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- **Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Non-market observable input means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data.

Derecognition of financial assets

Derecognition is the removal of a previously recognized financial asset (or financial liability) from an entity's

statement of financial position. In general, NFRS 9 criteria for derecognition of a financial asset aim to answer the question whether an asset has been sold and should be derecognized or whether an entity obtained a kind of financing against this asset and simply a financial liability should be recognized.
Derecognition criteria in NFRS 9 should be applied to a part of an asset if, and only if, the part being considered for derecognition meets one of the following three conditions:

1. The part comprises only specifically identified cash flows from a financial asset or a group of similar financial assets.

2. The part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset or a group of similar financial assets.

3. The part comprises only a fully proportionate (pro rata) share of specifically identified cash flows from a financial

2.7. Offsetting of the financial assets and financial liabilities

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position only when an entity:

a) Currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

b) Entities are required to offset financial assets and financial liabilities in the balance sheet when the criteria for setoff are met and to qualify for offsetting, all of the counterparties to the contract must currently have a legally enforceable right of setoff.

2.8. Reinsurance Assets

Reinsurance assets are those assets that are created as a part of reinsurance ceded out of the gross amount.
Reinsurance Assets is not created on the premium ceded to the reinsurer. As Reinsurance part is covered by LAT report. Part of claim ceded to reinsurer is reclassed as reinsurance Assets.
Reinsurance Assets is created on following items:

a) Outstanding claim ceded to reinsurer

Reinsurance assets are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

2.9. Current tax assets and current tax liabilities

Current tax assets of the company includes the amount of advance income tax paid to the Inland Revenue department and tax deducted at source (TDS). Similar current tax liabilities includes the tax provision made for the year.

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

Current tax assets and current tax liabilities are shown in net in statement of financial position of the company as there exist condition to setoff both of the assets and liabilities as permitted by NFRS 4.

2.10. Cash and Cash Equivalent

Cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value net of any provision.

2.11. Share Capital

The authorized share capital of the company is Rs. 2,000,000,000, Issued capital is Rs. 1,176,278,400 and the paid up capital of company is Rs. 1,176,278,400. As per Insurance Board the paid up capital of non-life insurance company should be at least Rs. 1,000,000,000.

2.12. 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 share.

2.13. Insurance Fund

As per Insurance Act 2049 insurance company needs to transfer 50% of net profit in insurance fund.

2.14. Catastrophic Reserve

As per the directive issued by Insurance Board every insurance company needs to transfer an amount equal to the 10% of net profit after transfer to insurance fund in Catastrophic Reserve.

2.15. Deferred tax Reserve

The company has transfer an amount equal to the amount of deferred tax assets in deferred tax reserve as on 31st Ashad 2076.

2.16. Insurance Contract Liabilities
Provision for unexpired risk reserve provision

As per regulatory requirement the insurance company needs to create minimum 50% of net earned premium as liabilities for provision for unexpired risk reserve. However NFRS 4 requires valuation of liabilities of the company as per actuaries and create liabilities higher among the regulatory liabilities or the liabilities as per NFRS 4.
As per the requirement of NFRS 4 URR is calculated by actuaries by applying following assumption:

a) For all one-year policies, except for Marine Cargo Open Cover Policies, the UPR is determined on 1/365th basis, assuming the risk is uniform over the policy year.

b) For shorter than one year Marine Cargo policies, UPR is determined: i) Using straight-line method over the policy term as in (a) above; or ii) In the absence of data required for (i) above, using the last three months' premium for the relevant period as per Article 69 (2) of Implementing Regulations, but company is not able to provide date of Voyage/ date of Expiry of Risk, we have assumed as 50% of Gross Premium.

Unexpired risk reserve is equal to the sum of unearned premium reserve and premium deficiency reserve calculated by actuaries on net premium income.

Provision for unexpired risk represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognized as premium income.

As required by NFRS 4 - Insurance Contracts, the Company performs a Liability Adequacy Test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

Provision for gross outstanding claims

As per regulatory requirement the insurance company needs to create 115% of opening outstanding claim as liabilities for provision for outstanding claims. Gross provision for outstanding claim is separated from the hundred and fifteen percentage. Actuarial valuation is required for the calculation of liabilities for gross outstanding claim provision.

Non-life insurance contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. The liabilities are de-recognized when the contract expires, is discharged or is cancelled.

Liability adequacy test

NFRS 4 requires the insurance company to determine their business liabilities using the actuaries.

A Liability Adequacy Test (LAT) was performed by Transvalue Consultants, a firm of professional actuaries as at 31 Ashad 2076, as required by NFRS 4 - Insurance Contracts in order to assess the adequacy of the carrying amount of the provision for unexpired risk. The valuation is based on internationally accepted actuarial methods. According to the report issued by Transvalue Consultants, the liability carried forward by the Company was not adequate.

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. This 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 adequacy.

Following are the assumption used by actuaries for the calculation of liabilities of the Company as required by NFRS 4;

1. Accounting Policy:

NFRS 4 Accounting Policy document is a policy framework which specifies the fundamental approach of the Company to implementation of the NFRS 4 in the background of regulatory specifications (of Bima Samiti) for estimation of various liability provisions.

2. Cash Flow:

Cash Flows considered and estimation are as follows:
Income side;

- Premium
- Reinsurance claims
- Reinsurance commission
- Outflow side;
- Claims
- Reinsurance premium
- Commission for intermediation
- Expenses

The current liability estimates are not based on present value of future cash flows, the portfolio size being very small. Alternative methods have been applied.

3. Valuation Methods and Assumptions

For all one-year policies, except for Marine Cargo Open Cover Policies, the UPR is determined on 1/365th basis, assuming the risk is uniform over the policy year.

For shorter than one year Marine Cargo policies, UPR is determined:

i. Using straight-line method over the policy term; or
ii. In the absence of data required for (i) above, using the last three months' premium for the relevant period of Implementing Regulations.

4. Discounting Policy:

No discounting has been used. The estimates of liability amounts for non-life insurance contracts are always carried out on non discount basis for 1) liability terms being short and 11) the Pricing (determination of premium) is on non discount basis.

5. Aggregation practices

Principles of aggregation:

"When applying an existing accounting policy, the aggregation practice follows that practice already established in that policy. When using an NAS 37 measure of the future cash flows, the test "shall be made at the level of a portfolio of contracts that are subject to broadly similar risks and managed together as a single portfolio." The portfolio of insurance contracts as at the reporting date is very small, hence no aggregation has been considered.

2.17. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Expense relating to any provision is presented in the statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounting using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.18. Revenue Recognition Policy of company

The company applies accrual basis of accounting for the recognition of revenue which includes the premium income, fees and commission income and other income of insurance company as per the requirement of the NAS 18.

2.19. Gross premiums on insurance contracts

NFRS 4 - Insurance Contracts, requires contracts written by insurer to be classified as either 'Insurance contracts' or 'Investment contracts' depending in the level of insurance risk transferred.

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.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Company are insurance contracts. Therefore, classified as insurance contracts under the NFRS 4 - Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

Revenue recognition of gross written premium

Gross premium (GP) represents the premium charged by the Company to underwrite risks. GP is accounted on an accrual basis.

Non-life insurance gross premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy commences.

2.20. Premiums ceded to reinsurers on insurance contracts

Recognition of premium ceded to reinsurers

Non-life gross reinsurance premium comprises the total premium payable for the whole cover provided by contracts entered into the period and is recognized on the date on which the policy incepts. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

2.21. Fee and Commission Income

As per Nepal financial reporting standards the insurance company shall recognize its income in accrual basis so the fee and commission of the company total received is not totally recognized as income in the year of collection of cash. However NFRS required to defer the fee and commission income not related to the current year. Hence the fee and commission income is deferred by using the unearned premium reserve to gross provision ratio.

2.22. Interest income

Revenue recognition of interest income

Interest income is recognized in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

2.23. Dividend Recognition policy

As per NAS 10 dividend income or expense shall be recognized when right to receive dividend is established or dividend is declared by the company.

2.24. Staff expenses

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.25. Retirement Benefits Obligations

A.Defined Contribution Plans

A Defined Contribution Plan includes post-employment benefit plan under which an Insurance pays fixed contribution into a separate Institution (or own fund) and will have no legal or constructive obligation to

pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).
Employer & Employee both, contributes 10% of the basic salary as Provident fund.
Employer contributes 8.33% of basic salary as gratuity provision.

B.Defined Benefit Plans

Provision for Defined Benefit Plan are provided as per NAS 19 based on Actuarial Valuation Report.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, leave encashment has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

a. Leave Encashment

NAS 19 requires actuarial valuations for Leave encashment. Actuarial valuations has been carried out to determine the amount of Accumulated leave.
Actuarial Assumptions:

Actuarial Assumptions:

Particulars	FY 2074-75	FY 2075-76
Economic Assumptions		
Discount rate (%)	7%	6.5%
Salary escalation rate	12%	15%
Expected return on Plan Assets	-	-
Demographic Assumptions		
Mortality	Nepali Assured Lives Mortality (2009)	Nepali Assured Lives Mortality (2009)
Withdrawal rate	10%	10%
Retirement age	58 Years	58 Years

2.26. Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Insurance company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all of the risks and rewards of ownership of an asset to the Insurance Company are classified as operating leases.

Operating lease payments are recognized as an expense in the statement of profit or loss on a straight line basis over the lease term.

Insurance company as a lessor

Leases in which the Insurance Company does not transfer substantially all of the risks and rewards of ownership of an asset are classified as operating leases. Rental income is recognized as revenue in the statement of profit or loss on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.27. Capital commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless they are remote.

The company does not have any capital commitments and contingencies other than related with insurance business as on 31st Ashad 2076 .

2.28. Deferred Acquisition Cost

As per NFRS 4 deferred acquisition cost describes the practice of deferring the cost of acquiring a new customer over the duration of the insurance contract. Insurance companies face large upfront costs incurred in issuing new business.

The insurance company has incurred agent commission and reinsurance commission expense as deferred acquisition cost which are deferred for the net period.

2.29. Segment Reporting

The company has determined following business as separate segment;

a) Agriculture (Crops and Cattle)
b) Engineering
c) Fire
d) Marine
e) Miscellaneous
f) Motor
g) Aviation
h) Micro

Segment Reporting includes the total profit distribution of the company to all its line of business. The premium income, reinsurance premium expense, gross claim and claim ceded to reinsurer, outstanding claim, other direct expenses and income, fee and commission income, investment income, other operating and administrative expenses are allocated to each line of business as per revenue account as prepared in existing GAAP policy. However, any amount increase or decrease in such item are separately kept as an unallocated amount. Segment detail has been provided in notes to accounts note number 41 as a part of financial statements.

2.30. Events occurring after the reporting date

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

2.31. Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements in conformity with Nepal Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

NECO INSURANCE LTD.
NOTES TO THE FININCIAL ACCOUNT
Schedule 1
PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Furniture and Fixtures	Computer & Acces-sories	Motor Vehicles	Office Equipment	Leasehold Improvement	"Capital WIP"	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 1 shrawan 2074	163,659,580	873,812	10,219,654	10,254,070	27,778,899	15,251,290	4,537,650	2,309,838	234,884,793
Additions	-	-	2,534,317	5,216,770	18,958,488	5,819,829	735,522		33,264,926
Additions from Acquired Entity	-	-	-	-	-	-	-	-	-
This Year adjustment/written off	-	-	-	-	-	-	-	-	-
Disposals	-	-	(1,424)	-	(6,020,632)		-	-	(6,022,056)
At 32 Ashad 2075	163,659,580	873,812	12,752,547	15,470,840	40,716,755	21,071,118	5,273,172	2,309,838	262,127,663
Additions	-	-	2,457,252	5,684,605	20,401,351	1,397,631	365,363	83,877,859	114,184,061
Additions from Acquired Entity	-	-	-	-	-	-	-	-	-
This Year adjustment/written off	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(2,757,459)	-	-	-	(2,757,459)
At 31 Ashad 2076	163,659,580	873,812	15,209,800	21,155,445	58,360,647	22,468,750	5,638,535	86,187,697	373,554,265
Accumulated Depreciation									
At 1 shrawan 2074	-	542,288	5,057,831	4,772,313	9,925,338	10,854,056	2,710,295	-	33,862,120
Depreciation charge for the year	-	16,576	1,505,791	2,009,790	4,977,901	1,817,289	513,943	-	10,841,290
Depreciation from acquired entity	-	-	-	-	-	-	-	-	-
This YearDepreciation adjustment/written off	-	-	-	-	-	-	-	-	-

Disposals	-	-	-	-			-	-	-
At 32 Ashad 2075	-	558,864	6,563,621	6,782,103	14,903,239	12,671,345	3,224,238	-	44,703,410
Depreciation charge for the year	-	15,747	1,899,526	3,001,456	7,429,796	2,268,758	563,460	-	15,178,743
Depreciation from acquired entity	-	-	-	-	-	-	-	-	-
This YearDepreciation adjustment/written off	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At 31 Ashad 2076	-	574,611	8,463,147	9,783,559	22,333,034	14,940,103	3,787,698	-	59,882,153
Net book value:									
At 32 Ashad 2075	163,659,580	314,947	6,188,927	8,688,741	25,813,517	8,399,774	2,048,931	2,309,838	217,424,249
At 31 Ashad 2076	163,659,580	299,201	6,746,653	11,371,886	36,027,612	7,528,646	1,850,837	86,187,697	313,672,112

