

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of M/s The Oriental Insurance Company Limited, which comprise Statement of Financial Position as at Ashad 31, 2076 (16th July 2019), Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and explanatory information, together with schedules to financial statements.

In our opinion, the accompanying financial statements read together with significant accounting policies and notes to the accounts forming part of the accounts present fairly, in all material respects, the financial position of the Company as on Ashad 31, 2076 (16th July 2019), its financial performance, changes in equity and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

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 Auditor's 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statement of the current period. Based on the circumstances and facts of the audit and the Company, we report that there are no key audit matters to be communicated.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatements, 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.

Auditors' Responsibility 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 that includes our opinion. Reasonable assurance is a 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. Misstatements 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 decision 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 risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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's 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 audit report. However, future events or conditions may cause the company to cease to continue as a going concern.

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.

Report on Other Legal and Regulatory Requirements


On the basis of our examination, we further report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, the financial statements have been prepared in accordance with the provision of Companies Act, 2063 and conform to the books of accounts of the Company.
- iii. The accounts and records of the Company have been maintained as required by law.
- iv. To the best of our information and according to the explanations given to us and from our examination of the books of accounts of the Company necessary for the purposes of the audit, we have not come across cases where the management group or any employees of the Company have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused loss or damage to the company; and



- v. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the books of accounts.
- vi. To the best of our knowledge, Company has maintained Insurance Fund, and other required reserves in line with directives issued by Insurance Board.
- vii. We did not obtain any information indicating engagement of the company in activities other than insurance business as approved/licensed by the Insurance Board.
- viii. We did not obtain any information indicating company's activities which is prejudicial to the interest of the insured.
- ix. The company has acted as per directives of Insurance Board.
- x. We did not obtain any information indicating issuance of insurance policy other than as approved by Insurance Board.
- xi. As the company is branch office of foreign entity, there is no any shareholders of the company.
- xii. To the best of our knowledge, the company is eligible and capable to bear its long term liabilities from the assets of the company.
- xiii. The internal control system implemented by the company is found to be effective.

Kathmandu
Date: 2077.10.05


B.K. Agrawal, FCA
Managing Partner
For: B.K. Agrawal & Co.
Chartered Accountants
UDIN 210119CA00018dNCDp



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Statement of Financial Position as at Ashad 31, 2076

Particulars	Notes	FY 2075-76 (NRS)	FY 2074-75 (NRS)
ASSETS:			
Property and Equipment	4	16,498,390	18,641,377
Intangible Assets	5	25,759	37,759
Financial Assets			
Financial Assets at FVTOCI	6	164,931,820	152,485,321
Financial Assets at FVTPL		-	-
Financial Assets at amortized cost	6	1,810,523,935	1,665,303,456
Other Financial Assets	6	257,160,908	257,553,019
Reinsurance Assets	7	183,838,624	88,969,755
Deferred Acquisition Cost	8	14,898,660	17,959,233
Prepayments	9	8,643,988	7,786,837
Deferred Tax Asset	10	66,342,890	21,557,145
Advance Income Tax	11	116,300,006	76,736,721
Cash and Cash Equivalents	12	57,291,802	40,053,612
Total Assets		2,696,456,782	2,347,084,235
EQUITY:			
Head Office Account	13	251,197,769	251,197,769
Retained Earnings	14	(534,215,552)	(99,618,272)
Insurance Fund		513,434,324	513,434,323
Catastrophe Reserve		11,399,414	11,399,414
Capital Reserve		34,007,536	34,007,536
Other Reserve	15	60,688,374	50,151,928
Total Equity		336,511,865	760,572,698
LIABILITIES:			
Insurance Contract Liabilities			
Provision for Outstanding Claims	16	1,411,284,863	808,944,395
Provision for unexpired risk	17	673,844,523	498,114,624
Deferred Commission Income		44,683,672	19,083,773
Retirement Benefit Obligation	18	73,908,421	76,615,343
Other Payable	19	123,970,710	150,621,901
Provisions	20	32,252,728	33,131,501
Total Liabilities		2,359,944,917	1,586,511,537
Total Equity and Liabilities		2,696,456,782	2,347,084,235

The notes to the financial statements as set out in Notes 1 to 32 form an integral part of these Financial Statements.


Man Bahadur Dhakal
 Chief Financial Officer


Vinod B. Ghate
 Chief Executive Officer

As per our attached report
of even date


B.K. Agrawal, FCA
 Partner
B.K. Agrawal & Co.
 Chartered Accountants

Kathmandu, Nepal
Date: 2077.10.05



The Oriental Insurance Company Limited


Dillibazar, Kathmandu

Statement of Profit or Loss for the year ended Ashad 31, 2076

<u>Particulars</u>	<u>Notes</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Income			
Gross premium	21	924,647,173	844,543,854
Premium ceded to reinsurers	21	(250,827,085)	(170,642,867)
Total premium revenue		<u>673,820,088</u>	<u>673,900,987</u>
Income from investments	22	168,342,422	146,141,619
Reinsurance commission income	23	51,045,840	39,049,850
Other income	24	5,712,154	4,109,643
Total other operating income		<u>225,100,416</u>	<u>189,301,112</u>
Total income		<u>898,920,504</u>	<u>863,202,099</u>
Expenses			
Gross benefits and claims paid	25	599,712,372	589,322,617
Claims ceded to reinsurers	25	(77,740,552)	(139,413,359)
Net benefit and claim expenses		<u>521,971,820</u>	<u>449,909,258</u>
Change in insurance contract liabilities	16 & 17	683,201,498	30,926,392
Underwriting and net acquisition cost	26	43,324,317	43,722,532
Employee benefit expenses	27	94,275,013	119,619,985
Depreciation and amortization	28	3,822,814	2,740,283
Operating and administrative expenses	29	37,743,622	33,618,612
Total other expenses		<u>862,367,264</u>	<u>230,627,804</u>
Total expenses		<u>1,384,339,084</u>	<u>680,537,062</u>
Profit before finance cost and tax		<u>(485,418,580)</u>	<u>182,665,037</u>
Finance costs		-	-
Profit before income tax		<u>(485,418,580)</u>	<u>182,665,037</u>
Tax expense:			
Income tax		-	46,505,105
Deferred tax (income)/expense	10	(49,916,381)	(12,596,897)
Profit for the year		<u>(435,502,199)</u>	<u>148,756,829</u>

The notes to the financial statements as set out in Notes 1 to 32 form an integral part of these Financial Statements.


Man Bahadur Dhakal
Chief Financial Officer


Vinod B. Ghate
Chief Executive Officer

As per our attached report
of even date


B.K. Agrawal, FCA
Partner
B.K. Agrawal & Co.
Chartered Accountants

Kathmandu, Nepal
Date: 2077.10.05



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Statement of Other Comprehensive Income for the year ended Ashad 31, 2076

<u>Particulars</u>	<u>Notes</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Profit for the year		(435,502,199)	148,756,829
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net fair value (losses)/gains on financial assets		12,246,499	2,646,704
Re-measurement gains on defined benefit plan	18	4,855,619	(29,870,646)
Deferred tax on other comprehensive income	10	(5,130,636)	8,167,183
Total other comprehensive income, net of tax		11,971,482	(19,056,759)
Total comprehensive income for the year		(423,530,717)	129,700,070

The notes to the financial statements as set out in Notes 1 to 32 form an integral part of these Financial Statements.


Man Bahadur Dhakal
Chief Financial Officer


Vinod B. Ghate
Chief Executive Officer

As per our attached report
of even date


B.K. Agrawal, FCA
Partner
B.K. Agrawal & Co.
Chartered Accountants

Kathmandu, Nepal
Date: 2077.10.05



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Statement of Cash Flows for the year ended Ashad 31, 2076

	FY 2075-76 (NRS)	FY 2074-75 (NRS)
A. Cash flow from operating activities:		
Profit before income tax	(485,418,580)	182,665,037
Adjustments for		
Depreciation and amortization	3,822,814	2,740,283
Investment incomes	(168,342,422)	(146,141,619)
Interest from loan provided to staffs	(174,682)	(87,875)
Loss/(Gain) on sale of assets	(642,407)	(10,341)
Prior period adjustments	(530,118)	(2,641,618)
(Increase)/Decrease in reinsurance receivables, deferred acquisition cost and other assets	(99,867,975)	(142,659,596)
Increase/(Decrease) in Insurance contract liabilities	778,070,367	54,354,742
Increase/(Decrease) in unearned premium and deferred commission income	25,599,899	6,140,449
Increase/(Decrease) in defined benefit plan	2,148,697	5,470,687
Increase/(Decrease) in provisions and other payables	(27,529,964)	89,888,995
Cash generated from operations	(39,563,285)	(27,158,222)
Income tax paid	(12,427,656)	22,560,922
Net cash inflow from operating		
B. Cash flow from investing activities:		
Interest received	171,718,730	143,446,573
Interest received on loan provided to staffs	174,682	87,875
Proceeds from disposal of property and equipment	1,009,016	95,806
Purchase of property and equipment and intangible assets	(2,034,435)	(1,582,600)
Purchase of Investments held at amortized cost	(145,420,479)	(189,570,955)
Loan provided to employee	4,218,332	(6,901,970)
Repayment of loan by employees	-	2,199,245
Net cash (outflow)/inflow from investing activities (B)	29,665,846	(52,226,026)
C. Cash flow from financing activities:		
Repartition of profit	-	-
Net cash outflow from financing	-	-
(Decrease)/Increase in cash and cash equivalents (A+B+C)	17,238,190	(29,665,104)
Cash and cash equivalents at start of year	40,053,612	69,718,716
Cash and cash equivalents at end of year	57,291,802	40,053,612