Schedule2
INTANGIBLE ASSETS

	Amounts
	Rs
Cost:	
At 1 shrawan 2074	1,293,585
Additions	-
Disposals	-
At 32 Ashad 2075	1,293,585
Additions	
Disposals	-
At 31 Ashad 2076	1,293,585
Accumulated Amortization	
At 1 shrawan 2074	809,984
Additions	126,901
Disposals	-
At 32 Ashad 2075	936,885
Additions	117,271
Disposals	-
At 31 Ashad 2076	1,054,156
Net book value:	
At 32 Ashad 2075	356,700
At 31 Ashad 2076	239,429

Schedule 3
DEFERRED TAX ASSETS/ LIABILITIES
VALUATION OF DEFERRED TAX ASSETS AND LIABILITIES

	FY 2075-76	FY 2074-75
	Rs	Rs
Deferred tax assets	90,956,412	34,305,743
Deferred tax liabilities	-	-
Total	**90,956,412**	**34,305,743**

Schedule 3.1
DEFERRED TAX ASSET

	FY 2075-76		FY 2074-75	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	Rs.	Rs.	Rs.	Rs.
Leave Encashment (as per GAAP)	14,417,651	4,325,295	12,468,125	3,740,438
Gratuity (as per GAAP)	3,883,263	1,164,979	6,544,740	1,963,422
Provision for Investment	32,568,765	9,770,630	33,038,213	9,911,464
Property, plant and equipment	(828,261)	(248,478)	1,254,363	376,309
Leave Encashment (as per NFRS)	17,706,035	5,311,810	4,653,504	1,396,051
Gratuity (as per NFRS)	-	-	25,491,440	7,647,432
Fair value gains recognised in other comprehensive income	28,704,288	8,611,287	30,902,090	9,270,627
Deferred reinsurance commission income	114,820,824	34,446,247	-	-
Deferred reinsurance commission expense	(386,772)	(116,032)	-	-
Deferred agent commission expense	(22,939,865)	(6,881,960)	-	-
Incurred but not reported	109,676,511	32,902,953	-	-
Unearned premium Reserve	5,565,601	1,669,680	-	-
	96,451,742	**90,956,412**	**114,352,476**	**34,305,743**

Schedule 4
FINANCIAL ASSETS AT AMORTIZED COST

	FY 2075-76	FY 2074-75
	Rs	Rs
Government Securities	6,175,971	19,890,125
Commercial Banks Fixed Deposits	1,862,349,258	1,743,632,213
Development Banks Fixed Deposits	383,323,172	301,533,967
Finance Companies Fixed Deposits	32,503,802	31,349,754
Foreign Bonds	-	-
Debenture/Bond of Financial Institutions	143,959,856	135,153,633
Total	**2,428,312,058**	**2,231,559,693**

The management has kept fixed deposit lien with Insurance Board amount Rs. 1,59,95,82,000 as on 31 Ashad 2076.

Schedule 4.1
DEBENTURE

Name of Debenture	Amount	Rate of Interest	Time of Payment of interest
8% Laxmi Bank Bank Debenture, 2076	5,000,000	8.00%	
12.5% Nepal SBI Debenture, 2078	5,990,000	12.50%	Semi-annual
7.9% Nepal SBI Debenture, 2080	210,000	7.90%	Semi-annual
9% Nic Asia Debenture, 2082 (NICAD81/82)	100,000,000	9.00%	Semi-annual
10% Nic Asia Debenture, 2085 (NICAD85/86)	25,000,000	10.00%	Semi-annual
7.25% Nic Asia Bond 2077	1,699,000	7.25%	Semi-annual

Schedule 5
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	FY 2075-76	FY 2074-75
	Rs	Rs
Quoted Equities	108,492,446	95,579,377
Unquoted Equities	161,816,800	112,911,700
Mutual Funds	29,415,387	25,675,428
Citizen Investment Trust Units	-	-
Total	**299,724,633**	**234,166,505**

Schedule 5 .1
Quoted Equity Shares

	FY 2075-76		FY 2074-75	
	Carrying value (Book Value)	Fair value	Carrying value (Book Value)	Fair value
	Rs	Rs	Rs	Rs
GLOBAL IME BANK 2989 no. of shares	1,139,449	881,755	1,139,449	747,330
MEGA BANK NEPAL 700 no. of shares	-	-	35,100	114,100
NATIONAL LIFE INSURANCE COMPANY LTD. 6049 no. of shares	7,032,313	3,538,665	6,832,413	2,661,469
NEPAL CREDIT AND COMMERCE BANK LTD. 27173 no. of shares	7,303,001	6,684,558	6,397,201	4,528,750
NEPAL BANK LTD. 11649 no. of shares	4,659,701	3,914,064	4,659,701	3,273,369
NEPAL BANGLADESH BANK LTD. 19343 no. of shares	7,326,535	4,294,146	7,326,536	4,139,402
NEPAL INVESTMENT BANK LTD. 25682 no. of shares	-	-	13,941,764	15,948,522
NIC ASIA BANK LTD. 9466 no. of shares	4,633,876	4,240,768	4,633,876	2,719,496
NMB BANK LTD. 28325 no. of shares	10,628,870	10,820,150	3,316,400	1,790,000
SIDHARTHA BANK LTD. 7176 no. of shares	3,685,787	2,281,968	3,685,787	1,818,900
NEPAL LIFE INSURANCE COMPANY LTD. 3460 no. of shares	5,414,376	3,117,460	5,414,376	3,633,000
UNILIVER NEPAL LTD. 1000 no. of shares	25,249,377	19,792,000	25,249,377	25,000,000
CITIZEN INVESTMENT TRUST FUND 13468 no. of shares	29,470,802	32,713,772	17,157,635	15,890,000
BUTUAL POWER LTD. 32032 no. of shares	24,372,501	13,101,088	24,372,501	13,307,840
SURYA LIFE INSURANCE LTD. 13 no of shares	-	5,928	-	7,200
CENTURY COMMERCIAL BANK 7 no. of share	-	1,239	-	-
HYDROPOWER INVESTMENT AND DEVEL-OPMENT 19285 no. of share	2,700,754	3,104,885	-	-
TOTAL	**133,617,341**	**108,492,446**	**124,162,116**	**95,579,377**

Schedule 5.2
UNQUOTED EQUITY SHARES

	FY 2075-76		FY 2074-75	
	Carrying value (Book Value)	Fair value	Carrying value (Book Value)	Fair value
	Rs	Rs	Rs	Rs
NEPAL REINSURANCE COMPANY LTD.	161,816,800	161,816,800	112,911,700	112,911,700
Total	**161,816,800**	**161,816,800**	**112,911,700**	**112,911,700**

Schedule 5.3
QUOTED MUTUAL FUND SHARES

	FY 2075-76		FY 2074-75	
	Carrying value (Book Value)	Fair value	Carrying value (Book Value)	Fair value
	Rs	Rs	Rs	Rs
GLOBAL IME SAMUNNAT SCHEME 1 444658 no. of units	4,443,227	3,726,234	4,443,227	3,899,651
LAXMI VALUE FUND 200716 no. of units	2,904,443	2,047,303	2,904,443	2,057,339
NABIL EQUITY FUND 692757 no. of units	7,178,730	6,463,423	7,178,730	6,830,584
NIBL PRAGATI FUND 428095 no. of units	4,280,950	3,185,027	4,280,950	3,852,855
NIBL SRAMBRIDHI FUND 287782 no. of units	2,877,820	2,664,861	2,877,820	2,920,987
NMB HYDRID FUND 1 630691 no. of units	6,309,610	6,328,539	6,309,610	6,114,012
Nabil Balance Fund (NBF-2) 50000 no. of share	5,000,000	5,000,000	-	-
Total	**32,994,780**	**29,415,387**	**27,994,780**	**25,675,428**

Schedule 6
QUOTED EQUITIES

	FY 2075-76		FY 2074-75	
	Carrying value	Fair value	Carrying value	Fair value
	Rs	Rs	Rs	Rs
	-	-	-	-
	-	-	-	-
	-	-	-	-

Schedule 7
OTHER FINANCIAL ASSETS

Other financial assets includes financial assets other than the above normal classification of financial assets measured at amortized cost, fair value through profit or loss and fair value through other comprehensive income. This is stated at net of any impairment recognized.

	FY 2075-76	FY 2074-75
	Rs	Rs
Security Deposit	13,230,063	9,382,201
Total	**13,230,063**	**9,382,201**

Schedule 8
REINSURANCE ASSET

Reinsurance Asset is recognised from the portion of reinsurance amount paid to Reinusurer. Premium being collected in cash basis and not accrued is parked in Reinsurance Asset.

	FY 2075-76	FY 2074-75
	Rs	Rs
Reinsurance Asset	202,012,156	253,052,093
Total	**202,012,156**	**253,052,093**

Schedule 8.1
REINSURANCE ASSETS CALCULATION

Total Reinsurance Assets is the sum of the Reinsurance Assets Created on reinsurance ceded on outstanding claim and Reinsurance Assets Created on reinsurance ceded on deferred premium. As Unexpired risk reserve is calculated on net basis so it is not required to create reinsurance assets on premium ceded to reinsurer.

	FY 2075-76	FY 2074-75
	Rs	Rs
Reinsurance Assets Created on reinsurance ceded on outstanding claim	202,012,156	253,052,093
Total Reinsurance Assets	**202,012,156**	**253,052,093**

Schedule 9
Insurance receivables

Insurance receivables includes amount receivsble related to insurance businesses such as due from other insurance companies, due from reinsurers and any due premium receivable.
Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

	FY 2075-76	FY 2074-75
	Rs	Rs
Outstanding from Other Insurance Companies	13,351,979	4,469,831
Sundry Debtors	20,455,416	41,507,302
Outstanding from Reinsurers	66,625,025	38,320,425
Outstanding premium receivable	-	-
Less: Impairment provisions	-	-
Total	**100,432,421**	**84,297,558**

Schedule 9.1
ASSESSMENT OF IMPAIRMENT OF INSURANCE RECEIVABLES

The Board of Directors has assessed potential impairment loss of insurance receivables as at 31 Ashad 2076. Based on the assessment, it was concluded that there is no requirement for an additional impairment loss provision other than amounts provided.

Schedule 9.2
FAIR VALUE OF INSURANCE RECEIVABLES

The carrying amount disclosed above approximates the fair value at the reporting date.

Schedule 10
OTHER ASSETS

	FY 2075-76	FY 2074-75
	Rs	Rs
Stock of tickets	499,921	663,207
Deferred Reinsurance Commssion Expense	386,772	267,435
Deferred Agent Commssion Expense	22,939,865	20,063,407
Prepayments	53,244,361	41,022,090
Securities Applied	1,734,869	1,045,119
Staff Advances	8,850,475	7,865,892
Total	**87,656,263**	**70,927,150**

Schedule 11
CURRENT TAX ASSET S/ LIABILITIES

Current income tax liabilities for the current period are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

	FY 2075-76	FY 2074-75
	Rs	Rs
Income Tax Liabilities	533,849,484	375,470,243
Advance Tax Payment	563,962,989	380,196,508
Net Current tax assets/(liabilities)	**30,113,505**	**4,726,265**

Schedule 12
CASH AND CASH EQUIVALENT

Cash and cash Equivalent in the statement of financial position comprise cash at bank and on hand, call deposits and fixed deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, net of any provisions.

	FY 2075-76	FY 2074-75
	Rs	Rs
Cash Balance	-	-
Bank Balance	127,690,530	80,779,208
Commercial Banks Fixed Deposits	-	-
Development Banks Fixed Deposits	-	-
Finance Companies Fixed Deposits	-	-
Commercial Banks Call Deposits	114,513,496	39,150,155
Development Banks Call Deposits	42,775,829	21,436,875
Finance Companies Call Deposits	5,222,676	2,489,305
Less: Impairment Provisions	-	-
Total	**290,202,531**	**143,855,543**

Schedule 13
SHARE CAPITAL

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

	FY 2075-76	FY 2074-75
	Rs	Rs
Shares as at 1st Shrawan	1,176,278,400	712,895,990
Add: Adjustment	-	-
Add: Bonus Shared Issued	-	71,289,599
Add: Right Shared Issued	-	392,092,811
Add: Addition this year	-	-
Add: Calls in Advance	-	-
Add: fraction share	-	-
Shares as at 31st Ashad	1,176,278,400	1,176,278,400

Schedule 13.1
RECONCILIATION OF NO. OF SHARES

Ordinary Shares as at 1st Shrawan	11,762,784	7,128,960
Add: Adjustment	-	-
Add: Bonus Shared Issued	-	712,896
Add: Right Shared Issued	-	3,920,928
Add: Addition this year	-	-
Add: Calls in Advance	-	-
Ordinary Shares as at 31st Ashad	11,762,784	11,762,784

Schedule 13.2
RIGHTS OF ORDINARY SHAREHOLDERS

All issued shares are fully paid and shares of the Company are listed on the Nepal stock exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Company.

Schedule 14
SHARE PREMIUM

	FY 2075-76	FY 2074-75
	Rs	Rs
Share Premium	58,327,761	58,327,761
	58,327,761	58,327,761

Schedule 15
RESERVES & SURPLUS

	FY 2075-76	FY 2074-75
	Rs	Rs

Schedule 15.1
CAPITAL RESERVES

	FY 2075-76	FY 2074-75
	Rs	Rs
Catastrophic reserves	57,453,915	39,717,341
Insurance Fund	612,957,074	435,591,329
Total	**670,410,989**	**475,308,669**

Schedule 15.2
GENERAL RESERVES

	FY 2075-76	FY 2074-75
	Rs	Rs
Retained Earnings	197,894,802	92,111,765
Total	**197,894,802**	**92,111,765**

Schedule 15.3
OTHER RESERVES

Insurance Reserve	27,195,229	27,195,229
Regulatory Reserve		-
Deferred Tax Reserve	90,956,412	34,305,743
Other Free reserve	-	-
Fair value reserve	(28,704,288)	(21,631,463)
Actuarial reserve	-	(15,048,512)
Total	**89,447,352**	**24,820,997**

Schedule 15.3.1
FAIR VALUE RESERVE

Fair value reserves comprise the cumulative net change in the fair value of financial assets at fair value through other comprehensive income and is carried forward until the respective assets are derecognised.