Man Bahadur Dhakal
Chief Financial Officer

Vinod B. Ghate
Chief Executive Officer

As per our attached report
of even date

B.K. Agrawal, FCA

Partner

B.K. Agrawal & Co.
Chartered Accountants

Kathmandu, Nepal
Date: 2077.10.05



The Oriental Insurance Company Limited

Kathmandu

Statement of Changes In Equity for the year ended Ashad 31, 2076

Particulars	Note	Head Office Account* (A)	Retained Earnings (B)	Insurance Fund (C)	Catastrophe Reserve (D)	Capital Reserve (E)	Regulatory Reserve	Deferred Tax Reserve	Other Reserve		Total Other Reserve (F)	Total Equity (A+B+C+D+E+F)
									OCI: Fair value Reserve	OCI: Actuarial remeasurement		
		NRS	NRS	NRS	NRS	NRS	NRS	NRS	NRS	NRS	NRS	NRS
Balance as at 32 Ashad 2074		251,197,769	(123,230,579)	428,415,485	11,399,414	-	19,673,097	20,274,792	25,848,842	(64,577)	65,732,154	633,514,243
Profit for the year		-	148,756,829	-	-	-	-	-	-	-	-	148,756,829
Actuarial gain/(loss) on retirement benefits during year		-	-	-	-	-	-	-	-	(20,909,452)	(20,909,452)	(20,909,452)
Change in fair value of financial assets through OCI		-	-	-	-	-	-	-	1,852,693	-	1,852,693	1,852,693
Transfer to Other Reserves		-	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserve as per Beema Samiti guidelines		-	(2,641,614)	-	-	-	-	-	-	-	-	(2,641,614)
Adjustment of prior period		-	(85,018,839)	85,018,839	-	-	-	-	-	-	-	-
Transfer to Insurance Fund		-	(34,007,536)	-	-	34,007,536	-	-	-	-	-	-
Transfer to Capital reserve		-	(3,476,533)	-	-	-	-	3,476,533	-	-	3,476,533	-
Deferred tax adjustment		-	-	-	-	-	-	-	-	-	-	-
Repayment of profit		-	-	-	-	-	-	-	-	-	-	-
Balance as at 32 Ashad 2075		251,197,769	(99,618,272)	513,434,324	11,399,414	34,007,536	19,673,097	23,751,325	27,701,535	(20,974,029)	50,151,928	760,572,698
Balance as at 32 Ashad 2075		251,197,769	(99,618,272)	513,434,324	11,399,414	34,007,536	19,673,097	23,751,325	27,701,535	(20,974,029)	50,151,928	760,572,698
Profit for the year		-	(435,502,199)	-	-	-	-	-	-	3,398,933	3,398,933	(435,502,199)
Actuarial gain/(loss) on retirement benefits during year		-	-	-	-	-	-	-	-	-	-	-
Change in fair value of financial assets through OCI		-	-	-	-	-	-	-	8,572,549	-	8,572,549	8,572,549
Transfer to Other Reserves		-	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserve as per Beema Samiti guidelines		-	-	-	-	-	-	-	-	-	-	-
Adjustment of prior period		-	(530,118)	-	-	-	-	-	-	-	-	(530,118)
Transfer to Insurance Fund		-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital reserve		-	1,435,036	-	-	-	-	(1,435,036)	-	-	(1,435,036)	-
Deferred tax adjustment		-	-	-	-	-	-	-	-	-	-	-
Repayment of profit		-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 Ashad 2076		251,197,769	(534,215,552)	513,434,324	11,399,414	34,007,536	19,673,097	22,316,289	36,274,084	(17,575,096)	60,688,374	336,511,865

As per our attached report of even date

B.K. Agrawal, FCA
Partner
B.K. Agrawal & Co.
Chartered Accountants



Vinod B. Ghate
Chief Executive Officer



Man Bahadur Dhakal
Chief Financial Officer

The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

Significant Accounting Policies and Explanatory Notes

1. CORPORATE INFORMATION:

1.1 Reporting Entity:

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

The financial statements of Company include Statement of Financial Position as at Ashad 31, 2076, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended Ashad 31, 2076 and related Significant Accounting Policies and Notes.

1.2 Principal Activity:

The Company is engaged in the business of underwriting Non-Life Insurance.

2. BASIS OF PREPARATION:

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board Nepal. The financial statements have been prepared on a going concern basis. The term NFRS, which includes all the standards and the related interpretations is consistently used.

This section describes the critical accounting judgement that the company has identified as having potentially material impact on the company's financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Accounting policies along with explanatory notes, wherever such explanation is required, is described in specific relevant sections. The company's accounting policies require the management to exercise judgement in making accounting estimates.

2.1 Accounting Convention:

The financial statements are prepared on a historical cost basis except for the following:

- Available for sale financial assets that are measured at fair value
- Employee Benefits- Gratuity
- Insurance Contract Liabilities which are required to be determined using actuarial valuation for Liability Adequacy Test (LAT).

2.2 Presentations:

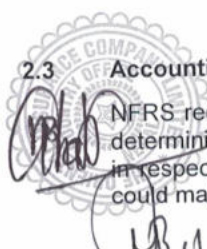
The Financial Statements are prepared in Nepalese Rupees and rounded off to the nearest rupee.

The Company presents its Statement of Financial Position broadly in the order of liquidity starting from less liquid to most liquid. The statement of profit or loss has been prepared using classification 'by nature' method. The statement of cash flows has been prepared using indirect method. Cash flows from operating activities, in addition to the adjustments from profit for non-cash and non-operating activities, movements in working capital, interest and taxes, separately include cash flows relating to employee bonus and retirement benefits.

Financial assets and liabilities are offset and the net amount is 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.

2.3 Accounting Policies:

NFRS requires adoption of accounting policies that are most appropriate to the company's circumstances determining and applying accounting policies. Directors and management are required to make judgement in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the company's reported financial position, results or cash flows.



Notes to the Financial Statements for the year ended Ashad 31, 2076

Notes contd...

Specific accounting policies have been included in the specific section of the notes for each items of financial statements which requires disclosures of accounting policies or changes in accounting policies. Effect and nature of the changes have been disclosed

2.4 Accounting Estimates:

The preparation of Financial Statements in line with NFRS which requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements.

The estimates and the underlying assumptions are reviewed on ongoing basis. Although these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets or liabilities in future periods. The estimates are reviewed periodically by the management.

Specific accounting estimates have been included in the relevant section of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.4.1 Insurance Contract Liabilities:

Non -life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amount of IBNR is the past claim development experience whereas amount of outstanding claims reported at the reporting date is as per the directive of regulatory authority (Beema Samiti).

**Summary of LAT Report
Provision for Outstanding Claim Liability FY 2075/76**

Particulars	IBN(E)R estimated as at Ashad 31, 2075	NAS Provisions of IBN(E)R (This is equivalent to 15% of mark-up plus IBN(E)R figure) in NAS Schedule of Outstanding Claims	Recognized in Financial Statement
Agriculture	699,387.00	2,174,349.00	2,174,349.00
Engineering	32,498,509.00	45,787,126.00	45,787,126.00
Fire	102,701,319.00	472,477,366.00	472,477,366.00
Miscellaneous	4,840,025.00	13,429,357.00	13,429,357.00
Marine	7,054,580.00	12,105,528.00	12,105,528.00
Motor	16,203,140.00	17,080,987.00	17,080,987.00
Total	163,996,960.00	563,054,713.00	563,054,713.00

Actuary report figures tabulated above is exclusive of Gross claim outstanding at year end reduced by amount of IBNE(R).

**Unexpired Risk Reserve
FY 2075/76**

Particulars	UPR 50% (as per Actuary)	UPR 50% As per Books	Recognized in Financial Statement
Fire	128,756,500.00	129,877,961.00	-
Marine	83,682,934.00	251,523,287.00	-
Motor	50,257,608.00	50,250,083.00	7,525.00
Agriculture	7,602,569.00	7,602,569.00	-
Engineering	38,120,454.00	38,119,291.00	1,163.00
Miscellaneous (Others)	28,032,759.00	27,438,405.00	594,354.00
Micro	-	114,128.00	-
Premium Deficiency Reserve	-	-	168,315,757.00
Total	336,452,822.00	504,925,724.00	168,918,797.00

MR



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

Notes contd...

Unexpired Risk Reserve

Particulars	2074/75		Recognized in Financial Statement
	UPR 50% (except Marine)	1/365 basis	
Fire	1163,02,592.00	933,68,601.00	1163,02,592.00
Marine	2435,44,152.00	561,82,855.00	2435,44,152.00
Motor	651,79,577.00	666,13,653.00	666,13,653.00
Agriculture	12,95,529.00	15,41,222.00	15,41,222.00
Miscellaneous (PA)	54,57,463.00	31,97,807.00	54,57,463.00
Engineering	397,24,641.00	423,74,211.00	423,74,211.00
Miscellaneous (Others)	219,43,780.00	194,47,260.00	219,43,780.00
Premium Deficiency Reserve (Additional Reserve Created by Actuary)	-	-	3,37,551.00
Total	49,34,47,734.00	28,27,25,609.00	49,81,14,624.00

2.5 Materiality and Aggregation:

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature are aggregated and presented separately unless they are immaterial.

2.6 Presentation Currency:

The company's financial statement is presented in Nepalese Rupees (NPR) which is also the company's functional currency.

2.7 Going Concern:

The company has prepared financial statements on going concern basis.

2.8 Lease:

Operating Lease

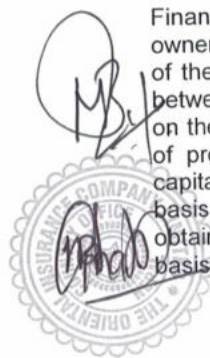
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term unless either:

- Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

In the FY 2075-76, the company has applied straight-line basis of accounting to account for rentals payable under the operating leases.

Finance Lease

Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized as they are directly attributable to the asset. A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.



Majority of lease agreements entered by the Company are with the clause of normal increment of 5%-10% p.a. which the management assumes are in line with the lessor's expected inflationary cost increases.

The company does not have any finance lease arrangements in the FY 2075/76.

2.9 Property, Plant and Equipment:

Basis of Recognition:

Property, Plant and Equipment are tangible items that are held for servicing or for administrative purpose and are expected to be used during more than one year.

Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Measurement:

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes the purchase price and other directly attributable costs of property, plant and equipment. Cost also includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. If an item of property, plant and equipment consists of several components with different estimated useful lives, those components that are significant are depreciated over their individual useful lives.

Assets in the course of construction are carried at cost, less any recognized impairment loss. Depreciation on these assets will commence when these assets are available for their intended use.

Assets held under finance leases, if any are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Gains or losses on disposal:

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income/ expenses in the Statement of Profit or Loss.

Depreciation:

Depreciation on items of property plant and equipment is calculated on the straight-line method based on the useful life of the assets determined by the management. Depreciation on additions to property plant and equipment is provided on pro-rata basis in the year of purchase when the asset is available to use and no depreciation is provided from the month of disposal. The residual values, useful lives and the depreciation methods of assets are reviewed at least at each financial year end and if expectations differ from previous estimates, are accounted for as a change in accounting estimates in accordance with NAS 8. If an item of property plant and equipment consist of several components with different useful lives, those components that are significant are depreciated over their individual useful life.

Classification	Classification	Useful life (Year)
Furniture and Fixture	Furniture and Fixture	10
Fans and Electrical Fittings	Office Equipment	10
Water Cooler	Office Equipment	10
Computer Software	Computer Software	5
IT Equipment	Computer & Accessories	10
Cycle	Office Equipment	10
Vehicle	Vehicle	8
Air Conditioner	Office Equipment	10
Room Heater	Office Equipment	10
Air Cooler	Office Equipment	10
Intercom	Office Equipment	10

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Notes to the Financial Statements for the year ended Ashad 31, 2076

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Change in Accounting Estimate:

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and accordingly, are not corrections of errors.

De-recognition:

An item of property plant and equipment is de-recognized on disposal or when no future economic benefits are expected from the use of that asset. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between net disposal proceeds, if any, and the carrying amount of that item and is recognized in the statement of profit or loss.

Capital Work in Progress:

The expenditure incurred in acquisition and installation of new systems and equipment till the date of commissioning or civil works under construction till the date of completion is recognized as Capital works-in-progress. Equipment are capitalized upon commissioning and civil works are capitalized upon handing over for use.

2.10 Intangible Assets:

Basis of Recognition:

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

Measurement:

Intangible assets are recognized on the basis of costs incurred to acquire and bring to use the specific software and the assets created is expected to provide future economic benefits where it is probable that it will generate future economic benefits in excess of its cost. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is recognized in the Statement of Profit or Loss.

Amortization:

Amortization is recognized in the Statement of Profit or Loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of Software is five years (the estimate shall be reviewed periodically). Costs associated with maintaining software are recognized as expenses as and when incurred. At each Statement of Financial Position date, these assets are assessed for indication of impairment. In the event that an asset's carrying amount being greater than its recoverable amount, the assets is considered to be impaired and is written down immediately.

De-recognition:

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 Statement of Profit or Loss when the item is de-recognized.

2.11 Financial Instruments- Financial Assets and Financial Liabilities:

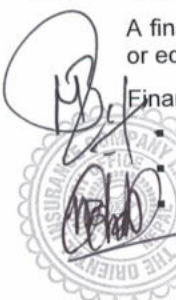
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset is any asset that is:

- Cash;
- An equity instrument of another entity;

A contractual right:

- (i) To receive cash or another financial asset from another entity; or
- (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or



- A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial liability is any liability that is:

- A contractual obligation:
 - (i) To deliver cash or another financial asset to another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions which are potentially unfavorable to the entity; or
- A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Classification:

A. Financial Assets

The Company classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows:

(i) Financial assets carried at amortized cost

The Company classifies a financial asset measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

- **Financial assets at fair value through profit or loss.**

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

Financial assets at fair value through other comprehensive income

Investment in an equity instrument that is not held for trading and at the initial recognition, the Company makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.



B. Financial Liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value are recognized at profit or loss

(ii) Financial liabilities carried at amortized cost

All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

Initial Measurement:

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

Subsequent Measurement:

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

De-recognition:

De-recognition of Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for de-recognition that is created or retained by the Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

De-recognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

The Oriental Insurance Company Limited

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Notes to the Financial Statements for the year ended Ashad 31, 2076

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Determination of 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 of a liability reflects its non-performance risk.

The fair values are determined according to the following hierarchy:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

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. If a market for a financial instrument is not active, 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.

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. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized 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.

All unquoted equity investments are recorded at cost, considering the non-trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

Impairment:

At each reporting date the Company assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company considers the following factors in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments.
- When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation.
- Where the Company initiates legal recourse of recovery in respect of a credit obligation of the counterpart.

Where the Company consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.

Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Company considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost:

Financial assets carried at amortized cost (such as amounts due from Company, loans and advances to customers as well as held-to-maturity investments) is impaired, and impairment losses are recognized, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. The amount of the loss is measured as the difference between the asset's carrying amount and the deemed recoverable value of loan.

Impairment of investment in equity instrument classified as fair value through other comprehensive income:

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortized cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of profit or loss) is reclassified from equity and recognized in the profit or loss. A significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors in assessing objective evidence of impairment for equity securities.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

2.12 Deferred Acquisition Cost (DAC):

All direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortized over the period in which the related revenues are earned. All other acquisition costs are recognized as an expense when incurred.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of comprehensive income. No such indication of impairment was experienced during the year. DAC is derecognized when the related contracts are either settled or disposed of.

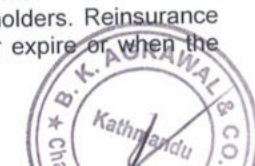
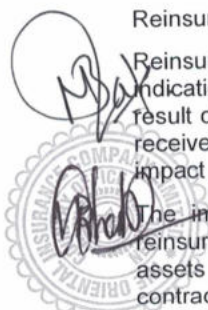
2.13 Reinsurance:

The Company cedes insurance risk in the normal course of business to recognized reinsurers through formal reinsurance arrangements. Reinsurance assets include the balance sheet dues from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amount recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Reinsurance is recorded in gross in the statement of financial position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently, when an indication of impairment arises during the 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 amount 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, if any is recorded in the Statement of Other Comprehensive Income. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.



2.14 Cash and Cash Equivalents:

Cash and cash equivalents comprise cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amount of cash and subject to insignificant risk of changes in value.

2.15 Insurance Contract Liabilities:

Nonlife insurance contract liabilities include outstanding claims provisions including IBNR, provisions for unexpired risks and provisions for unearned premium.

The outstanding claims provision is based on the directive issued by Beema Samiti which is 115% of the claims payable. The Incurred but Not Reported (IBNR) claims are accounted on the basis of total claim received after the cutoff date but before the authorization of financial statements.

The valuation of provisions for unearned premium is measured by dividing the total premium received by the tenure of the insurance policy and multiplying the same by the total remaining days of the insurance policy on the cutoff date.

Provisions for unexpired risk premium is measured as per the Directive 18 of Beema Samiti i.e. 50% of net premium of each insurance business.

Liability Adequacy Test has been carried out pursuant to Para 15-19 of NFRS 4 Insurance Contracts with the assistance of the external actuary to confirm that the provisions measured as per the directives of Beema Samiti are sufficient.

Beema Samiti, Nepal, as per its directive (ref: Bi.Sa.10 Cha No 1118(2075/076) dated 12.06.2075/29.09.2018), has mandated to prepare the Financial Statements as per Nepal Financial Reporting Standards. As per para 2 (d), Insurance companies have to make provisions for insurance liability under LAT (Liability Adequacy Test) as per NFRS 4. However, such provisions should not be less than those arrived under provisions of Insurance Act, and Insurance Regulations, 2049 Directives for Reserve for Unexpired Risks /outstanding claim provisions.

Under LAT, following disclosures are required to be made:

- The accounting policy for liability testing including the frequency and nature of the testing
- The cash flow considered
- Valuation methods and assumptions
- The discounting policy
- Aggregation Practices

NFRS 4 Requirement:

Relevant provisions of NFRS 4 with regard to "Liability Adequacy Test" are as follows:

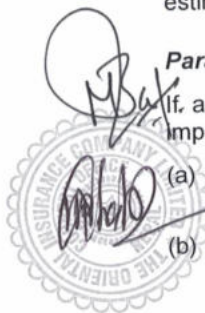
Para 15

An insurer shall assess at the end of each reporting period whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets, such as those discussed in paragraphs 31 and 32) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognized in profit or loss.

Para 16

If, an insurer applies a liability adequacy test that meets specified minimum requirements, this NFRS imposes no further requirements. The minimum requirements are the following:

- (a) The test considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees.
- (b) If the test shows that the liability is inadequate, the entire deficiency is recognized in profit or loss.



Para 17

If an insurer's accounting policies do not require a liability adequacy test that meets the minimum requirements of paragraph 16, the insurer shall:

- a) determine the carrying amount of the relevant insurance liabilities less the carrying amount of:
 - i. any related deferred acquisition costs; and
 - ii. any related intangible assets, such as those acquired in a business combination or portfolio transfer (see paragraphs 31 and 32). However, related reinsurance assets are not considered because an insurer account for them separately (see paragraph 20).
- b) Determine whether the amount described in (a) is less than the carrying amount that would be required if the relevant insurance liabilities were within the scope of NAS 37. If it is less, the insurer shall recognize the entire difference in profit or loss and decrease the carrying amount of the related deferred acquisition costs or related intangible assets or increase the carrying amount of the relevant insurance liabilities

Para 18

If an insurer's liability adequacy test meets the minimum requirements of paragraph 16, the test is applied at the level of aggregation specified in that test. If its liability adequacy test does not meet those minimum requirements, the comparison described in paragraph 17 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.

Para 19

The amount described in paragraph 17(b) (i.e., the result of applying NAS 37) shall reflect future investment margins (see paragraphs 27–29) if, and only if, the amount described in paragraph 17(a) also reflects those margins.

Accounting Policy for Liability Testing:

The Company, as part of its accounting policy, effective from the FY 2075/76, shall get actuarial estimation of its year-end Insurance Liabilities. Higher of Liabilities as estimated by 'actuarial evaluation' and provisions as required 'under the local regulations / requirements', shall be provided in the Books of Accounts. Actuarial liability estimation, inter alia, would entail review of actual experience against past reserves kept in the books.

Insurance Liability Estimation for Liability Testing:

The Company has provided line of business (LOB) wise paid claims data (Gross Direct + RI Accepted) for FY 2071/72, FY 2072/73, FY 2073/74, FY 2074/75 AND FY 2075/76. The analysis is carried out on accident year basis. The company also provide line of business outstanding claims data on Ashad 31, 2076. The data supplied has been reviewed for overall consistency and reasonableness.

Discounting Policy:

Discounting is not applied anywhere.

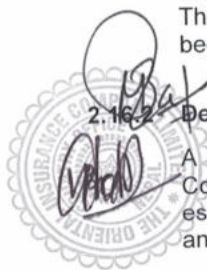
2.16 Employee Benefits:

2.16.1 Defined Contribution Plan:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in profit and loss when incurred. The defined contribution expenses include employer's contribution to provident fund. These amounts have been deposited in Employee Provident Fund, a 100% Government of Nepal undertaking.

2.16.2 Defined Benefit Plan:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.



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Notes to the Financial Statements for the year ended Ashad 31, 2076

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The Company recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Company recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognized.

2.16.3 Actuarial Assumptions:

Particulars	FY 2075/76	FY 2074/75	FY 2073/74	FY 2072/73
Economic Assumptions				
Discount rate (%)	6.65%	7.76%	7.27%	7.90%
Salary escalation rate	7%	7.00%	7%	7.00%
Expected return on Plan Assets		NA	NA	NA
Demographic Assumptions				
Mortality	In accordance with the standard table, Indian Assured Lives Mortality (2006-08) (modified) Ultimate Rates			
Withdrawal rate	2.00%	2.00%	2.00%	2.00%
Retirement age	60 years	60 years	60 years	60 years

Maturity profile of Defined benefit obligation (Gratuity):

Expected cash-flow	Amount
0-1 year	1,188,414.00
1-5 year	14,432,581.00
More than 5 years	25,125,842.00
Total	40,746,837.00

Earned Leave Encashment:

Current/Non-current Bifurcation	Amount
Current	698,170.00
Non-current	20,484,949.00
Total	21,183,119.00

The amount of defined benefit obligation of 2075/76 is calculated from Shrawan 1, 2075 to Ashad 31, 2076.

2.17 Provisions:

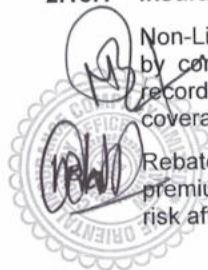
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.18 Revenue Recognition:

2.18.1 Insurance Premium:

Non-Life Insurance premium comprise the total premiums received for the whole period of cover provided by contracts entered into during the accounting period. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage.

Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Earned premiums are calculated on 365 days basis.



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Notes to the Financial Statements for the year ended Ashad 31, 2076

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2.18.2 Reinsurance Premium:

Reinsurance premium expense is recognized in the same accounting period as the gross written premium to which it relates or in accordance with the pattern of reinsurance services received.

2.18.3 Unearned Premium Reserve:

The unearned premium reserve represents the portion of the gross written premium and reinsurance premium written in the current year but relating to the unexpired period of coverage. Unearned premium are calculated on the 365 basis.

2.18.4 Income from Investments:

Interest income is recognized in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.

2.18.5 Reinsurance Commission Income:

Commission income on reinsurance policy ceded is booked on a pro-rata basis over the term of the related policy coverage.

Allocation ratio

Line of business	Earned Ratio	Unearned Ratio
Fire	18.39%	81.61%
Marine	70.43%	29.57%
Motor	49.13%	50.87%
Engineering	59.45%	40.55%
Agriculture	100.00%	0.00%
Miscellaneous	50.84%	49.16%

2.18.6 Other Income:

Other income is recognized on an accrual basis. However, Insurance service charge @ 1% of gross premium has been booked on the basis of premium collected during the year from direct and reinsurance business.

2.19 Benefits, Claims and Expenses Recognition

Benefits and claims for General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

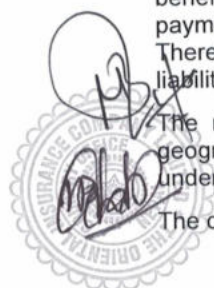
2.20 Insurance Risk and Financial Risk:

2.20.5 Insurance Risk:

Insurance risk refers to a risk that company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claim payments, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objectives of company are to ensure that sufficient reserves are available to cover the liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines as well as the use of reinsurance agreement.

The company purchases reinsurance as the part of its risk mitigation programme.



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

Notes contd...

2.20.2 Financial Risk:

The primary source of financial risk to an insurer arises from its investment exposures and investment activities. Thus, the investment portfolios maintain a prudent approach in its investment strategy and investment exposures to ensure that investment returns are optimised on a risk adjusted basis and to ensure the Company operates within its defined risk appetite.

2.20.3 Credit Risk:

Credit risk refers to a risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Thus, for an insurance contract, credit risk includes the risk that an insurer incurs a financial loss because a reinsurer defaults on its obligations under the reinsurance contract

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- a) The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties.
- b) Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by entering into agreement with more than one party. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- c) The company deals with only creditworthy counterparties and obtains sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

2.20.4 Liquidity Risk:

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity adequacy is a measure or assessment of the ability of a company to meet payment obligations in a full and timely manner within a defined time horizon. It is a function of its sources of liquidity relative to its liquidity needs. Liquidity sources can be internal and external, available immediately or within the defined time horizon, and includes all funds, assets and arrangements that allow an insurer to meet its liquidity needs. Liquidity needs include all current and expected payment obligations within the defined time horizon.

2.20.5 Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

2.20.6 Currency Risk:

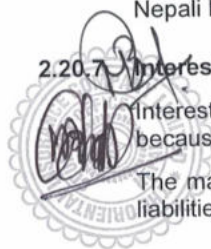
Foreign exchange risk is the potential risk for the Company to experience volatility in the value of its assets, liabilities and solvency and to suffer actual financial losses as a result of changes in value between the currencies of its assets and liabilities and its reporting currency. The Company does not maintain foreign currency denominated assets in its investment portfolios and as such is not exposed to foreign exchange risk related to investments.

The Company has no significant concentration of currency risk. The amount with reinsurer is settled in Nepali Rupee.

2.20.7 Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The major interest rate risk that the Company is exposed to is the discount rate for determining insurance liabilities



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

Notes contd...

2.20.8 Equity Price Risk:

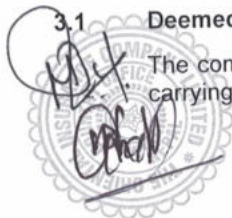
Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial investment held at FVTOCI; whose values fluctuate as a result of changes in market prices.

3. EXEMPTIONS FROM NFRS:

3.1 Deemed Cost:

The company has elected to measure item of property, plant and equipment at the date of transition at net carrying cost and use that net carrying cost as its deemed cost at that date.



he Oriental Insurance Company Limited

lililbazar, Kathmandu

otes to the Financial Statements as at Ashad 31, 2076

Property and Equipment

	Furniture and Fixtures (NRS)	Office Equipment (NRS)	Computer and Accessories (NRS)	Vehicle (NRS)	Lease Hold Premises (NRS)	CWIP (NRS)	Total (NRS)
Cost or deemed cost							
Balance as at Ashad 32, 2075	6,284,596	6,706,791	7,428,562	7,949,047	7,749,982		36,118,978
Additions	114,261	534,913	1,211,770		173,491	-	2,034,435
Disposals	-	(78,499)	(114,602)	(2,487,170)	-	-	(2,680,271)
Adjustments/reclassifications	-	-	-	-	-	-	-
Balance as at Ashad 31, 2076	6,398,857	7,163,205	8,525,730	5,461,877	7,923,473	-	35,473,142
Accumulated depreciation and impairment							
Balance as at Ashad 32, 2075	3,467,473	2,994,729	4,170,956	4,940,779	1,903,664	-	17,477,601
Depreciation expense	650,321	824,078	774,957	587,070	974,389	-	3,810,815
Disposals of assets	-	(34,514)	(41,234)	(2,237,916)	-	-	(2,313,664)
Impairment	-	-	-	-	-	-	-
Adjustments/reclassifications	-	-	-	-	-	-	-
Balance as at Ashad 31, 2076	4,117,794	3,784,293	4,904,679	3,289,933	2,878,053	-	18,974,752

Net Carrying amount

Balance as at Ashad 32, 2075

Balance as at Ashad 31, 2076



The Oriental Insurance Company Limited
Dillibazar, Kathmandu

Notes to the Financial Statements as at Ashad 31, 2076

5 Intangible Assets

**Computer Software
(NRS)**

Cost or deemed cost

Balance as at Ashad 32, 2075

822,000

Additions

-

Disposals

-

Balance as at Ashad 31, 2076

822,000

Accumulated amortisation and impairment

Balance as at Ashad 32, 2075

784,241

Amortization during the period

12,000

Disposals

-

Impairment

-

Balance as at Ashad 31, 2076

796,241

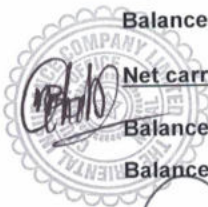
Net carrying amount

Balance as at Ashad 32, 2075

37,759

Balance as at Ashad 31, 2076

25,759



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The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements as at Ashad 31, 2076

6 Financial Assets

Particulars	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Financial assets at FVTOCI (refer note 6.1)	164,931,820	152,485,321
Financial assets at amortised cost (refer	1,810,523,935	1,665,303,456
	<u>1,975,455,755</u>	<u>1,817,788,777</u>

6.1 Financial assets at FVTOCI

Particulars	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Corporate Equity shares:		
Unquoted equity shares (refer note 6.1.1)	164,931,820	152,485,321
	<u>164,931,820</u>	<u>152,485,321</u>

6.1.1 Fair value disclosure

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified to three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The company recognizes transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

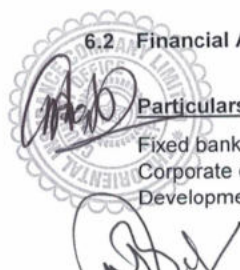
Level 3 portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

Particulars	No. of Shares	At Cost (NRS)	At Fair Value (NRS)
Investment in equity shares of Nepal Reinsurance Co. Ltd.			
a. Nepal Re-insurance Co. Ltd			
As at 16 July 2018	1,129,117	112,911,700	152,485,321
As at 16 July 2019	1,129,117	112,911,700	164,731,820
b. Nepal Insurance Institute Limited			
As at 16 July 2019	2,000	200,000	200,000
c. Total Investment in equity and share			
As at 16 July 2018	1,129,117	112,911,700	152,485,321
As at 16 July 2019	1,131,117	113,111,700	164,931,820

Note: For valuation of above shares, level 3 fair value hierarchy has been used and fair value is determined using net book value assets method.