	FY 2075-76	FY 2074-75
	Rs	Rs
Balance as at 1 Shrawan	(21,631,463)	(5,977,527)
Other comprehensive income	1,538,461	(15,653,936)
Deferred tax on AFS investment	(8,611,287)	-
Balance as at 31 Ashad	(28,704,288)	(21,631,463)

Schedule 15.3.2
ACTUARIAL RESERVE

Actuarial reserve include the actuarial gains/(losses) arising from valuation of gratuity liability as required by NAS 19 - Employee Benefits. However in FY 2075-76 company has contributed 8.33% as gratuity provision. Hence no acturial reserve is to be created for the FY 2075-76.

	FY 2075-76	FY 2074-75
	Rs	Rs
Balance as at 1 Shrawan	(15,048,512)	(9,488,040)
Other comprehensive income	15,048,512	(5,560,472)
Balance as at 31 Ashad		(15,048,512)

Schedule 16
TOTAL INSURANCE CONTRACT LIABILITIES

		FY 2075-76	FY 2074-75
		Rs	Rs
Outstanding claims provision		406,641,138	404,456,939
Incurred But not Reported Claims	16.1	140,370,858	103,041,389
Unexpired risk reserve provision	16.2	587,512,170	497,178,000
Total Insurance contract liability		1,134,524,167	1,004,676,328
Change in insurance contract liability (A)		129,847,839	271,880,634
Reinsurance asset on outstanding claims provision		202,012,156	253,052,093
Reinsurance asset on unexpired risk reserve provision		-	-
Total reinsurance assets created		202,012,156	253,052,093
Change in reinsurance assets (B)		(51,039,938)	104,768,508
Net Change in Insurance contract liabilities (A+B)		(180,887,777)	(167,112,125)

Schedule 16.1
INCURRED BUT NOT REPORTED (IBNR)

Company has recognized IBNR higher of actuary assessed IBNR and IBNR equivalent to 15% of net outstanding claim as per regulatory provision on individual line of business.

IBNR as per LAT report	FY 2075-76	FY 2074-75
	Rs	Rs
Aviation	-	-
Agriculture	254,600	201,692
Engineering	6,328,714	4,009,694
Fire	11,516,112	9,693,126
Marine	2,183,606	2,781,862
Miscellaneous	1,008,820	595,076
Motor	119,014,775	85,496,718
Laghu	-	-
IBNR (15%) as per GAAP		
Aviation	-	-
Agriculture	249,030	209,367
Engineering	4,013,137	4,003,772
Fire	8,984,131	5,662,536
Marine	474,964	402,049
Miscellaneous	1,073,051	850,622

Motor	15,900,035	11,582,382
Laghu	-	-
Higehr of the above		
Aviation	-	-
Agriculture	254,600	209,367
Engineering	6,328,714	4,009,694
Fire	11,516,112	9,693,126
Marine	2,183,606	2,781,862
Laghu	1,073,051	850,622
Miscellaneous	119,014,775	85,496,718
Motor	-	-
Total	**140,370,858**	**103,041,389**

Schedule 16.2
Unexpired risk reserve provision (UPR/URR)

Unexpired risk reserve (URR) is the liabilities related with the net premium income that is not related with the current year and is deferred for next period. URR will be the higher among the URR as per regulatory requirement and URR as per Liability adequacy test (LAT) report on each of line of business.

IBNR as per LAT report	FY 2075-76	FY 2074-75
	Rs	Rs
Aviation	-	-
Agriculture	5,082,372	3,494,305
Engineering	23,725,203	13,146,769
Fire	140,401,057	111,818,229
Marine	8,539,258	5,376,330
Miscellaneous	39,193,389	16,848,023
Motor	360,995,750	345,840,900
Laghu	-	-
Total	577,937,029	496,524,556
URR (net) as per GAAP		
Aviation	-	4,507
Agriculture	5,082,372	3,338,402
Engineering	18,159,602	9,358,463
Fire	140,401,057	111,818,229
Marine	17,933,311	9,969,476
Miscellaneous	39,193,389	16,848,023
Motor	360,995,750	345,840,900
Laghu	181,088	-
Total	**581,946,568**	**497,178,000**

Higehr of the above		
Aviation	-	4,507
Agriculture	5,082,372	3,338,402
Engineering	23,725,203	9,358,463
Fire	140,401,057	111,818,229
Marine	17,933,311	9,969,476
Laghu	39,193,389	16,848,023
Miscellaneous	360,995,750	345,840,900
Motor	181,088	-
Total	587,512,170	497,178,000

Schedule 17

OTHER FINANCIAL LIABILITIES

Other financial liabilities include financial liabilities other than the normal classification of financial liabilities measured at amortized cost.

	FY 2075-76	FY 2074-75
	Rs	Rs
Sundry Creditor	16,789,813	10,082,011
Deposit Received	6,686,258	3,679,506
Gratuity/Pension Fund	3,883,263	32,036,180
Employees Leave Fund	32,123,686	17,121,629
Staff welfare fund	-	50,543
Deposit Premium	3,194,787	8,415,397
PF & CIT Payable	-	-
Total	**62,677,806**	**71,385,265**

Schedule 18

INSURANCE PAYABLES

Insurance payables includes amount payable related to insurance businesses such as due to agents, due to other insurance companies, due to reinsurers.

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration paid or payable.

Insurance payables are derecognised when the contractual obligations are extinguished or expire or when the contract is transferred to another party.

	FY 2075-76	FY 2074-75
	Rs	Rs
Outstanding Payable to Agents	4,831,757	4,931,534
Due to Other insurance Company	125,831,231	80,148,349
Payable to Reinsurers	100,750,298	128,324,192
Total	**231,413,285**	**213,404,075**

Schedule 19
OTHER LIABILITIES

Other liabilities includes the amount of provisions made for staff bonus and any other provisions determined in accordance with the requirements of NAS 37.

	FY 2075-76	FY 2074-75
	Rs	Rs
Provision for staff bonus	62,279,461	40,269,001
Provison for Doubtful Debt	8,535,310	8,535,310
Provision for other losses	1,084,000	1,084,001
Deferred Reinsurance Commission Income	114,820,824	76,334,746
other provision	-	-
Impairment Provision	-	-
Total	**186,719,594**	**126,223,057**

Schedule 20
TRADE AND OTHER PAYABLES

Trade and other payables includes the payable to trade suppliers and any other payables other than the financial liabilities and other liabilities. These payables are recorded at the amount expected to be payable as at the reporting date.

	FY 2075-76	FY 2074-75
	Rs	Rs
TDS payable	8,951,999	4,158,671
VAT Payable	15,418,044	17,086,193
Service fee payable	19,165,115	16,609,480
Payable to employee	2,213,270	1,968,733
Dividend Payable	-	-
Payable Survey Fee	3,104,280	1,694,306
Payable to Other	4,717	-
Total	**48,857,425**	**41,517,382**

Schedule 21
NET PREMIUMS

	FY 2075-76	FY 2074-75
	Rs	Rs
Gross earned premium	1,916,256,344	1,660,948,034
Premiums ceded to reinsurers	(771,406,352)	(675,778,324)
Net Earned Premium	**1,144,849,992**	**985,169,709**

Schedule 21.1
GROSS PREMIUMS ON INSURANCE CONTRACTS

For the year ended

	FY 2075-76	FY 2074-75
Class-wise	Rs	Rs
Motor	907,472,674	803,881,664
Avaition	-	33,411,163
Engeneering	206,211,268	18,028,384
Fire	488,239,389	228,496,185
Marine	49,465,660	410,135,344
Miscellaneous	213,539,734	33,459,678
Crops and cattle	50,965,442	133,535,616
Laghu	362,178	
Total	**1,916,256,344**	**1,660,948,034**

Schedule 21.2
PREMIUMS CEDED TO REINSURERS ON INSURANCE CONTRACTS

For the year ended

Class-wise	FY 2075-76	FY 2074-75
	Rs	Rs
Motor	185,481,174	112,199,863
Avaition		26,734,359
Engeneering	169,892,064	18,019,370
Fire	207,437,276	209,779,259
Marine	32,387,145	186,498,887
Miscellaneous	135,407,996	22,707,017
Crops and cattle	40,800,697	99,839,569
Laghu		
Total	**771,406,352**	**675,778,324**
Payee-wise		
Nepal reinsurance company	290,099,478	217,514,659
Foreign reinsurers	481,306,874	458,263,665
Total	771,406,352	675,778,324

Schedule 22
FEES AND COMMISSION INCOME

	FY 2075-76	FY 2074-75
	Rs	Rs
Reinsurance commission income	234,741,476	163,463,050
Deferred Reinsurance commission income	(38,486,078)	(10,097,107)
Total	**196,255,398**	**153,365,943**

Schedule 23
INVESTMENT INCOME

	FY 2075-76	FY 2074-75
	Rs	Rs
Interest income	249,100,507	188,787,348
Income from revenue stamps	-	-
Dividend income	2,995,138	-
Total	**252,095,645**	**188,787,348**

Schedule 23.1
Interest income

	FY 2075-76	FY 2074-75
	Rs	Rs
Government securities	966,221	1,280,500
Commercial Banks Fixed Deposits	189,520,913	149,857,831
Development Banks Fixed Deposits	35,964,763	25,904,414
Interest on citizen investment trust units	-	-
Income from Staff Loan	493,640	319,702
Other Interest income	-	-
Interest from Securities Applied	1,882,144	-
Income from Other (Other than Fixed Deposits)	3,715,902	3,396,525
Finance Companies Fixed Deposits	3,660,154	2,313,000
Debenture of Commercial Banks and Finance Companies	12,896,771	5,715,376
Total	**249,100,507**	**188,787,348**

Schedule 23.2
DIVIDEND INCOME

Revenue recognition of dividend income
Dividend income is recognised when the right to receive the dividend is established.

	FY 2075-76	FY 2074-75
	Rs	Rs
Dividend from Ordinary Shares of Public Limited Company	2,678,170	-
Dividend form Mutual Fund	316,968	-
Dividend from Preference Shares	-	-
Total	**2,995,138**	**-**

Schedule 24
NET REALISED GAINS AND LOSSES

Net realised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets. 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.

	FY 2075-76	FY 2074-75
	Rs	Rs
Gain/(Loss) on sale of Mutual Fund	-	-
Gain/(Loss) from Sale of Equity investment	-	-
Total	**-**	**-**

Schedule 25
FAIR VALUE GAINS AND LOSSES

This includes the gains and losses arising from changes in fair value on financial instruments classified as financial asset at fair value through profit or loss, if any.

	FY 2075-76	FY 2074-75
	Rs	Rs
Fair value gains and losses	-	-
	-	-

Schedule 26
OTHER INCOME

Other income includes disposal gains/ lossess on property, plant and equipment and miscellaneous income. Profit or loss on sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified under other income.

	FY 2075-76	FY 2074-75
	Rs	Rs
Foreign Exchange Income/(Loss)	-	-
Miscellaneous Income	1,923,090	1,888,991
Others Income	6,248,700	310
Other Direct Income	-	-
Gain/(Loss) on Sale of Fixed Assets	-	74,774
Income/(expense) related with previous year	(32,843)	
Total	**8,138,946**	**1,964,074**

Schedule 27
NET BENEFITS AND CLAIMS PAID

	FY 2075-76	FY 2074-75
	Rs	Rs
Gross benefits and claims paid	(1,023,752,169)	(737,771,912)
Claims ceded to reinsurers	468,673,902	315,186,911
Total	**(555,078,267)**	**(422,585,001)**

Schedule 28
CHANGE IN INSURANCE CONTRACT LIABILITIES

	FY 2075-76	FY 2074-75
	Rs	Rs
Change in Gross insurance contract liabilities		
Change in insurance contract outstanding claims provision	(2,184,199)	(102,989,342)
Change in charged for Incurred But not Reported	(37,329,470)	(46,223,582)
Change in unexpired risk reserve provision	(90,206,651)	(122,667,714)
	(129,720,319)	(271,880,638)
Change in Reinsurance Assets		
Change in reinsurace asset created on outstanding claim provision	(51,039,938)	104,768,508
	(51,039,938)	104,768,508
Net change in Insurance contract liabilities	(180,760,257)	(167,112,129)

Schedule 29
FINANCE COSTS

Finance costs include the finance charges in respect of Bank loan, other Financial liabilities at amortized cost and in respect of finance leases as per NAS 17 Leases.

	FY 2075-76	FY 2074-75
	Rs	Rs
Interest Expense	(3,193,611)	(5,215,721)
Total	**(3,193,611)**	**(5,215,721)**

Schedule 30
OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Recognition of other operating and administrative expenses

Other operating and administrative expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment are charged to the statement of profit or loss.

	FY 2075-76	FY 2074-75
	Rs	Rs
Staff expenses	237,942,016	192,220,830
Administrative expenses	117,387,460	77,545,355
Depreciation	15,296,011	10,968,192
Share Issue Expenses	-	4,262,554
Other share Related Expenses	40,026	-
Agent Commission	40,833,312	36,335,387
Reinsurance Commission expenses	540,185	500,203
Service Charge	11,448,500	9,851,697
Other Written Off Expene	(4,796,708)	-
Other Direct Expense	**72,435**	
Total	**418,763,238**	**331,684,218**

Schedule 30.1
STAFF EXPENSES

	FY 2075-76	FY 2074-75
	Rs	Rs
Salary	123,312,700	100,440,003
Allowance	24,664,457	15,915,197
Dashain Expense	6,938,933	5,251,181
Contribution to Provident Fund	4,053,957	3,087,914
Tranning Expense	6,979,452	3,485,495
Uniform	7,945	2,834,272
Provision for Gratuity / Penson	1,192,945	6,072,036
Provision for Encashment of Leave	19,930,000	10,235,999

Prize & Incentive	5,618,308	3,994,213
Overtime Expenses	888,857	630,000
Meal Expenses	-	5,520
Provision for Staff Bonus	44,354,461	40,269,001
Total Employee benefit expenses	**237,942,016**	**192,220,830**
Provision for employee bonus has been calculated on NFRS profit.		

Schedule 30.2

ADMINISTRATIVE EXPENSES

	FY 2075-76	FY 2074-75
	Rs	Rs
Rent	19,056,111	13,719,187
Water & Electricity	1,690,655	1,346,398
Repair & Maintenance	2,951,953	1,522,676
Communication Expenses	12,871,122	8,667,735
Printing & Stationery	10,500,821	8,416,705
Miscellaneous Office & Materials Expenses	10,586,124	8,952,653
Fuel expenses	1,769,000	-
Conveyance Expenses	-	1,482,118
Travelling Expenses	6,559,646	8,049,602
Insurance Premium	2,822,089	2,913,436
Security Expense	275,748	494,321
Legal and Consultancy Fee	3,372,760	2,355,398
News Papers, Books & Periodical	190,760	228,245
Publicity and Advertisement	12,157,852	4,845,378
Business Promotion Expense	5,883,463	5,006,994
Guest Entertainment Expenses	6,124,860	4,675,421
Gift & Donation	212,855	336,222
Expense Related to Board Meeting	1,028,281	1,335,729
Expense Related to Committee/Sub-Committee	706,287	382,635
Annual General Meeting Expense	-	205,275
Expense Related to Audit	677,000	933,483
Bank Charges	1,171,804	1,369,892
Rates and Taxes	1,518,781	644,798
Revenue Stamp	1,456,415	1,194,047
Anniversary expenses	2,874,300	68,058
Miscellaneous	2,340,805	1,667,886

Foreign Exchange (gain)/loss	(285,136)	(167,203)
Others	3,970,697	1,918,220
Parking Charges	105,381	56,363
Fine And Penalty	318	544
Provision for Investment Loss (Share)	-	60
Other Provision	4,796,707	(5,076,918)
Total	**117,387,460**	**77,545,355**

Schedule 31

INCOME TAX EXPENSE

Recognition of income tax expense

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

	FY 2075-76	FY 2074-75
	Rs	Rs
Income Tax	(158,379,241)	(139,325,199)
Deferred Tax (Expenses)/Income	63,759,372	7,518,912
Total	**(94,619,869)**	**(131,806,287)**

Schedule 31.1

DEFERRED TAX (EXPENSES)/INCOME

	FY 2075-76	FY 2074-75
	Rs	Rs
GAAP Deferred tax (expenses)/Income	(979,207)	6,482,204
NFRS Adjustment Deferred tax effect	64,738,579	1,036,708
Total	**63,759,372**	**7,518,912**

Schedule 32
BASIC EARNINGS PER SHARE (EPS)

Company presents basic and diluted Earnings Per Share (EPS) for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

For the year ended	**FY 2075-76**	**FY 2074-75**
Profit for the year (Rs.)	348,924,742	270,883,718
Weighted average number of shares	11,762,784	9,586,010
Basic earnings per share (Rs.)	29.66	28.26
Weighted average number of shares		
Issued ordinary shares as at 1 Shrawan	11,762,784	7,128,960
Shares issued during the year	-	2,457,050
Total	**11,762,784**	**9,586,010**

Schedule 32.1
RESTATED EARNINGS PER SHARE

During the year 2075-76 the company doesnot have issued any of the bonus share or right share so that the EPS of previous year could be restated.

Schedule 32.2
DILUTIVE EARNING PER SHARE

There are no any potential ordinary share that can dilute the earning per share hence dilutive earning per share is equals to basic earning per share.

	FY 2075-76	**FY 2074-75**
Dilutive Earning Per Share	29.66	28.26

Schedule 33
DIVIDENDS

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends proposed by the Board of Directors after the reporting date is not recognised as a liability and is only disclosed as a note to the financial statements.

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Final dividend	**FY 2075-76**	**FY 2074-75**
Final dividend proposed (Rs.) [bonus share and cash dividend]	107,474,700	148,582,535
Number of ordinary shares	11,762,784	11,762,784
Final dividend per share (Rs.)	**9.14**	**12.63**

Schedule 34
RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in NAS 24 - Related Party Disclosures.

Details of the related party transactions are reported below.

Schedule 34.1
Identifiaction of Related Party

A related party is a person or entity that is related to the entity that is preparing its financial statements

a. A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity

(ii) has significant influence over the reporting entity or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the re porting entity.

b. An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Schedule 34.2

TRANSACTIONS AND OUTSTANDING BALANCES WITH THE KEY MANAGEMENT PERSONNEL

According to the NAS 24 - Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity.

NECO Insurance company considers its Board of Directors and their immediate family members as key management personnel of the Company.

KMPs of the NECO Insurance Company Ltd. includes members of Board of directors and Chief Executive Officer namely:

Name of key management personnel
Mr. Ramesh Kumar Niraula
Mr. Keshav Prasad Lamsal
Mr. Dhruba Chandra Gautam
Mr. Bhanu Bhakta Pokhrel
Mr. Ratna Raj Pandeya
Mr. Rohit Kumar Bhattrai
Mr. Ashok Kumar Khadka

Mr. Kabi Raj Adhikari has resigned from the post of director as on 2076/03/06. In his place Mr Keshav Prasad Lamsal has joined.

Mr. Pratap Subedi has resigned from the post of director as on 2076/06/07. In his place Mr Dhruba Chandra Gautam has joined

a) Key management personnel compensation		
Transactions for the Year ended 32nd Ashad 2075	**Board of Director**	**Chief Executive Officer**
Salary	-	2,200,000
Allowance	-	4,984,500
BOD Meeting Fee	870,000	-
Committee Meeting	548,000	
Total	**1,418,000**	**7,184,500**

b) Other transactions with key management personnel		
Transactions		
For the year ended	**FY 2075-76**	**FY 2074-75**
	Rs	**Rs**
Premium	-	-
Claim	-	-
Total	**-**	**-**

Schedule 35
ACCOUNTING CLASIFICATION AND FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

In the principal market for the asset or liability or ;

In the absence of the principal market, in the most advantageous market for the asset or liability.

Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. For units in unit trusts, fair value is determined by reference to published bid-values. If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the statement of profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable is not recognised in the statement of profit or loss immediately, but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counter party where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into accounting pricing a transaction.

Financial assets and liabilities based on the accounting classification with their carrying values and fair values are tabulated below.

As at 31 Ashad 2076

	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total carrying amount	Difference
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets					
Measured at fair value through PL	-	-	-	-	-
Measured at fair value through OCI	-	299,724,633	-	295,860,156	3,864,477
Measured at amortised cost	-	-	2,428,312,058	2,428,312,058	-
Reinsurance receivables	-	-	-	-	-
Other Insurance receivables	-	-	-	-	-
Total	**-**	**299,724,633**	**2,428,312,058**	**2,724,172,214**	**3,864,477**
Financial liabilities					
Reinsurance payables	-	-	-	-	-
Other financial liabilities	-	-	-	-	-

As at 32 Ashad 2075					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets					
Measured at fair value through PL	-	-	-	-	-
Measured at fair value through OCI	-	234,166,505	-	232,030,381	2,136,123
Measured at amortised cost	-	-	2,231,559,693	2,231,559,693	-
Reinsurance receivables	-	-	-	-	-
Other Insurance receivables	-	-	-	-	-
Total	**-**	**234,166,505**	**2,231,559,693**	**2,463,590,075**	**2,136,123**
Financial liabilities					
Reinsurance payables	-	-	-	-	-
Other financial liabilities	-	-	-	-	-

Schedule 35.1
DETERMINATION OF FAIR VALUE OF FINANCIAL INSTURMENT

Fair value measurement

The following table analyses financial assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at	31 Ashad 2076				32 Ashad 2075			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI								
Quoted equities	108,492,446	-	-	108,492,446	95,579,377	-	-	95,579,377
Unquoted equities	-	-	161,816,800	161,816,800	-	-	112,911,700	112,911,700
Quoted mutual funds	29,415,387	-	-	29,415,387	25,675,428	-	-	25,675,428
Financial assets at fair value through PL								
Quoted equities	-	-	-	-	-	-	-	-
Unquoted equities	-	-	-	-	-	-	-	-
Quoted mutual funds	-	-	-	-	-	-	-	-
Total	**137,907,833**	**-**	**161,816,800**	**299,724,633**	**121,254,805**	**-**	**112,911,700**	**234,166,505**

Schedule 36
EMPLOYEE DEFINED BENEFIT OBLIGATIONS

Defined contribution plans

As at	31 Ashad 2076	32 Ashad 2075
	Rs.	Rs.
Employees' Provident Fund	-	-
Contribution to Citizen Investment Trust Fund	-	-

Recognition and measurement of employee defined benefit obligations

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The value of defined benefit obligation is calculated by a qualified Actuary as at the reporting date, using the Projected Unit Credit (PUC) method as recommended by NAS 19 - Employee Benefits. The Actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty.

The re-measurement of the net defined benefit liability which comprises actuarial gains and losses are charged or credited to the statement of other comprehensive income in the period in which they arise. The assumptions based on which the results of the actuarial valuation was determined, are included in Note 36.2.4 to the financial statements.

Cost of defined benefit obligations (gratuity) is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

DEFINED BENEFIT PLANS - PROVISION FOR EMPLOYEE BENEFITS

As at	31 Ashad 2076	32 Ashad 2075
	Rs.	Rs.
Present value of funded obligation (Gratuity)	-	49,646,331
Present value of unfunded obligation (Leave encashment+sick Leave)	32,123,685	17,121,629
Total	**32,123,685**	**66,767,960**

MOVEMENT IN THE PRESENT VALUE OF THE EMPLOYEE BENEFITS

	31 Ashad 2076	32 Ashad 2075
	Rs.	Rs.
As at 1 Shrawan	17,121,629	47,093,354
Expenses recognised in statement of profit or loss	3,284,144	9,122,467
Payments during the year	(4,927,849)	(4,400,334)
Actuarial loss recognised in statement of comprehensive income	16,645,761	14,952,473
As at 32/31 Ashad	32,123,685	66,767,960

EXPENSES RECOGNISED IN STATEMENT OF PROFIT OR LOSS

For the year ended	31 Ashad 2076	32 Ashad 2075
	Rs.	Rs.
Interest cost	1,179,833	3,367,551
Current service cost	2,104,311	5,754,916
Total	**3,284,144**	**9,122,467**

Schedule 36.2.2

EXPENSES RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

For the year ended	31 Ashad 2076	32 Ashad 2075
	Rs.	Rs.
Actuarial loss	-	12,390,513

VALUATION OF EMPLOYEE BENEFIT OBLIGATIONS

As at 31 Ashad 2076, leave encashment liability was actuarially valued by Transvalue consultants Mumbai, a firm with actuarial expertise as required by NAS 19 - Employee Benefits.

Principal actuarial assumptions used

Acturial information	**31 Ashad 2076**	**32 Ashad 2075**
(a) Discount rate	6.50%	7%
(b) Salary escalation rate	15%	12%
(c) Withdrawal Rate	10%	10%
(e) Mortality rates	Nepali Assured Lives Mortality (2009)	Nepali Assured Lives Mortality (2009)
Employee information		
Gratuity		
Average Attained Age	N/A	38.44
Average Past Service	N/A	11.12
Total Monthly Salary	N/A	786,090
Average Monthly Salary	N/A	14,293
No of Employees	N/A	55
Leave encashment		
Average Attained Age	32.7	38.78
Total Leave Balance	8,161	2436
Average Leave Balance	38.32	43.5
Total Monthly Salary	6,010,964	1,409,808
Average Monthly Salary	28,220	25,175
No of Employees	213	56

Schedule 37
RISK MANAGEMENT FRAMEWORK

(a) Insurance and financial risk
(i) Insurance risks

The Company principally issues the following types of general insurance contracts : motor, Fire and engineering, marine, Micro, Laghu and miscellaneous. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from natural disasters, climate changes and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. This is largely achieved through diversification across industry sectors and geography. Furthemore, strict claim review policies to assess all new and ongoing cliams, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing an promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. inflation risk is mitigated by taking expected inflation in to account when estimating insurance contract liabilities. The Company identifies and categorises risks in terms of their source, their impact on the Company and preferred strategies for dealing with them.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. flood damage).

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. flood damage).