6.2 Financial Asset at amortised cost

Particulars	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Fixed bank deposits	1,545,523,935	1,439,153,456
Corporate debentures	180,000,000	130,000,000
Development Bonds	85,000,000	96,150,000
	<u>1,810,523,935</u>	<u>1,665,303,456</u>



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements as at Ashad 31, 2076

6.2.1 Details of corporate debentures and development bonds

Particulars	FY 2075-76			FY 2074-75		
	No. of units	Interest Rate	Amount (NRS)	No. of units	Interest Rate	Amount (NRS)
Corporate debentures						
Nepal SBI Bank Ltd, 2079	40,000	8.00%	40,000,000	40,000	8.00%	40,000,000
Nepal SBI Bank Ltd, 2080	30,000	7.90%	30,000,000	30,000	7.90%	30,000,000
Everest Bank Ltd, 2079	30,000	8.00%	30,000,000	30,000	8.00%	30,000,000
NIC Asia Bank, 2081/82	30,000	9.00%	30,000,000	-	9.00	30,000,000
NIC Asia Bank, 2085	50,000	10.00%	50,000,000			
			<u>180,000,000</u>			<u>130,000,000</u>
Government Bonds						
Development Bond 2075				11,150	3.25%	11,150,000
Development Bond 2077	15,000	3.49%	15,000,000	15,000	3.49%	15,000,000
Development Bond 2086	50,000	4.94%	50,000,000	50,000	4.94%	50,000,000
Development Bond 2088	20,000	4.94%	20,000,000	20,000	4.94%	20,000,000
			<u>85,000,000</u>			<u>96,150,000</u>

Details of bonds and debenture outstanding as at 16 July 2019

Particulars	Issue Date	Period (in years)	Maturity date	Amount (NRS)
Debentures				
Nepal SBI Bank Ltd.	2069.10.21	10	2079.10.20	40,000,000
Nepal SBI Bank Ltd.	2071.01.07	10	2071.01.06	30,000,000
Everest Bank Ltd.	2070.02.28	9	2079.02.27	30,000,000
NIC Asia Bank Ltd.	2074.09.25	7	2081.09.24	30,000,000
NIC Asia Bank Ltd.	2075.11.17	10	2085.11.14	50,000,000
				<u>180,000,000</u>
Development Bonds				
Development Bond 2077	2070.09.08	7	2077.09.08	15,000,000
Development Bond 2086	2073.01.10	13	2086.01.10	50,000,000
Development Bond 2088	2073.01.17	15	2088.01.17	20,000,000
				<u>85,000,000</u>



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements as at Ashad 31, 2076

6.3 Other financial assets

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Interest receivable	9,915,314	13,291,622
Trade receivable	12,080,054	28,393,954
Other receivables	18,125,538	15,974,818
Deposits	1,522,184	1,522,184
Receivables from related parties (refer note 30.2)	123,795,794	108,407,374
Loans to employees	11,854,417	16,566,448
Receivables from reinsurers for paid claims	79,867,607	73,396,619
	<u>257,160,908</u>	<u>257,553,019</u>

7 Reinsurance Assets

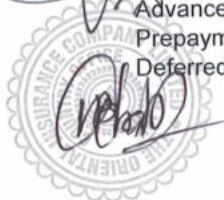
<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Reinsurer portion of outstanding claims	183,838,624	88,969,755
	<u>183,838,624</u>	<u>88,969,755</u>

8 Deferred Acquisition Cost

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Deferred agent commission	2,821,449	3,305,326
Deferred reinsurance commission expenses	12,077,211	14,653,907
	<u>14,898,660</u>	<u>17,959,233</u>

9 Prepayments

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Advance to employee	303,343	130,557
Prepayments	3,407,106	3,216,441
Deferred employee expenses	4,933,539	4,439,839
	<u>8,643,988</u>	<u>7,786,837</u>



The Oriental Insurance Company Limited
Dillibazar, Kathmandu

Notes to the Financial Statements as at Ashad 31, 2076

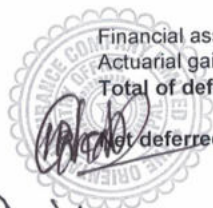
10 Deferred Tax Asset

For 2075/76:

<u>Particulars</u>	<u>Opening balance (NRS)</u>	<u>Recognised in profit or loss (NRS)</u>	<u>Recognised in other comprehensive income (NRS)</u>	<u>Closing Balance (NRS)</u>
Provision for gratuity	8,288,326	(2,919)	-	8,285,407
Provision for leave encashment	5,707,408	647,528	-	6,354,936
Property and equipment	(232,107)	(145,200)	-	(377,307)
Lease Equalization	-	436,791	-	436,791
Provision for unrealised cheques	523,532	(477,760)	-	45,772
Deferred acquisition cost	(5,387,770)	918,172	-	(4,469,598)
Deferred commission income	5,725,131	7,679,970	-	13,405,101
LAT Adjustments	9,815,841	40,859,799	-	50,675,640
Total of deferred tax assets	24,440,361	49,916,381	-	74,356,742
Financial assets held at FVTOCI	(11,872,086)	-	3,673,950	(15,546,036)
Actuarial gain/losses on retirement benefit	8,988,870	-	1,456,686	7,532,184
Total of deferred tax liability	(2,883,216)	-	5,130,636	(8,013,852)
Net deferred tax assets	21,557,145	49,916,381	5,130,636	66,342,890

For 2074/75:

<u>Particulars</u>	<u>Opening balance (NRS)</u>	<u>Recognised in profit or loss (NRS)</u>	<u>Recognised in other comprehensive income (NRS)</u>	<u>Closing Balance (NRS)</u>
Provision for gratuity	8,945,240	(656,914)	-	8,288,326
Provision for leave encashment	3,409,288	2,298,120	-	5,707,408
Property and equipment	231,844	(463,951)	-	(232,107)
Provision for unrealised cheques	231,326	292,206	-	523,532
Deferred acquisition cost	(5,244,824)	(142,946)	-	(5,387,770)
Deferred commission income	3,882,997	1,842,134	-	5,725,131
LAT Adjustments	387,593	9,428,248	-	9,815,841
Total of deferred tax assets	11,843,464	12,596,897	-	24,440,361
Financial assets held at FVTOCI	(11,078,075)	-	(794,011)	(11,872,086)
Actuarial gain/losses on retirement benefit	27,676	-	8,961,194	8,988,870
Total of deferred tax liability	(11,050,399)	-	8,167,183	(2,883,216)
Net deferred tax assets	793,065	12,596,897	8,167,183	21,557,145



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements as at Ashad 31, 2076

11 Advance Income Tax

Advance income tax is presented net of provision for income tax which is detailed below:

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Advance income tax	162,805,111	123,241,826
Less: Provision for income tax	46,505,105	46,505,105
Advance income tax (net)	<u>116,300,006</u>	<u>76,736,721</u>

12 Cash and Cash Equivalents

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Balance with banks	34,504,428	29,445,933
- Current Account	-	-
- Deposits account*	22,787,374	10,607,679
Cash on hand	<u>57,291,802</u>	<u>40,053,612</u>





The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements as at Ashad 31, 2076

13 Head Office Account

There is no equity share capital as the entity is registered as branch office of The The Oriental Insurance Company Limited, India. The amount intially received from head office has been presented as Head office account (Assigned Capital) in the financial statements. The accumulated profit or loss of the branch is presented under equity as retained earnings.

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Assigned Captial	251,197,769	251,197,769
	<u>251,197,769</u>	<u>251,197,769</u>

14 Retained Earnings

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Retained earnings	(534,215,552)	(99,618,272)
	<u>(534,215,552)</u>	<u>(99,618,272)</u>

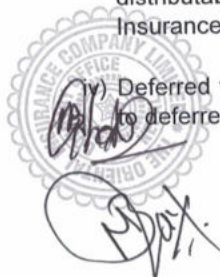
15 Other reserve

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Fair valuation reserve	36,274,084	27,701,536
Actuarial gain/(loss) on retirement benefit plan	(17,575,096)	(20,974,028)
Regulatory reserve	19,673,097	19,673,096
Deferred tax reserve	22,316,289	23,751,326
	<u>60,688,374</u>	<u>50,151,930</u>

Note:

- The fair value reserve represents other comprehensive income arising from fair value gain on investment measured at FVTOCI.
- Actuarial gain/(loss) on defined benefit plan represents other comprehensive income arising form remeasurement of defined benefit plan using actuarial technique.
- Regulatory reserve represents undistributable portion of retained earnings set aside for higher between distributable retained earnings as per Local GAAP and as per NFRS financial statements as per directive of Insurance Board.

- Deferred tax reserve represents portion of retained earning set aside as undistributable reserve equivalent to deferred tax assets as per financial statements.