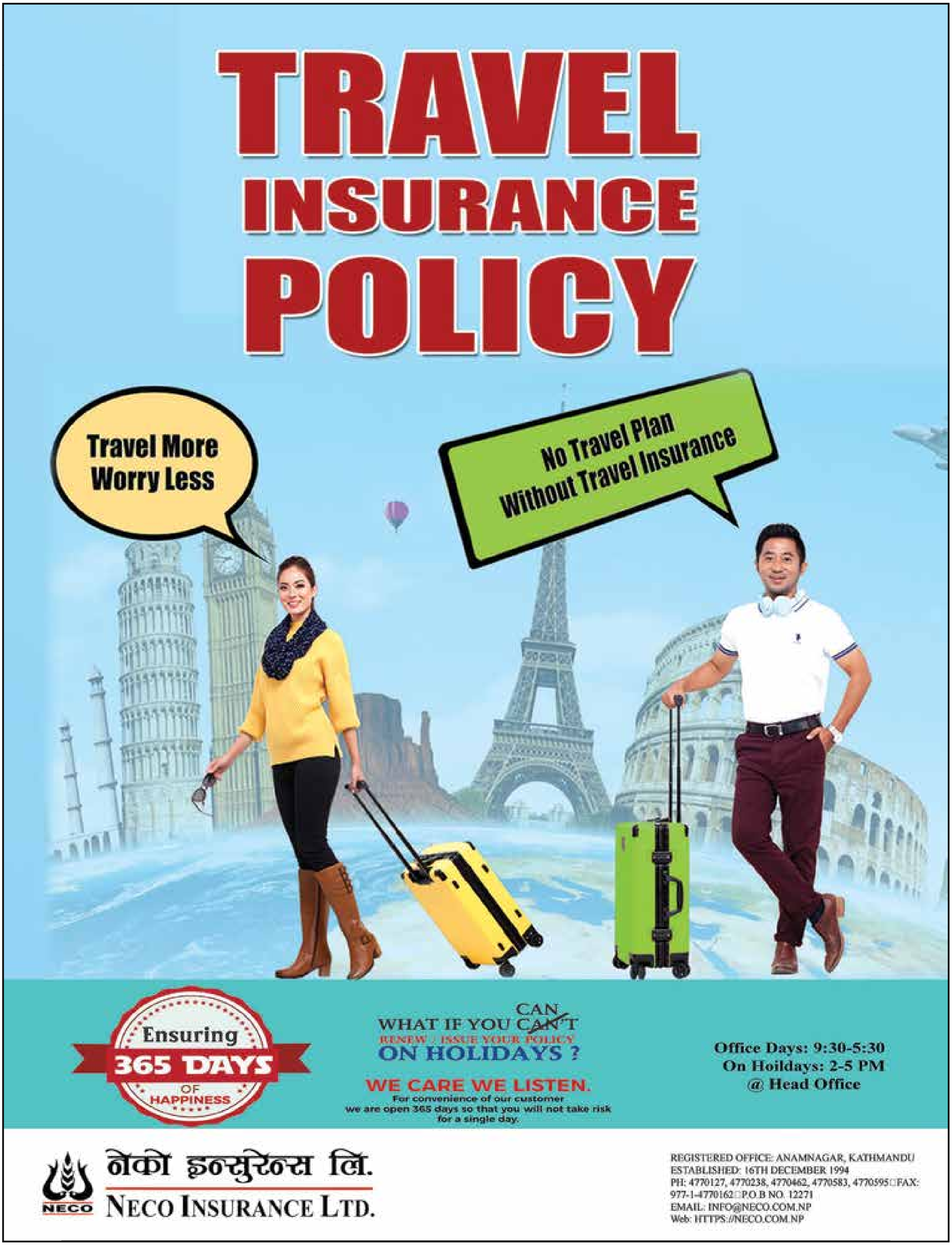
The Company considers insurance risk to be a combination of the following components.	
Product design risk	
Underwriting risk	
Reinsurance risk	
Claims risk	
Operational risk	Mitigation strategies
Product design risk	
The Company issues non-life insurance contracts such as motor, fire and engineering, marine and miscellaneous. Product designs of the portfolio may be outdated due to changes in the climate leading to natural disasters, behavioral trends of people due to changing life styles and steady escalation of costs in respect of spare parts in the industry.	Diversification of insurance contracts across a large geographical areas.
	Variability of risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk.
	Strategies are periodically reviewed and suitable action taken.
	Constant watch on internal and external factors that may impede planned objectives.
Underwriting risk	
Underwriting risk generally refers to the risk of loss on underwriting activity in the insurance. In insurance, underwriting risk may either arise from an inaccurate assessment of the risks entailed in writing an insurance policy, or from factors wholly out of the underwriter's control.	Improve knowledge and skills of the underwriting staff.
	Statistical databases are maintained on loss making clients to ensure such clients are strategically declined.
	Review profitability, pricing, terms and conditions of various products.
	Financial authority limits are in place for underwriting clearly prescribing the limits to underwrite based on the sum assured and risk.

Schedule 37.1
RISK MANAGEMENT FRAMEWORK (CONTINUED)

Reinsurance risk	
Reinsurance risk refers to the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost.	Global trusted and stable portfolio of reinsurance companies which are rated highly used for reinsurance placements.
	Very close and professional relationship is maintained with all reinsurers.
	Provisions are made for long outstanding reinsurance receivables.
	Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set-off against payables on time.
Claims risk	
The risk of actual claims or the timing thereof, may differ from expectations.	Claim intimation is done through the call centre which works on 24x7 basis.
	Customers are advised of consequence of inadequate sum insured and excesses.
	Cross check information from various issues and segregation of approval and payment duties.
	Qualified independent actuary carries out independent valuation on a quarterly basis in order to assess adequacy of reserves.
	Significant outstanding claims are subjected to periodic reviews by the management and the Board of Directors.

Concentration risk

Total	Fiscal Year ending 31 Ashad 2076		
	Gross Premium	Premium Ceeded	Net Premium
Aviation	-	-	-
Crops and cattle	50,965,442	40,800,697	10,164,745
Eng	206,211,268	169,892,064	36,319,204
Fire	488,239,389	207,437,276	280,802,113
Marine	49,465,660	32,387,145	17,078,515
Laghu	362,178	-	362,178
Miscellaneous	213,539,734	135,407,996	78,131,737
Motor	907,472,674	185,481,174	721,991,500
Total	**1,916,256,344**	**771,406,352**	**1,144,849,992**



TRAVEL
INSURANCE
POLICY
Travel More Worry Less
No Travel Plan Without Travel Insurance
Ensuring
365 DAYS
OF HAPPINESS
CAN
WHAT IF YOU ~~CAN'T~~
RENEW / ISSUE YOUR POLICY
ON HOLIDAYS ?
WE CARE WE LISTEN.
For convenience of our customer
we are open 365 days so that you will not take risk
for a single day.
Office Days: 9:30-5:30
On Hoildays: 2-5 PM
@ Head Office
नेको इन्सुरेन्स लि.
NECO
NECO INSURANCE LTD.
REGISTERED OFFICE: ANAMNAGAR, KATHMANDU
ESTABLISHED: 16TH DECEMBER 1994
PH: 4770127, 4770238, 4770462, 4770583, 4770595□FAX:
977-1-4770162□P.O.B NO. 12271
EMAIL: INFO@NECO.COM.NP
Web: HTTPS://NECO.COM.NP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तपाइको क्षतिको दुर्घटना स्थल मै भुक्तानी
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NECO INSURANCE LTD.
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Date : 10/12/2018
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THE SUM OF TEN ******************** RUPEES ONLY /-
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TIME SAVING
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Schedule 37.2
RISK MANAGEMENT FRAMEWORK (CONTINUED)

- **Governance Framework**

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework.

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board is ultimately responsible for monitoring compliance with the Company's risk management policies and procedures. The Board is assisted in these functions by internal audit department and the Board Audit Committee. The internal audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

- **Regulatory Framework**

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the Company are subject to regulatory supervision of the Insurance Board of Nepal. The Company has taken necessary action to comply with and complied with applicable regulations throughout the year.

(ii) Financial risks

Nature and extent of risk arising from financial instruments
The Company has exposure to the following risks from financial instruments.

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risks.

Schedule 37.3

RISK MANAGEMENT FRAMEWORK (CONTINUED)

Credit risk/loan risk

Credit risk is the risk of financial loss to the Company, if a customer or counter-party to a financial instrument fails to meet its contractual obligations in accordance with agreed terms and arises principally from the Company's premium receivables, reinsurance receivables, investments in debt securities and deposits with financial institutions such as time deposits, demand deposits, etc.

Management of credit risk - Insurance receivables

The company has no any policy for providing Credit facility against issued policy document as per regulatory restriction.As a result of rigourus follow up of outstanding premiums, the policies which are not settled within the approved credit periods are cancelled on a regular basis. The Company checks the status of the outstanding premium before settling claims to reduce the credit risk. The Company has implemented an impairment review for premium receivables periodically and provide for the same based on the results of the review.

Management of credit risk - Reinsurance receivables

Credit risk with regard to reinsurance receivables is mitigated by selecting the reinsurers with higher credit ratings and reviewing their ratings periodically. The following table depicts the reinsurers of the Company with their ratings.

Reinsurer	Rating	Issuing agency
Zep-Re (PTA) Reinsurance Co.), Nairobi, Kenya	B++	A.M. Best
Kenya Reinsurance Corporation Ltd., Nairobi, Kenya	B+	A.M. Best
General Insurance Corporation of India, Mumbai, India	A-	A.M. Best
Trust International insurnce & Reinsurance Company BSC ©, Trust Re, Bahrain	A-	S and P and A.M. Best
GIC Bhutan Re ltd.,Bhutan:Rated	A-	A.M. Best
Oriental Insurance Company Limited, New Delhi, India	B++	A.M. Best
Tunis Re	AA-	S and P and A.M. Best
Asian Reinsurance Corporation, Bangkok, Thailand	B+	A.M. Best
East Africa Reinsurance Company ltd, Kenya	B	A.M. Best
Oman Re, Oman	B+	S and P and A.M. Best
CICA Re, Togo	B	A.M. Best
Sirius International Insurance Corporation (pulb),UK, Branch	A-	S and P and A.M. Best
XL CATLIN	A+	S and P and A.M. Best

Management of credit risk - Financial investments (Except listed equity securities)

The Company evaluates the credit ratings of the respective investee and/or respective issue prior to the investment decision are made. In addition, the Company focuses on tolerable levels concentration risk and portfolio monitoring in line with the Company's risk appetite.

Management of credit risk - Cash at bank

The Company's exposure to credit risk with relevant to cash and cash equivalents is minimal since these balances are maintained at banks and finance companies with high credit ratings.

Schedule 37.4
Risk Management Framework (Continued)

Collateral adequacy
As a general principle, the Company endeavors to obtain adequate collateral to secure its investments as applicable.All investment being in nature other than credit assets, no security has been obtained so far.

Particular	31 Ashad 2076	32 Ashad 2075
	Rs.	Rs.
Carrying value of investments in financial assets at amortized cost	2,428,312,058	2,231,559,693
Fair value of collateral	-	-
Excess value of collateral	(2,428,312,058)	(2,231,559,693)

Management of liquidity risk
The following controls are in place to mitigate liquidity risk which is faced by the Company.

The Company's approach to managing liquidity is to ensure that funds available are adequate to meet claim payments to its policyholders and to ensure operational expenses are paid when they are due.

Main sources of the Company's funding are capital and gross written premium. The Company also maintains a portfolio of readily marketable securities to strengthen its liquidity position. Investment durations are diversified, depending on the cash flow needs of the Company and maturity periods are regularly reviewed. Cash flow analysis is done prior to investments are made.

The Company's treaty agreements with reinsurers contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain agreed size.

Availability of a stand-by overdraft facility to be used only in the event of an emergency.

Determining the maturity profiles of insurance contract liabilities and reinsurance assets based on the estimated timing of net cash outflows from recognised insurance liabilities.

Planning for all large cash outflows in advance and making necessary arrangements to ensure the availability of funds to meet such outflows.

Exposure to liquidity risk
The Company monitors the liquidity position of the Company to asses funding requirements. Liquid assets include cash and short term investments and bills purchased. The Company also monitors maturity profile of its assets and liabilities.

Maturity profiles
Tcommitted lines of credit that it can access to meet liquidity needs.

Schedulee 37.5

RISK MANAGEMENT FRAMEWORK (CONTINUED)

Contractual maturities of undiscounted cash flows of financial assets and financial liabilities are provided below.

As at 31 Ashad 2076

Financial assets/liabilities	0-3 months	3-12 months	1-2 years	Over 2 years	No stated maturity	Total
Financial assets						
Fair value through profit or loss	-	-	-	-	-	-
Listed equity securities	-	-	-	-	108,492,446	108,492,446
Fair value through other comprehensive income	-	-	-	-	191,232,187	191,232,187
Amortized cost	-	-	-	143,959,855.71	-	143,959,856
Fixed deposit	-	-	2,278,176,232	-	-	2,278,176,232
Government bond	-	6,175,970.55	-	-	-	6,175,971
Reinsurance receivables	-	202,012,155.55	-	-	-	202,012,156
Other Insurance receivables (gross)	-	100,432,420.56	-	-	-	100,432,421
Cash and short term deposits	290,202,531	-	-	-	-	290,202,531
Total	290,202,531	308,620,547	2,278,176,232	143,959,856	299,724,633	3,320,683,798
						-
Financial liabilities						-
Reinsurance payable	-	100,750,298	-	-	-	100,750,298
Other financial liabilites	-	62,677,806	-	-	-	62,677,806
Total	**-**	**163,428,104**	**-**	**-**	**-**	**163,428,104**

As at 32 Ashad 2076

Financial assets/liabilities	0-3 months	3-12 months	1-2 years	Over 2 years	No stated maturity	Total
Financial assets						
Fair value through profit or loss		-	-	-	-	-
Listed equity securities	-	-	-	-	95,579,377	95,579,377
Fair value through other comprehensive income	-	-	-	-	138,587,128	138,587,128
Amortized cost	-	-	-	135,153,633.20	-	135,153,633
Fixed deposit	-	-	2,076,515,935	-	-	2,076,515,935
Government bond	-	19,890,125.00	-	-	-	19,890,125
Reinsurance receivables	-	253,052,093.15	-	-	-	253,052,093
Other Insurance receivables (gross)	-	84,297,557.96	-	-	-	84,297,558
Cash and short term deposits	143,855,543	-	-	-	-	143,855,543
Total	143,855,543	357,239,776	2,076,515,935	135,153,633	234,166,505	2,946,931,392
						-
Financial liabilities	-					-
Reinsurance payable	-	128,324,192	-	-	-	128,324,192
Other financial liabilites	-	71,385,265	-	-	-	71,385,265
Total	**-**	**199,709,457**	**-**	**-**	**-**	**199,709,457**

Schedulee 37.6
RISK MANAGEMENT FRAMEWORK (CONTINUED)

- **Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Market risk is an aggregation of,

a) **Interest rate risk**
b) **Currency risk**
c) **Equity price risk**

a) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating rate instruments typically expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

Management of interest rate risk

In order to mitigate the interest rate risk faced by the Company, the management follows the guide lines set out in the investment policy which is regularly reviewed by the Investment Committee.
Among such guidelines, following guidlines included to mitigate the interest rate risk faced by the Company.
ii. Forecasting and monitoring future cash inflows and outflows when formulating investment strategies.
iii. Relative amounts of the each portfolio will be determined by the Company's liquidity position, availability of market values, individual secuities' risk/return profiles.

Sensitivity analysis - Interest rate risk

Sensitivity analysis for interest rate risk reflects the changes in the fair value or future cash flows of a financial instrument at the reporting date in response to assumed movements in market interest rates.

PBT* - Profit before tax

Schedule 37.7
RISK MANAGEMENT FRAMEWORK (CONTINUED)

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company's principal transactions are carried out in Nepalese Rupees (Rs.) and hence, its exposure to foreign exchange risk arises primarily with respect to reinsurance recoveries and US Dollars denominated assets developed out of aforementioned recoveries.

Management of currency risk

The currency risk faced by the Company is minimal since no material liabilities or assets were recorded on foreign currency denominated as at the reporting date.

Sensitivity analysis - Currency risk

The tables below indicate the currencies to which the Company had significant exposures as at 31 Ashad 2076 and the effect to the gains/(losses) in case of a market exchange rates up/drop by 1%. Being no substantial foreign curreny transaction except Reinsurance Premium Payment, copmany has not exposure to Foreign Currency Gain or Loss..

+/-% impact on Profit	-	-	-	-

c) Equity price risk

The risk of fluctuation in fair values or future cash flows of a financial instrument due to a change in market prices, other than those occurring due to interest rate risk or currency risk, is referred to as equity price risk. Accordingly, the equity price risk affects the Company's investments in equity instruments.

Management of equity price risk

In order to mitigate the equity price risk faced by the Company, the management follows the guidelines set out in the investment policy. The Company's investment policy guides the management to set/monitor objectives and constraints on investments, diversification plans as well as limits on equity exposure. Compliance with the policy is monitored and the exposure and instances of non-compliance are reported to the Board of Directors. The policy is reviewed regularly for pertinence and for changes in the risk environment. The Company manages its equity price risk by investing in relatively less volatile sectors and in different sectors.

Sensitivity analysis - Equity price risk

Sensitivity analysis for equity risk reflects how changes in the fair value of equity securities at the reporting date will fluctuate in response to assumed changes in equity market prices.

Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by intiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processess, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitered through the Company's strategic planning and budgeting process.

Net change in operational assets and liabilities	**FY 2075-76**	**FY 2074-75**
	Rs.	**Rs.**
Net change in reinsurance receivables	(51,039,937.60)	104,768,508
Net change in receivables and other assets	36,711,837.66	44,316,931
Net change in insurance liabilities	129,847,839.15	271,880,634
Net change in other liabilities	77,138,330.39	64,841,801
Total	**192,658,070**	**485,807,875**

Schedule 38

EVENTS AFTER THE REPORTING DATE

38.1 Dividends

The company has proposed cash dividend amounting Rs.107,474,700.133495 including the dividend distribution tax as cash dividend for the year ended 31st Ashad 2076.

Schedule 39

CAPITAL COMMITMENTS AND CONTINGENCIES

39.1 Capital commitments

The company doesnot have any Capital Commitments as on 31st Ashad, 2076.

39.2 Contingencies

In the opinion of the Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company. All pending litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

Schedule 40
ACTURIAL DATA FOR GRATUITY AND LEAVE ENCASHMENT

The Nepal Accounting Standard 19 on "Employee Benefits" issued by the Institute of chartered Accountants of Nepal has been adopted by the Company as under:

Defined Benefit plans in respect of Gratuity and Leave Encashment will be as per actuarial valuation. Brief calculation pattern of Acturial Valuatoin Working as disclosed hereunder:

			2074-75	2075-76
S.N.	**Particulars**	**Gratuity (Funded)**	**Annual Leave Encashment and sick leave (Non Funded)**	**Annual Leave Encashment and sick leave (Non Funded)**
1	**(Income)/ Expenses Recognized In Income Statement**			
	Interest Cost	1,689,704	765,726	1,179,833
	Current Service Cost	4,382,332	1,372,584	2,104,311
	Net Acturial Losses/(Gains)		7,061,618	16,645,761
	Interest Income on Plan Assets	(912,121)	-	-
	Total	**5,159,915**	**9,199,928**	**19,929,905**
2	**(Income)/Expenses Recognized In Other Comprehensive Income**			
	Actuarial (Gain)/ Loss	7,890,855	-	-
	Return on Plan Assets (Greater)/Lesser than discount rate	52,676	-	-
	Total	**7,943,531**	**-**	**-**
3	**Change in Present Value Obligations**			
	PV of Obligation at beginning of the year	35,947,006	11,146,348	17,121,629
	Interest Cost	2,601,825	765,726	1,179,833
	Current Service Cost	4,382,332	1,372,584	2,104,311
	Acquisitions (credit)/ cost			
	Benefit paid	(1,175,687)	(3,224,647)	(4,927,849)
	Actuarial (Gain)/ Loss	7,890,855	7,061,618	16,645,761
	Liability at the end of the year	49,646,331	17,121,629	32,123,685
	As per GAAP			

4	**Change in Fair Value of Plan Assets**			
	Fair Value of Plan Asset at Beginning of the Year	13,030,299	-	-
	Acquisition Adjustment	-	-	-
	Interest Income on Plan Assets	912,121	-	-
	Return on Plan Assets Greater/ (Lesser) than discount rate	-	-	-
	Contribution by Employer	4,896,094	-	-
	Benefit paid	(1,175,687)	-	-
	Actuarial (Gain)/ Loss on Plan Assets	(52,676)	-	-
	Fair Value of Plan Asset at End of the Year	**17,610,151**	**-**	**-**
5	**Amount Recognized in Statement of Financial Position**			
	Present Value of Obligations at Year End	49,646,331	17,121,629	32,123,685
	Fair Value of Plan Assets at Year End	17,610,151	-	-
	Funded Status Surplus/(Deficit)	(32,036,180)	(17,121,629)	(32,123,685)
	Unrecognised Acturial (Gain)/Loss at Year End			
	Unrecognised Past Service Cost			
	Net Asset/(Liability) Recognised in Balance Sheet	**(32,036,180)**	**(17,121,629)**	**(32,123,685)**
6	**Actuarial Assumptions**			
	Discount rate	7%	7%	6.50%
	Salary escalation rate	12%	12%	15%
	Expected return on plan assets	7%	-	-
	Retirement age	58 Years	58 Years	58 Years
	Mortality	Nepali Assured Lives Mortality (2009)	Nepali Assured Lives Mortality (2009)	Nepali Assured Lives Mortality (2009)
	Wuthdrawal Rate	10%	10%	10%

Schedule 41
SEGMENT REPORTING

For the FY ending 31st Ashad 2076

Particular	Line of Business (LOB)								Unallocated Amount	Total
	Aviation	Crops and cattle	Engineering	Fire	Marine	Micro	Miscella-neous	Motor		
Gross Earned Premium		50,965,442	206,211,268	488,239,389	49,465,660	362,178	213,539,734	907,472,674	-	1,916,256,344
Premium ceded to reinsurer		40,800,697	169,892,064	207,437,276	32,387,145	-	135,407,996	185,481,174	-	771,406,352
Net Earned Premium	-	10,164,745	36,319,204	280,802,113	17,078,515	362,178	78,131,737	721,991,500	-	1,144,849,992
										-
Fees and commission income	-	8,974,953.33	35,251,592	73,144,978	10,718,459		43,884,932	62,766,561	(38,486,078)	196,255,398
Investment income	-	867,541	5,834,172	33,382,865	1,861,251		9,112,642	59,746,858	141,290,317	252,095,645
Net realised gains and losses	-	-	-	-	-	-	-	-	-	-
Fair value gains and losses	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	8,138,946	8,138,946
Other revenue	-	9,842,494	41,085,765	106,527,843	12,579,710	-	52,997,574	122,513,419	110,943,185	456,489,990
Total Revenue	-	20,007,239	77,404,968	387,329,957	29,658,226	362,178	131,129,311	844,504,919	110,943,185	1,601,339,983
Gross benefits and claimspaid	(106,526,513)	(29,859,829)	(174,874,906)	(123,350,422)	(42,297,311)	(226,541)	(68,623,003)	(477,993,645)	-	(1,023,752,169)
Claims ceded to reinsurers	106,473,237	23,887,863	146,693,116	62,523,542	35,556,049	-	46,451,981	47,088,114	-	468,673,902
Net benefits and claims	4,507	(2,048,052)	(8,872,940)	(54,048,385)	(8,522,852)	(181,089)	(23,923,139)	(48,256,856)	(34,911,451)	(180,760,257)
	(48,769)	(8,020,018)	(37,054,730)	(114,875,265)	(15,264,115)	(407,629)	(46,094,161)	(479,162,386)	(34,911,451)	(735,838,524)
Finance costs										
Other operating and adminis-trative expenses	-	-	-	-	-	-	-	-	(3,193,611)	(3,193,611)
Change in insurance contract liabilities	-	(13,634,375)	(37,760,786)	(88,699,477)	(8,107,320)	(130,383)	(37,130,667)	(154,475,288)	(78,824,940)	(418,763,238)
Other expenses	-	(13,634,375)	(37,760,786)	(88,699,477)	(8,107,320)	(130,383)	(37,130,667)	(154,475,288)	(82,018,551)	(421,956,848)
Total benefits, claims and other expenses	(48,769)	(21,654,393)	(74,815,515)	(203,574,743)	(23,371,435)	(538,013)	(83,224,828)	(633,637,675)	(116,930,002)	(1,157,795,372)
Profit before tax	(48,769)	(1,647,155)	2,589,453	183,755,214	6,286,791	(175,835)	47,904,483	210,867,244	(5,986,816)	443,544,610
Income Tax Expense	-	-	-	-	-	-	-	-	(94,619,869)	(94,619,869)
Profit For the Year	(48,769)	(1,647,155)	2,589,453	183,755,214	6,286,791	(175,835)	47,904,483	210,867,244	(100,606,685)	348,924,742

For the FY ending 32nd Ashad 2075

Particular	Line of Business (LOB)								Unallocated Amount	Total
	Aviation	Crops and Cattle	Engineering	Fire	Marine	Laghu	Miscella- neous	Motor		
Gross Earned Premium	18,028,384	33,411,163	228,496,185	410,135,344	33,459,678	-	133,535,616	803,881,664	-	1,660,948,034
Premium ceded to reinsurer	18,019,370	26,734,359	209,779,259	186,498,887	22,707,017	-	99,839,569	112,199,863	-	675,778,324
Net Earned Premium	9,014	6,676,804	18,716,925	223,636,457	10,752,661	-	33,696,047	691,681,801	-	985,169,709
										-
Fees and commission income	459,917	5,614,215	42,172,367	45,573,002	7,564,338		34,492,841	27,586,370	(10,097,107)	153,365,943
Investment income	36,870	462,003	4,794,714	25,954,202	1,255,194		5,014,592	58,575,881	92,693,892	188,787,348
Net realised gains and losses	-	-	-	-	-	-	-	-	-	-
Fair value gains and losses	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	1,964,074	1,964,074
Other revenue	496,787	6,076,219	46,967,081	71,527,204	8,819,532	-	39,507,432	86,162,251	84,560,858	344,117,364
Total Revenue	505,801	12,753,023	65,684,006	295,163,661	19,572,193	-	73,203,479	777,844,052	84,560,858	1,329,287,074
Gross benefits and claims paid	-	(21,099,920)	(146,486,417)	(122,335,106)	(7,899,502)		(55,548,234)	(384,402,733)	-	(737,771,912)
Claims ceded to reinsurers	-	16,857,511	117,308,376	81,917,972	4,660,222		40,759,273	53,683,558	-	315,186,911
Net benefits and claims	-	(4,242,409)	(29,178,041)	(40,417,134)	(3,239,280)	-	(14,788,961)	(330,719,175)	-	(422,585,001)
Finance costs	-	-	-	-	-	-	-	-	(5,215,721)	(5,215,721)
Other operating and adminis- trative expenses	(2,480,560)	(8,571,286)	(40,530,618)	(69,385,320)	(5,096,365)	-	(21,106,895)	(125,928,011)	(58,585,163)	(331,684,218)
Change in insurance contract liabilities	(1,045)	(2,541,745)	199,712	(38,968,541)	(6,999,016)	-	(9,648,194)	(62,913,112)	(46,240,187)	(167,112,129)
Other expenses	(2,481,605)	(11,113,031)	(40,330,905)	(108,353,862)	(12,095,382)	-	(30,755,089)	(188,841,124)	(110,041,070)	(504,012,068)
Total benefits, claims and other expenses	(2,481,605)	(15,355,440)	(69,508,946)	(148,770,996)	(15,334,662)	-	(45,544,051)	(519,560,298)	(110,041,070)	(926,597,068)
Profit before tax	(1,975,804)	(2,602,417)	(3,824,940)	146,392,665	4,237,531	-	27,659,428	258,283,754	(25,480,212)	402,690,005
Income Tax Expense	-	-	-	-	-	-	-	-	(131,806,287)	(131,806,287)
Profit For the Year	(1,975,804)	(2,602,417)	(3,824,940)	146,392,665	4,237,531	-	27,659,428	258,283,754	(157,286,499)	270,883,718