Oriental Insurance Company Limited

ar, Kathmandu

to the Financial Statements as at Ashad 31, 2076

Provision for Outstanding Claims

Particulars

Gross outstanding claim provision (refer note 16.1) (presented as liabilities on face of Statement of Financial Position)
Reinsurance portion of outstanding claims (refer note 16.1) (presented as assets on the face of Statement of Financial Statement)

Gross change in insurance contract liabilities
Change in contract liabilities ceded to reinsurers
Total changes recognised in Statement of profit or loss

	FY 2075-76 (NRS)	FY 2074-75 (NRS)
	1,411,284,863	808,944,395
	(183,838,624)	(88,969,755)
	<u>1,227,446,239</u>	<u>719,974,640</u>
	602,340,468	
	(94,868,869)	
	<u>507,471,599</u>	

Details of provision for outstanding claims

Particulars

Gross outstanding claim provision
Provision for claim reported
Provision for incurred but not reported (IBNR)
Provision for incurred but not enough reported (IBNER)
Additional provision due to LAT Adjustments
Reinsurance portion of outstanding claims

Provision for outstanding claims receivable from reinsurer

Net outstanding claim as at 16 July 2018 (A)

Net Outstanding claims as per Local GAAP

	Fire Insurance Policy (NRS)	Marine Insurance Policy (NRS)	Motor Insurance Policy (NRS)	Engineering Insurance Policy (NRS)	Agricultural Insurance Policy (NRS)	Misc. Insurance Policy (NRS)	Total (NRS)
	308,688,994	110,925,435	129,025,814	96,540,319	5,934,933	31,463,615	682,579,110
	4,650,000	993,000	1,653,000	765,000	-	1,000	8,062,000
	36,509,724	16,080,714	18,528,171	13,865,819	621,241	4,645,037	90,250,706
	10,617,444	2,840,856	1,135,026	4,433,766	1,515,387	7,510,100	28,052,579
	<u>360,466,162</u>	<u>130,840,005</u>	<u>150,342,011</u>	<u>115,604,904</u>	<u>8,071,561</u>	<u>43,619,752</u>	<u>808,944,395</u>
	(69,940,840)	(4,713,678)	(7,157,675)	(4,866,531)	(1,793,328)	(497,703)	(88,969,755)
	<u>290,525,322</u>	<u>126,126,327</u>	<u>143,184,336</u>	<u>110,738,373</u>	<u>6,278,233</u>	<u>43,122,049</u>	<u>719,974,640</u>
	<u>279,907,878</u>	<u>123,285,471</u>	<u>142,049,310</u>	<u>106,304,607</u>	<u>4,762,846</u>	<u>35,611,949</u>	<u>691,922,061</u>

Gross outstanding claim provision

Provision for claim reported
Provision for incurred but not reported (IBNR)
Provision for incurred but not enough reported (IBNER)
Additional provision due to LAT Adjustments
Reinsurance portion of outstanding claims

Provision for outstanding claims receivable from reinsurer

Net outstanding claim as at 16 July 2019

Net Outstanding claims as per Local GAAP

	422,651,589	108,832,538	221,958,781	12,196,922	36,007,464	848,230,151
	363,703,381	2,710,600	21,700,000	682,200	8,829,247	402,953,027
	108,773,985	14,370,387	24,087,126	1,512,148	4,600,110	160,101,685
	<u>895,128,955</u>	<u>125,913,525</u>	<u>267,745,907</u>	<u>14,371,270</u>	<u>49,436,821</u>	<u>1,411,284,863</u>
	(61,195,074)	(15,740,560)	(83,077,944)	(2,778,132)	(14,169,317)	(183,838,624)
	<u>833,933,881</u>	<u>110,172,965</u>	<u>184,667,963</u>	<u>11,593,138</u>	<u>35,267,504</u>	<u>1,227,446,239</u>
	<u>833,933,881</u>	<u>110,172,965</u>	<u>184,667,963</u>	<u>11,593,138</u>	<u>35,267,504</u>	<u>1,227,446,239</u>



Oriental Insurance Company Limited

Kathmandu

Financial Statements as at Ashad 31, 2076

Provision for unexpired risk

Particulars

Unearned premium
Unexpired risk
Premium deficiency

Changes in provision for unearned premium
Changes in provision for unexpired risk

Total changes recognised in Statement of Profit or loss

**FY 2075-76
(NRS)**

336,452,824
169,075,942
168,315,757
673,844,523

53,727,215
122,002,684
175,729,899

**FY 2074-75
(NRS)**

282,725,609
215,051,484
337,551
498,114,624

33,764,695
3,575,212
37,339,907

Particulars

Unearned premium
Unexpired risk provision*
Premium deficiency

Balance as at 16 July 2018

Balance as at 16 July 2018 (As per Local GAAP)

Fire Insurance Policy (NRS)	Marine Insurance Policy (NRS)	Motor Insurance Policy (NRS)	Engineering Insurance Policy (NRS)	Agricultural Insurance Policy (NRS)	Misc Insurance Policy (NRS)	Total (NRS)
93,368,601 22,933,991	56,182,855 187,361,297	66,613,653	42,374,211	1,541,222	22,645,067 4,756,176	282,725,609 215,051,484 337,551
116,302,592	243,544,152	66,613,653	42,374,211	1,878,773	27,401,243	498,114,624
116,302,592	243,544,152	65,179,577	39,724,641	1,297,529	27,399,243	493,447,734

Unearned premium
Unexpired risk provision*
Premium deficiency

Balance as at 16 July 2019

Balance as at 16 July 2019 (As per Local GAAP)

128,756,500 1,121,461 139,685,716	83,682,934 167,840,353	50,257,608	38,120,454	7,602,569	28,032,759 114,128	336,452,824 169,075,942 168,315,757
269,563,677	251,523,287	50,257,608	63,182,293	11,170,771	28,146,887	673,844,523
129,877,961	251,523,287	50,250,083	38,119,291	7,602,569	27,552,533	504,925,724

Unexpired risk provision represents additional provision over unearned premium set aside to cover future claims and expenses for unexpired future period of insurance policies existed as at end of reporting date. Above calculated unexpired provision represents higher of regulatory unexpired risk provision as per Beema Samiti Guidelines and unearned premium for each line of business. Out of total unexpired risk provision additional provision as per LAT report amounts to NPR 11,410,928, NPR 791,977, NPR 4,329,339 and NPR 603,040 as at 16 July 2016, 15 July 2017, 16 July 2018 and 16 July 2019 respectively.



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements as at Ashad 31, 2076

18 Retirement Benefit Obligation

Particulars	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Gratuity (refer 18.1)	52,725,302	57,590,651
Leave encashment(18.1)	21,183,119	19,024,692
	73,908,421	76,615,343

18.1 Employee benefit

Particulars	FY 2075-76 (NRS)		FY 2074-75 (NRS)	
	Gratuity	Leave	Gratuity	Leave
Opening liability	57,590,651	19,024,692	29,909,718	11,364,292
Current service cost	2,545,075	1,393,770	1,568,168	3,242,702
Interest cost	3,967,732	1,251,107	3,394,225	860,112
Benefit Paid	(6,522,537)	(2,223,563)	(7,152,106)	(815,921)
Actuarial (gain)/ loss	(4,855,619)	1,737,113	29,870,646	4,373,507
Closing liability (A)	52,725,302	21,183,119	57,590,651	19,024,692
Opening fair value of plan assets	-	-	-	-
Interest Income	-	-	-	-
Expected Return on Plan Assets	-	-	-	-
Contribution by Employer	-	-	-	-
Benefit paid	-	-	-	-
Actuarial Gain/ (Loss) on Plan Assets	-	-	-	-
Closing fair value of plan assets (B)	-	-	-	-
Net liability/ (assets) (A-B)	52,725,302	21,183,119	57,590,651	19,024,692
Charge for the period to SoPL	6,512,807	4,381,990	4,962,393	8,476,321
Charge to SoCI	(4,855,619)	-	29,870,646	-
Actuarial Assumptions				
Discount rate	6.65%	6.65%	7.27%	7%
Salary escalation rate	7%	7%	7%	7%
Retirement age	60	60	60	60

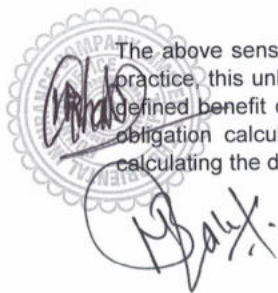
Sensitivity Analysis

Effects on DBO due to 1% increase in discount rate
 Effects on DBO due to 1% decrease in discount rate
 Effects on DBO due to 1% increase in salary escalation
 Effects on DBO due to 1% decrease in salary escalation

FY 2075-76 (NRS)

Gratuity
 (3,813,443)
 4,164,180
 4,402,718
 (3,887,677)

The above sensitivity analysis is based on a change in an assumption while holding all other assumption constant. In practice, this unlikely to occur and changes in some of the assumption is correlated. When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with projected unit credit method at the end of reporting period) has been applied as when calculating the defined benefit liability recognized in the the statement of financial positions.



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements as at Ashad 31, 2076

19 Other Payable

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Payable to agent	2,787,541	2,369,093
Payable to co insurer	1,814,732	1,483,639
Payable to re insurer	47,094,829	62,995,182
Deposit insurance premium	31,594,434	50,413,222
TDS payable	462,239	1,782,693
VAT payable	19,088,195	11,053,212
Service charge payable	9,246,473	8,445,439
Salary payable	143,098	23,265
Other payables	3,605,917	3,922,904
Incentive payable	8,133,252	8,133,252
	<u>123,970,710</u>	<u>150,621,901</u>

20 Provisions

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Staff bonus provision	18,266,504	18,266,504
Provision for expenses	6,143,931	5,430,171
Provision for disputed income tax	7,689,720	7,689,720
Provision for unrealised cheques	152,573	1,745,106
	<u>32,252,728</u>	<u>33,131,501</u>



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

21 Premium revenue

Fiscal Year 2075/76

<u>Particulars</u>	Direct Insurance Premium (NRS)	Reinsurance Accepted Premium (NRS)	Gross premium (A) (NRS)	Premium ceded to reinsurer (B) (NRS)	Net Premium (A-B) (NRS)
Fire insurance policy	285,159,820	63,559,660	348,719,480	(88,963,558)	259,755,922
Marine insurance policy	183,337,137	2,012,035	185,349,172	(18,333,955)	167,015,217
Vehicle insurance policy	136,376,480	2,358,703	138,735,183	(38,235,018)	100,500,165
Engineering insurance policy	125,469,089	22,831,821	148,300,910	(72,062,329)	76,238,581
Agricultural insurance policy	18,997,419	-	18,997,419	(3,792,282)	15,205,137
Misc insurance policy	76,495,696	8,049,313	84,545,009	(29,439,943)	55,105,066
	<u>825,835,641</u>	<u>98,811,532</u>	<u>924,647,173</u>	<u>(250,827,085)</u>	<u>673,820,088</u>

Fiscal Year 2074/75

<u>Particulars</u>	Direct Insurance Premium (NRS)	Reinsurance Accepted Premium (NRS)	Gross premium (A) (NRS)	Premium ceded to reinsurer (B) (NRS)	Net Premium (A-B) (NRS)
Fire insurance policy	253,531,008	75,549,048	329,080,056	(96,474,872)	232,605,184
Marine insurance policy	175,591,757	3,792,486	179,384,243	(5,290,418)	174,093,825
Vehicle insurance policy	152,274,626	3,619,706	155,894,332	(25,535,178)	130,359,154
Engineering insurance policy	69,326,157	25,203,991	94,530,148	(15,080,867)	79,449,281
Agricultural insurance policy	11,015,933	-	11,015,933	(8,420,875)	2,595,058
Misc insurance policy	63,860,775	10,778,367	74,639,142	(19,840,657)	54,798,485
	<u>725,600,256</u>	<u>118,943,598</u>	<u>844,543,854</u>	<u>(170,642,867)</u>	<u>673,900,987</u>



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

22 Income from investments

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Interest income from deposits	168,342,422	136,775,592
Interest income from corporate debentures	-	9,366,027
	<u>168,342,422</u>	<u>146,141,619</u>

23 Reinsurance commission income

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Fire insurance policy	14,699,783	18,663,337
Marine insurance policy	4,495,876	1,925,671
Vehicle insurance policy	11,742,903	7,867,900
Engineering insurance policy	14,553,021	6,144,941
Agricultural insurance policy	872,225	1,684,975
Misc insurance policy	4,682,032	2,763,026
	<u>51,045,840</u>	<u>39,049,850</u>

24 Other income

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Profit on sale of fixed assets	642,407	10,341
Income from loans and advances	2,816,953	1,264,829
Other income	2,252,794	2,834,473
	<u>5,712,154</u>	<u>4,109,643</u>



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

25 Benefits and claims paid

<u>Particulars</u>	FY 2075-76 (NRS)		
	Gross	Reinsurance	Net
Fire insurance policy	309,444,232	(48,138,145)	261,306,087
Marine insurance policy	66,988,268	(6,124,683)	60,863,585
Vehicle insurance policy	108,978,068	(8,808,641)	100,169,427
Engineering insurance policy	63,435,022	(3,678,639)	59,756,383
Micro Insurance policy	76,019		76,019
Agricultural insurance policy	13,018,543	-	13,018,543
Misc insurance policy	37,772,220	(8,312,396)	29,459,824
Aviation insurance policy	-	(2,678,048)	(2,678,048)
	<u>599,712,372</u>	<u>(77,740,552)</u>	<u>521,971,820</u>

<u>Particulars</u>	FY 2074-75 (NRS)		
	Gross	Reinsurance	Net
Fire insurance policy	333,515,550	(103,218,149)	230,297,401
Marine insurance policy	78,627,395	(3,930,766)	74,696,629
Vehicle insurance policy	91,743,761	(4,667,944)	87,075,817
Engineering insurance policy	45,150,591	(18,780,203)	26,370,388
Agricultural insurance policy	6,998,193	(3,657,788)	3,340,405
Misc insurance policy	33,287,127	(1,659,812)	31,627,315
Aviation insurance policy	-	(3,498,697)	(3,498,697)
	<u>589,322,617</u>	<u>(139,413,359)</u>	<u>449,909,258</u>

26 Underwriting and net acquisition cost

<u>Particulars</u>	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Agent expenses		
Agent commission	7,388,203	6,884,067
Reinsurance commission expenses	23,629,068	28,869,513
Service fees**	9,246,473	8,445,439
	<u>40,263,744</u>	<u>44,199,019</u>
Net changes in deferred acquisition cost	3,060,573	(476,487)
Net underwriting and net acquisition cost	<u>43,324,317</u>	<u>43,722,532</u>

**Service fees is 1% of total direct insurance premium and premium for reinsurance accepted booked as per Insurance Act, 2049.



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

27 Employee benefit expenses

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Salary and allowance	59,854,378	61,323,909
Dashain allowance	4,839,219	4,795,067
Providend fund	3,434,039	4,680,156
Gratuity	6,512,807	4,962,393
Leave encashment	6,304,792	9,381,385
Wages	6,330,085	3,071,201
Staff incentives	-	8,133,252
Provision for staff bonus	-	18,266,504
Amortization of prepaid staff benefits	2,642,271	1,176,954
Other employee facilities *	4,357,422	3,829,164
	<u>94,275,013</u>	<u>119,619,985</u>

* other employee facilities includes unifrom, insurance, education, medical and training facilities

28 Depreciation and amortization

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Depreciation of PPE	3,810,815	2,730,042
Amortization of intangible assets	11,999	10,241
	<u>3,822,814</u>	<u>2,740,283</u>

29 Operating and administrative expenses

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
House rent	13,092,587	11,343,873
Electricity and water	1,714,896	1,661,867
Repair and maintenance	1,618,134	1,257,242
Communications	1,602,159	1,590,081
Printing and stationary	947,111	1,619,372
Transportation	5,690,861	5,191,911
Travelling and daily allowance	3,266,269	2,237,399
Insurance premium expenses	884,850	780,934
Legal and consultancy fees	352,749	40,000
Books and periodicals	38,610	24,690
Computer operating expenses	1,220,899	1,387,845
Advertisement expenses	500,590	809,878
Business promotion expenses	1,048,813	615,383
Entertainment and hospitality	1,269,459	858,282
Audit fee	700,000	700,000
Bank charges and commissions	38,581	38,739
Fees and other taxes	313,765	140,750
Postage and courier	313,805	384,453
Other expenses	1,427,771	2,848,725
Staff Transfer Expenses	1,701,712	87,188
	<u>37,743,622</u>	<u>33,618,612</u>

The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

30 Other Explanatory Notes

30.1 Operating leases

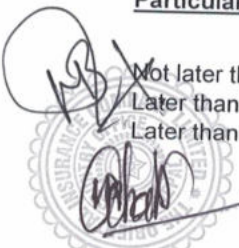
Operating leases relate to leases of officer premises with lease terms of 5-10 years. The company does not have an option to purchase the leased premises at the expiry of the lease periods.

Payments recognised as an expense

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Minimum lease payments	13,092,587	11,343,873
	<u>13,092,587</u>	<u>11,343,873</u>

Non-cancellable operating lease commitments

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Not later than 1 year	12,509,503	11,194,808
Later than 1 year and not later than 5 years	32,368,833	43,238,487
Later than 5 years	63,977	3,601,605
	<u>44,942,313</u>	<u>58,034,900</u>



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

30.2 Related Party Disclosures

a) Name of related party and nature of relationship

The Company has identified related parties on the following lines:

- The Oriental Insurance Company Limited, India (Head Office)
- Members of local management committee

b) Transactions and balances with Key Management Personnel

There are no other material transactions with the members of local management committee (also referred as "Key Management Personnel") or their relatives except the compensation and/or remunerations paid under the company's regulations as given below:

Name of Committee Members	Remuneration and allowance (NRS)
M. K. Kapoor	3,292,674
V. B. Ghate	925,074
C. M. Sukralia	700,884
M. B. Dhakal	1,130,271
M. D. Nair	1,166,271
M. Rajbanshi	1,158,171
	8,373,345

The amount disclosed above are the amounts recognized as an expenses during the reporting period related to key management personnel. Also, the liabilities for defined benefit plans (i.e gratuity and other retirement benefits) and leave encashment are provided on an actuarial basis for the company as a whole, so the amount pertaining to the key management personnel are not included above.

c) Transactions and balances with The Oriental Insurance Company Limited, India

Transactions with head office:

Nature of transactions

	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Direct premium collected	3,066,094	9,279,032
Direct claim paid	485,678	6,481,202
Claims and survey fee paid on behalf of Head Office	167,510	689,923
Reinsurance premium paid	26,498,283	55,326,476
Reinsurance claim received	33,637,936	99,866,207
Commission received on reinsurance ceded	5,913,686	2,806,008

Balance with Head Office:

Particulars

	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Receivables with head office	123,795,794	108,407,374



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

30.3 Risk Management

A. Insurance Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company principally issues the following types of general insurance contracts: Motor, Fire, Marine, Engineering, Agricultural and Miscellaneous Insurance Policy. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks 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 and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, 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 and 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 to account when estimating insurance contract liabilities.

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. earthquakes and flood damage).

Concentration of insurance business

The following tables show the concentration of insurance contract premium by line of business.

For the year ended Ashad 31, 2076

Particulars	Gross (NRS)	Reinsurance (NRS)	Net (NRS)
Fire insurance policy	348,719,480	(88,963,558)	259,755,922
Marine insurance policy	185,349,172	(18,333,955)	167,015,217
Vehicle insurance policy	138,735,183	(38,235,018)	100,500,165
Engineering insurance policy	148,300,910	(72,062,329)	76,238,581
Agricultural insurance policy	18,997,419	(3,792,282)	15,205,137
Misc insurance policy	84,545,009	(29,439,943)	55,105,066
	<u>924,647,173</u>	<u>(250,827,085)</u>	<u>673,820,088</u>

For the year ended Ashad 32, 2075

Particulars	Gross (NRS)	Reinsurance (NRS)	Net (NRS)
Fire insurance policy	329,080,056	(96,474,872)	232,605,184
Marine insurance policy	179,384,243	(5,290,418)	174,093,825
Vehicle insurance policy	155,894,332	(25,535,178)	130,359,154
Engineering insurance policy	94,530,148	(15,080,867)	79,449,281
Agricultural insurance policy	11,015,933	(8,420,875)	2,595,058
Misc insurance policy	74,639,142	(19,840,657)	54,798,485
	<u>844,543,854</u>	<u>(170,642,867)</u>	<u>673,900,987</u>

Claims development table

The following claim development tables shows the total claim paid during current year out of previous five years claim.