Schedule 42.1

RECONCILIATION OF PROFIT OR LOSS

Particulars	For the year ended 31 Ashad 2076	For the year ended 32 Ashad 2075
Profit/Loss as per GAAP (A)	354,731,490	302,460,152
Adjustments due to NFRS Implementation		
1. Unearned Premium	(3,895,921)	250,270
2. Premium ceded to reinsurers (deferred)	-	-
3. Deferred Fee and Commission income	(38,486,078)	(10,097,107)
4. Increase (Decrease) in Other operating and administrative expenses	3,321,648	5,180,746
a. Reinsurance Commission Expense	119,337	48,304
b. Agency Commission	2,876,458	3,791,427
c. Gratuity/Pension Expenses	3,993,566	537,411
d. Leave Encashment Expenses	(13,052,531)	(3,993,103)
e. Reversal of Provision for other losses	9,384,817	4,796,707
f. Net Increase/Decrease in Staff Bonus	-	-
6. Increase (Decrease) in income tax expense due to NFRS implementation	63,068,899	1,036,708
a. Deferred tax income(expense) on Gratuity	(1,198,070)	(161,223)
b. Deferred tax income(expense) on Leave encashment	3,915,759	1,197,931
c. Deferred tax income(expense) on IBNR	32,902,953	-
d. Deferred tax income(expense) on deferred commission income	34,446,247	-
e. Deferred tax income(expense) on deferred agent commission expense	(6,881,960)	-
f. Deferred tax income(expense) on deferred reinsurance expense	(116,032)	-
7. Outstanding claim	-	-
8. Change in reversal of provision for loss on investment	(469,448)	18,543,407
9. Change in Incurred but not reported	(29,345,849)	(46,490,457)
Total Adjustment (B)	**(5,806,749)**	**(31,576,434)**
Profit/(Loss) as per NFRS [A+B]	**348,924,741**	**270,883,718**

NFRS Profit amount differ from GAAP is due to remeasurement of following items namely deferred net premium, deferred fee and commission income, deferred Reinsurance commission expense, deferred agent commission expense, leave encashment expense charged as per acturial valuation, change in reversal of provision for loss on investment, change in incurred but not reported and reversal of change in provision for othe losses.

Schedule 42.2

RECONCILIATION OF EQUITY

Particulars	For the year ended 31 Ashad 2076	For the year ended 32 Ashad 2075
Total Equity as per GAAP(A)	**2,207,907,823**	**1,968,080,161**
Adjustments due to NFRS Implementation		
1. Fair Value Reserve on Investment Available for Sale	(20,093,002)	(21,631,463)
2.Acturial Reserve on Gratuity	-	(15,048,512)
3.Net Increase/(Decrease) in Retained Earning	(33,585,786)	(24,221,933)
a. Premium amortization	-	-
b. Gratuity	-	(2,795,496)
c. Leave Encashment	(12,394,224)	(3,257,453)
d. Unearned Premium Reserve	(3,895,921)	-
e. Reinsurance Asset	-	-
f. Employee Bonus provision	-	-
g. Reversal of other Provision	14,181,524	4,796,707
h. Unearned Commission income	(80,374,577)	(56,003,904)
i. Unearned agent Commission expense	16,057,906	
j. Unearned reinsurance Commission expense	270,741	
k. Reversal of provision for loss on investment	32,568,765	33,038,213
4. Outstanding claim	-	-
5. Incurred but not reported	(76,773,558)	(80,330,662)
6. Reclass of proposed dividend to retained earning	114,903,827	
Total Adjustment (B)	**(15,548,518)**	**(141,232,569)**
Total Equity as per NFRS [A+B]	**2,192,359,305**	**1,826,847,592**

NFRS balance of equity differ from the GAAP balance is due to remeasurement of following items namely Fair value reserve created on investment available for sale, Acturial reserve created on gratuity as per acturial valuation, impact of gratuity and leave encashment in retained earning, unexpired risk reserve created as per LAT report, employee bonus adjustment as per NFRS profit, deferred commission income and expense recognized as liability and assets, reversal of provision for loss on investment and reversal of other provision.

Schedule 42.3
Reconciliation of Statement of fianancial position

	As on 31 Ashad 2076			
	As per Gaap	NFRS Reclass	NFRS Remea-surement	NFRS balance
Assets				
Property Plant and Equipment	313,672,112	-	-	313,672,112
Intangible assets	239,429	-	-	239,429
Deferred Tax Assets	15,012,426	-	75,943,986	90,956,412
Financial Assets				
Financial assets at amortized cost	195,249,000	2,233,063,058	-	2,428,312,058
Financial asset at fair value through other comprehensive income	328,428,921	(32,568,765)	3,864,477	299,724,633
Financial assets at fair value through profit or loss	-	-	-	-
Other Financial Assets	37,874,172	(24,644,109)	-	13,230,063
Reinsurance Asset	-	202,012,156	-	202,012,156
Insurance receivables	100,432,421	-	-	100,432,421
Other Assets	86,381,623	(22,051,997)	23,326,638	87,656,263
Current tax assets	563,962,989	(533,849,484)	-	30,113,505
Cash and cash Equivalent	2,501,213,592	(2,211,011,061)	-	290,202,531
Total Assets	4,142,466,684	(389,050,203)	103,135,101	3,856,551,582
Equity				
Share capital	1,176,278,400	-	-	1,176,278,400
Share premium	-	58,327,761	-	58,327,761
Insurance Fund	612,957,074	-	-	612,957,074
Catastrophic reserves	57,453,915	-	-	57,453,915
Retained Earnings	319,010,779	56,576,066	(177,692,043)	197,894,802
Other Reserves	42,207,654	-	47,239,698	89,447,352
Total Equity	2,207,907,823	114,903,827	(130,452,345)	2,192,359,305
Liabilities				
Insurance Contract Liabilities	817,269,899	202,012,156	115,242,112	1,134,524,167
Deferred Tax Liabilities	-	-	-	-
Other Financial Liabilities	69,615,880	(24,644,109)	17,706,035	62,677,806
Insurance Payables	231,413,285	-	-	231,413,285
Other Liabilities	233,552,888	(147,472,593)	100,639,300	186,719,594
Current Tax Liabilities	533,849,484	(533,849,484)	-	-
Trade and other payables	48,857,425	-	-	48,857,425
Total Liabilities	1,934,558,861	(503,954,030)	233,587,446	1,664,192,277
Total Liabilities and Equity	4,142,466,684	(389,050,203)	103,135,101	3,856,551,582

As on 32 Ashad 2075			
As per Gaap	NFRS Reclass	NFRS Remea-surement	NFRS balance
217,424,249	-	-	217,424,249
356,700	-	-	356,700
15,991,632	-	18,314,110	34,305,743
300,388,000	1,931,171,693	-	2,231,559,693
265,068,595	(33,038,213)	2,136,123	234,166,505
-	-	-	-
34,858,245	(17,610,151)	-	17,248,093
-	253,052,093	-	253,052,093
84,297,558	-	-	84,297,558
70,391,048	(27,660,632)	20,330,842	63,061,258
380,196,508	(375,470,243)	-	4,726,265
2,047,366,604	(1,903,511,061)	-	143,855,543
3,416,339,138	(173,066,514)	40,781,076	3,284,053,699
1,176,278,400	-	-	1,176,278,400
-	58,327,761	-	58,327,761
435,591,329	-	-	435,591,329
39,717,341	-	-	39,717,341
265,877,104	(50,898,634)	(122,866,705)	92,111,765
43,186,861	-	(18,365,865)	24,820,997
1,960,651,034	7,429,127	(141,232,569)	1,826,847,592
671,293,573	253,052,093	80,330,662	1,004,676,328
-	-	-	-
58,850,472	(17,610,151)	30,144,944	71,385,265
213,404,075	-	-	213,404,075
95,152,358	(40,467,340)	71,538,039	126,223,057
375,470,243	(375,470,243)	-	-
41,517,382	-	-	41,517,382
1,455,688,103	(180,495,641)	182,013,645	1,457,206,108
3,416,339,138	(173,066,514)	40,781,076	3,284,053,699

The NFRS balance of assets differ from GAAP balance is due to remeasurement of following items deferred tax assets recognized on fair value on investment, gratuity and leave, , fair value recognition on share and mutual fund, reversal of provision on investment, reversal of other provision and Deferred reinsurance and agent commission expense.

The NFRS balance of liability differ from GAAP balance is due to remeasurement of following items Incurred but not reported, leave encashment liability recognition as per acturial valuation, deferred reinsurance commission income.

NFRS balance of equity differ from the GAAP balance is due to remeasurement of following items namely Fair value reserve created on investment available for sale, impact of leave encashment in retained earning, deferred commission income and expense recognized as liability and assets, reversal of provision for loss on investment and reversal of other provision.

Schedule 43
RECONCILIATION OF CASH FLOW STATEMENT

			For the year ending 31 Ashad 2076
Particular	**As per GAAP**	**As per NFRS**	**Difference**
Cash flow from Operating Activities	263,950,074.21	224,003,056	(39,947,018)
Cash flow from Investing Activities	(217,038,753)	(91,049,429)	125,989,324
Cash flow from financing Activities	-	13,393,361	13,393,361
Net change in cash and cash equivalent	46,911,322	146,346,988	99,435,666
Opening cash and cash equivalent	80,779,208	143,855,543	63,076,335
closing cash and cash equivalent	127,690,530	290,202,530	162,512,001

The change in cash flow from operating activiteis as per GAAP and as per NFRS is due to following reason:

- Decrease in Extra current Assets as per NFRS
- Decrease in extra current liabilities as per NFRS
- Deferred Net premium income
- Deferred reinsurance commission income
- Deferred Agent commission expense
- Deferred Reinsurance commission expense
- Change in deferred tax income or expense as per NFRS
- Leave encashment
- Change in IBNR
- Reversal of other provision
- Reversal of provision for loss on investment

The change in cash flow from Investing activiteis as per GAAP and as per NFRS is due to following reason:

- Reclassification of fixed deposit having more than 3month as financial assets at amortized cost
- Investment in share and mutual fund valuation as per market rate ie.Available for sale

The change in cash flow from financing activiteis as per GAAP and as per NFRS is due to following reason:

- Change in Retained earning due to NFRS
- Change in reserves due to NFRS

Schedulee 44

LIABILITY ADEQUACY TEST REPORT (LAT) RESULT

line of business	Unexpired risk reserve [URR=UPR+PDR]	
	2075-76	2074-75
Aviation	-	-
Agro	5,082,372	3,494,305
Eng	23,725,203	13,146,769
Fire	140,401,057	111,818,229
Marine	8,539,258	5,376,330
Laghu	-	-
Miscellaneous	39,193,389	16,848,023
Motor	360,995,750	345,840,900
Total	**577,937,029**	**496,524,556**

line of business	Incurred but not reported [IBNR]	
	2075-76	2074-75
Aviation	-	-
Agro	254,600	201,692
Eng	6,328,714	4,009,694
Fire	11,516,112	9,693,126
Marine	2,183,606	2,781,862
Laghu	-	-
Miscellaneous	1,008,820	595,076
Motor	119,014,775	85,496,718
Total	**140,306,627**	**102,778,168**

Chairman's Message

Dear Valued Shareholders,

I would like to welcome all the valued shareholders, representatives from Regulatory Body, distinguished guests and journalists from different media houses and also extend my sincere thanks to you all for your gracious presence in this special occasion of 24th Annual General Meeting of Neco Insurance Limited. On behalf of the Company, it is my pleasure to present to you the Annual Report for the Fiscal Year 2075/76 of Neco Insurance Limited. I believe that this AGM will also unanimously pass the Annual Report with your valuable feedback/suggestions as you did in the past years.

I regret for the delay in conducting 24th AGM. The reason behind the delay was due to the time taken for the preparation of financial reports based on Nepal Financial Reporting Standards (NFRS) which was effective from FY 2074/75 as per the directive of Regulatory Body- Beema Samiti. Moreover, actuaries also took additional time to submit their reports based on NFRS. Likewise, recent Covid-19 pandemic also played the crucial role for such delay.

The company, in last 24 years, has faced many ups and downs and gradually has proven itself as one of the capable companies in the entire insurance industry in Nepal. In terms of capital, it has been the biggest company in non-life sector. Likewise, the company has also been able to be one of the top three companies in Nepal in terms of business, claim settlement, profit and providing reasonable returns to its shareholders. During the period, we are not only able and consolidated from economic point of view but also have been able to establish ourselves in the business sector by gradually expanding our networks across the country and increasing our business efficiency. As per the wish of our valued shareholders which you all expressed in the last meeting, we are conducting this AGM in our own corporate building which is at the final stage of its construction.

In order to help the insurance sector of the country, Neco Insurance Limited has been constantly expanding its work place and networks and has been trying to reach out to the remote areas as well. Moreover, it has also been trying to fetch new areas of insurance with some innovative products. Keeping in view of the national interest of the country, we have also given priority for agriculture insurance and thus serving farmers with different agriculture related insurance products. It is our firm commitment that we shall reach out to the low income segment of the society in the days to come with the suitable insurance products. With our association with American Insurance Group (AIG), we have been able to expand our reach to various multi-national companies operating in Nepal which, in turn, has helped us increase our business.

Neco Insurance Limited has been extremely successful in winning customer faith in last few years. This has only been possible because of our commitment towards business efficiency and reliable insurance services. As a result, the company has been able to increase insurance premium by 15% this year. Though the dividend declared this fiscal year is a bit low due to dual provisioning in financials, we are fully committed and are trying our best in increasing profit and providing more returns to our valued shareholders in coming years. But, because of recent development of corona virus pandemic affecting the entire world, it is sure that the economic activities in the country will slowdown and thus will have negative effect on the performance of the current Fiscal Year and upcoming years. However, Board and the management of the Company are trying their best not to have much impact on company's performance of such economic slowdown.

Respected Shareholders,

I would like to extend my sincere thanks to you all, our valued customers and well-wishers for the continuous help and support. My sincere thanks also go to Beema Samiti, Nepal Government, the Office of Company Registrar, Nepal Security Board, Nepal Stock Exchange Ltd., and CDS and Clearing Ltd. for their continuous support and guidance for the progress and prosperity of the company and I expect the same level of support and guidance in the future as well.

I would also like to highly appreciate the management team and all the active and efficient staff members of the company for their tireless effort for the continued progress of company.

The detail of business for the Fiscal year 2075/76 has been presented in the Annual Report.

Thank you.

Ramesh Kumar Niraula
Chairman

Jestha 23, 2077

Commitment of
Chief Executive Officer

Neco Insurance Limited had started its operation 25 years back with the total paid up capital of NPR 30 million. A couple of years back, it was in a situation of merger with another company because of not meeting the threshold of capital requirement as set by the regulatory body. After the advent of new promoter and management, the entire scenario has been dramatically changed due to execution of different strategy and policy. The company has now not only been able to meet and cross the said threshold but also has turned out to be a biggest non-life insurance company in Nepal in terms of capital and other financial indicators. Largest Commercial banks like Rastriya Banijya Bank, Agriculture Development Banks and other renowned institutions including prominent business personalities of the society are the promoters of this company.

Accepting the fact that the services of any Insurance company is measured on the basis of its efficiency in settlement of claims, Neco Insurance Limited has offered SPOT PAYMENT services to its valued customers and has gained tremendous appreciation from all corners of the society. Likewise, the company is also introducing new insurance products to provide different services into the market. With our policy that the company should change with changing environment rather than continuing with the same traditional approach, the present management of the company has been able to make the company's unique identity along with the effective implementation of its slogan, "MAKE A VISIBLE DIFFERENCE".

Setting customer services as priority, Neco Insurance Limited has been offering various insurance services like '365 days insurance service', web based information to the insured, information of policy renewal through mobile, collection of premium through internet services etc. It is true that the investors deserve the reasonable return from their investment. But the company does not confine itself only on profit. With the spirit of "customer satisfaction first and then profitability", the company has been providing various facilities to the staffs and are being trained accordingly. Besides above, our company is equally focusing on its corporate social responsibility (CSR) and contributing towards the wellbeing of the society. Likewise, instead of concentrating ourselves in major cities only, the company has its aim to reach out to untapped market segments with some insurance awareness programs like door to door campaign, insurance education classes etc. The company has its firm belief that the scope of insurance can only be widened if we can reach to the untapped segments with some insurance awareness programs.

As it is prudent to declare the fact that the return to shareholders, though satisfactory in comparison to the market, has decreased from fiscal year 2017/18 due to implementation of dual financials 'Nepal Financial Reporting Standards (NFRS) & Generally Accepted Accounting Principles (GAAP)' and their double provisioning of major portion of profit. It will be normalized once the parliament will pass the Insurance Act. Beside all these facts, we commit to serve the best to all our stakeholders. Insurance companies had series of bad experiences in the recent years. They had to face and pay large no. of claims due to last earthquake. As they were trying to overcome the situation, again landslide and floods in the last rainy season further hit badly to the performance of the insurance industry. And now, we have been facing this lockdown due to Covid-19 pandemic. The situation is such that instead of thinking on profitability, we are putting our efforts towards the permanent survival of the company in the insurance market in such a difficult economic condition.

I would like to thank a lot to the valued customers, shareholders, regulatory bodies, Nepal government and well-wishers for your continuous support and feedback/ guidance. Likewise, I would also like to appreciate my co-workers for their continuous efforts and express my commitment in taking this company to a new height by introducing newer products and services suitable to our valued customers.

Thank You.

Ashok Kumar Khadka
Chief Executive Officer

NECO INSURANCE LIMITED
Comparative Income Statement for 5 Years

Description	Financial Years					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	2070/71	2071/72	2072/73	2073/74	2074/75	2075/76
Gross Premium	451,514,253	531,199,997	907,763,715	1,362,303,643	1,660,948,034	1,916,256,344
Reinsurance Premium Ceded	(248,546,836)	(299,517,567)	(480,340,290)	(615,498,531)	(675,778,324)	(771,406,352)
Net Premium	202,967,417	231,682,430	427,423,425	746,805,112	985,169,709	1,144,849,992
Reinsurance Commission	57,328,888	62,887,654	92,195,278	133,231,701	163,463,050	234,741,476
Investment and Other Income	37,188,814	113,525,197	47,399,848	96,780,869	196,523,163	265,500,748
Opening Provision for O/S Claim	82,402,960	105,080,971	151,735,592	152,109,267	176,161,614	174,115,573
Opening Reserve for Unexpired Risk	91,539,926	101,447,828	115,848,811	213,430,690	369,666,871	487,783,946
Total Income (a)	471,428,005	614,624,080	834,602,954	1,342,357,639	1,890,984,407	2,306,991,735
Gross Claim Settled	153,356,474	323,116,607	681,802,691	409,169,354	737,771,912	1,023,752,169
Claims Recovery from Reinsurance	(56,462,990)	(206,279,530)	(562,410,653)	(188,031,979)	(315,186,911)	468,673,902
Net Claims Settled	96,893,484	116,837,077	119,392,038	221,137,375	422,585,001	555,078,267
Agency Commission	36,250,302	32,685,861	25,691,489	32,543,960	40,126,814	43,709,770
Facultative Commission Expense	2,537,301	2,324,966	969,582	438,262	548,507	659,523
Service Charge	2,029,674	2,316,824	4,274,236	7,468,051	9,851,697	11,448,500
Management Expense (Staff)	35,243,572	46,613,055	61,921,091	104,941,118	148,496,137	184,528,592
Management Expense (Other)	29,876,789	32,981,192	54,091,421	73,657,404	98,806,126	131,080,375
Other Expenses and Provisions	2,134,755	2,491,096	7,430,978	21,345,788	28,297,550	14,293,986
Closing Provision for O/S Claim	105,080,972	151,735,592	152,109,267	176,161,616	174,115,573	235,323,329
Closing Reserve for Unexpired Risk	101,483,709	115,841,215	213,711,712	373,402,556	492,584,855	572,424,996
Total Expense (b)	411,530,558	503,826,878	639,591,815	1,011,096,130	1,415,412,260	1,748,547,337
Profit/(Loss) before Bonus and Tax	59,897,447	110,797,202	195,011,139	331,261,508	475,572,147	558,444,398
Provision for Bonus	5,445,222	10,072,473	17,728,285	30,114,683	40,269,001	44,354,461
Provision for Tax	17,753,919	8,541,027	55,708,459	92,615,055	132,842,995	159,358,447
Net Profit/(Loss)	**36,698,306**	**92,183,702**	**121,574,394**	**208,531,771**	**302,460,152**	**354,731,490**

NECO INSURANCE LIMITED
Comparative Statement of Financial Postion for 5 Years

Description	Financial Years				
	2014/15	2015/16	2016/17	2017/18	2018/19
	2071/72	2072/73	2073/74	2074/75	2075/76
Source of Funds					
Share Capital	281,777,082	324,043,632	712,895,990	1,176,278,400	1,176,278,400
Reserve and Funds	87,748,834	96,779,777	206,948,706	309,063,965	361,218,433
Insurance Fund	119,308,170	180,095,367	284,361,253	435,591,329	612,957,074
Catastrophy Reserve	8,089,024	14,167,744	24,594,333	39,717,341	57,453,915
Current Liabilities & Provisions	506,524,370	714,027,068	1,121,407,932	1,455,688,103	1,934,558,860
Total Source	**1,003,447,480**	**1,329,113,588**	**2,350,208,214**	**3,416,339,138**	**4,142,466,683**
Application of Funds					
Fixed Assets(Net)	15,749,548	29,064,069	199,196,437	217,780,949	313,911,541
Investment	626,945,670	825,730,042	1,644,744,911	2,533,089,110	2,898,935,853
Current Assets, Loans and Advances	360,182,395	473,997,313	506,266,866	665,469,079	929,619,289
Deffered Expenses	569,867	322,165	-	-	-
Total Application	**1,003,447,480**	**1,329,113,588**	**2,350,208,214**	**3,416,339,138**	**4,142,466,683**
Other Financial Indicators					
Net Worth	496,923,110	615,086,520	1,228,800,282	1,960,651,034	2,207,907,823
Book Value Per Share	176.35	189.82	172.37	166.6825671	187.70
Earning Per Share (EPS)	32.72	37.52	29.25	25.71	30.16
Number of Branches	15	23	29	48	48
No. of Staffs	129	167	239	285	352
Total No. of Policies	**51,182**	**126,254**	**204,557**	**269,822**	**276,715**

Company Activities

" Door To Door Insurance Awarness Program"

"Educational Material Distributation on the Occasion of Sarswati Puja at Orchid Garden Nepal, Kalopul as a part of CSR."

GROCERIES DISTRIBUTION TO CATER PANDEMIC SITUATION OF COVID-19.

Provided to the Citizens of Ward No. 29, Dilibazar, Kathmandu

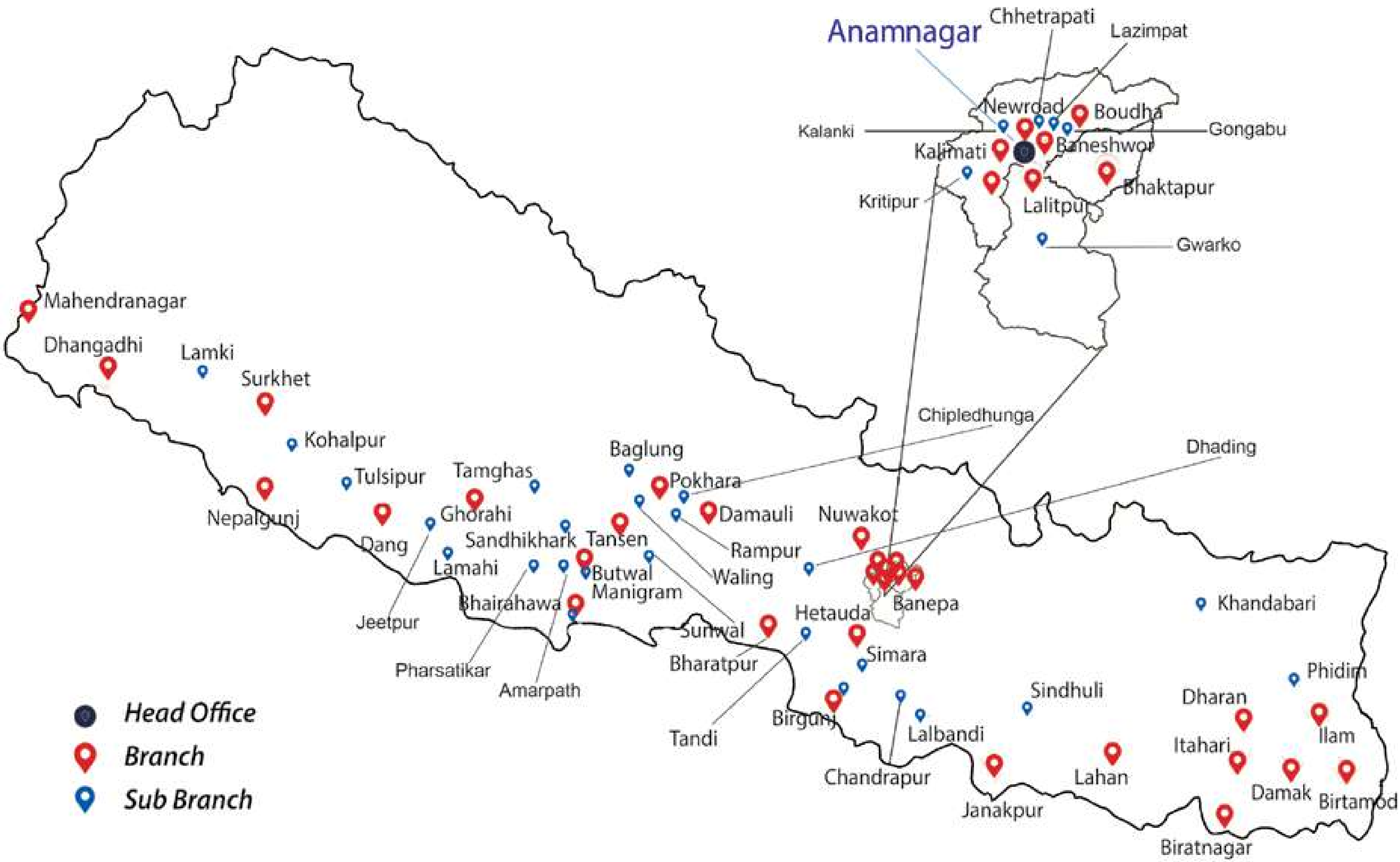
Provided to 800 students of TU, Kritipur

Provided to labours as well as childrens of "Children Protection Home"

Distributation of water, juice and fruits on the occasion of Mahashivarati at Pashupatinath Temple, Gaushala

4th Inter Bank One Day Futsal Tournament Winner- "NECO Insurance Limited".

Branch Network



हाम्रो शाखा तथा उपशाखा कार्यालयहरु

प्रदेश १

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प्रदेश ३

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