Particulars	Accident Year					Total claim paid during FY 2075/76
	FY 2075/76	FY 2074/75	FY 2073/74	FY 2072/73	FY 2071/72 and earlier periods	
Fire insurance	76,431,470	88,616,672	119,015,276	17,859,260	7,521,554	309,444,232
Marine Insurance	27,438,783	33,230,741	4,377,982	17,475	1,923,287	66,988,268
Motor Insurance	58,052,287	43,747,737	6,323,557	513,948	340,539	108,978,068
Engineering Insurance	29,112,573	22,507,620	1,099,291	881,579	9,833,959	63,435,022
Agricultural Insurance	10,203,707	1,880,654	934,182	-	-	13,018,543
Micro Insurance	76,019	-	-	-	-	76,019
Misc other	27,537,572	10,234,648	-	-	-	37,772,220
	<u>228,852,411</u>	<u>200,218,072</u>	<u>131,750,288</u>	<u>19,272,262</u>	<u>19,619,339</u>	<u>599,712,372</u>

The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

30.3 Risk Management (continued)

B. Financial Risk

The primary source of financial risk to an insurer arises from its investment exposures and investment activities. Thus, the investment portfolios maintain a prudent approach in its investment strategy and investment exposures to ensure that investment returns are optimised on a risk adjusted basis and to ensure the Company operates within its defined risk appetite.

i) Credit Risk

Credit risk refers to a risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Thus, for an insurance contract, credit risk includes the risk that an insurer incurs a financial loss because a reinsurer defaults on its obligations under the reinsurance contract

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

a) The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties.

b) Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by entering into agreement with more than one party. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

ii) Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity adequacy is a measure or assessment of the ability of a company to meet payment obligations in a full and timely manner within a defined time horizon. It is a function of its sources of liquidity relative to its liquidity needs. Liquidity sources can be internal and external, available immediately or within the defined time horizon, and includes all funds, assets and arrangements that allow an insurer to meet its liquidity needs. Liquidity needs include all current and expected payment obligations within the defined time horizon.

Maturity Profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Company based on undiscounted cash flow basis.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

As at Ashad 31, 2076

	Less than 12 months (NRS)	More than 12 months			Total (NRS)
		1 to 3 years (NRS)	3 to 5 years (NRS)	More than 5 years (NRS)	
Assets					
Financial assets at FVTOCI	-	-	-	164,931,820	164,931,820
Financial investments at amortised cost	606,023,935	939,500,000	70,000,000	195,000,000	1,810,523,935
Financial assets at amorized cost	163,916,700	-	-	1,522,184	165,438,884
Reinsurance receivables	183,838,624	-	-	-	183,838,624
Receivables from reinsurers for paid claims	79,867,607	-	-	-	79,867,607
Loan and advances	75,642	860,297	2,625,765	8,292,713	11,854,417
Cash and cash equivalents	57,291,802	-	-	-	57,291,802
	1,091,014,310	940,360,297	72,625,765	369,746,717	2,473,747,089
Liabilities					
Insurance contract liabilities					
Provision for outstanding claims	1,272,853,559	58,428,740	80,002,564	-	1,411,284,863
Provision for unexpired risk	505,828,845	168,015,678	-	-	673,844,523
Deferred commission income	44,683,672	-	-	-	44,683,672
Retirement benefit obligation	1,886,584	-	-	72,021,837	73,908,421
Other payable	123,970,710	-	-	-	123,970,710
Provisions	32,252,728	-	-	-	32,252,728
	1,981,476,098	226,444,418	80,002,564	72,021,837	2,359,944,917
Total Liquidity Gap	(890,461,788)	713,915,879	(7,376,799)	297,724,880	113,802,172



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

iii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

Currency Risk

Foreign exchange risk is the potential for the Company to experience volatility in the value of its assets, liabilities and solvency and to suffer actual financial losses as a result of changes in value between the currencies of its assets and liabilities and its reporting currency. The Company does not maintain foreign currency denominated assets in its investment portfolios and as such is not exposed to foreign exchange risk related to investments.

The Company has no significant concentration of currency risk. The amount with reinsurer is settled in Nepali Rupee except the reinsurance settled with head office.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

30.4 Contingent Liabilities And Capital Commitments

A) Contingent liabilities

Contingent liabilities are potential future cash out flows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably.

There are no such contingent liabilities of the Company for year ended Ashad 31, 2076.

B) Capital Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to leases and agreements to buy assets. These amounts are not recorded in the statement of financial position since the company has not yet received the goods or services from the supplier. The amounts below are the minimum amounts that Company is committed to pay.

There are no such capital commitment of the Company for year ended Ashad 31, 2076.



The Oriental Insurance Company Limited

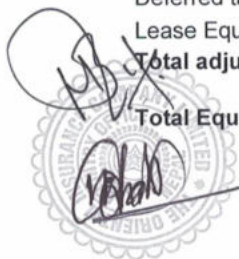
Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

31 Summary of NFRS Adjustments

31.1 Reconciliation of total equity as at Ashad 32, 2075 and Ashad 31, 2076

<u>Particulars</u>	<u>Notes</u>	<u>FY 2075-76 (NRS)</u>	<u>FY 2074-75 (NRS)</u>
Total equity under previous Local GAAP		188,042,830	504,255,169
Reclassification of head office account as part of equity		251,197,769	251,197,769
Total equity under previous Local GAAP(including assigned capital)		439,240,599	755,452,938
NFRS adjustments:			
Fair value of investment held at FVTOCI	a	51,820,120	39,573,621
Depreciation adjustments	b	1,584,327	1,584,326
Deferred acquisition cost	c	14,898,660	17,959,235
Deferred commission income	d	(44,683,672)	(19,083,773)
LAT Adjustments	e	(168,918,799)	(32,719,469)
Deferred tax on above NFRS adjustments	f	44,026,601	(2,194,180)
Lease Equalization	g	(1,455,971)	-
Total adjustment to equity		(102,728,734)	5,119,760
Total Equity under NFRS		336,511,865	760,572,698



The Oriental Insurance Company Limited

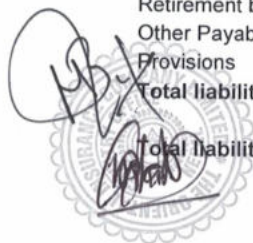
Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

31.2 Reconciliation of Statement of Financial Position

I. Reconciliation of Statement of Financial Positions reported as at Ashad 32, 2075 due to adoption of NFRS

Particulars		Local GAAP (NRS)	Adjustments		NFRS (NRS)
			Reclassification (NRS)	Remeasurement (NRS)	
Assets					
Property and equipment	b	17,094,809	(35,999)	1,582,567	18,641,377
Intangible assets	b	-	36,000	1,759	37,759
Long term investment	j	614,061,700	(614,061,700)	-	-
Short term investment	j	1,164,153,456	(1,164,153,456)	-	-
Financial assets at FVTOCI	a & j	-	112,911,700	39,573,621	152,485,321
Financial assets at FVTPL		-	-	-	-
Financial assets at amortized cost	j	-	1,922,856,475	-	1,922,856,475
Reinsurance assets	l	-	88,969,755	-	88,969,755
Loan and advances	j & l	21,006,287	(21,006,287)	-	-
Deferred acquisition cost	c	-	(2)	17,959,235	17,959,233
Prepayments	j	-	7,786,837	-	7,786,837
Deferred tax asset	f & j	-	23,751,325	(2,194,180)	21,557,145
Advance income tax	j	-	76,736,721	-	76,736,721
Other assets	j	391,326,718	(391,326,718)	-	-
Cash and cash equivalents		40,053,612	-	-	40,053,612
Total Assets		2,247,696,582	42,464,651	56,923,002	2,347,084,235
EQUITY					
Head office account	n	-	251,197,769	-	251,197,769
Retained earnings	k	(20,578,568)	(57,758,861)	(21,280,843)	(99,618,272)
Insurance fund		513,434,323	-	-	513,434,323
Catastrophe reserve		11,399,414	-	-	11,399,414
Capital reserve		-	34,007,536	-	34,007,536
Other reserve	k & 31.1	-	23,751,325	26,400,603	50,151,928
Total equity		504,255,169	251,197,769	5,119,760	760,572,698
Liabilities					
Insurance contract liabilities					
Provision for outstanding claims	e & l	691,922,061	88,969,757	28,052,577	808,944,395
Provision for unexpired risk	e	493,447,732	-	4,666,892	498,114,624
Deferred commission income	d	-	-	19,083,773	19,083,773
Retirement benefit obligation	h & m	-	76,615,343	-	76,615,343
Other Payable	n	407,249,841	(256,627,940)	-	150,621,901
Provisions	n	150,821,779	(117,690,278)	-	33,131,501
Total liabilities		1,743,441,413	(208,733,118)	51,803,242	1,586,511,537
Total liabilities and equity					



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

II. Reconciliation of Statement of Financial Positions reported as at Ashad 31, 2076 due to adoption of NFRS

Particulars		Local GAAP (NRS)	Adjustments		NFRS (NRS)
			Reclassification (NRS)	Remeasurement (NRS)	
Assets					
Property and equipment	b	14,939,821	(24,000)	1,582,567	16,498,390
Intangible assets	b	-	24,000	1,759	25,759
Long term investment	j	1,317,611,700	(1,317,611,700)	-	-
Short term investment	j	606,023,935	(606,023,935)	-	-
Financial assets at FVTOCI	a & j	-	113,111,700	51,820,120	164,931,820
Financial assets at FVTPL		-	-	-	-
Financial assets at amortized cost	g & j	-	1,810,523,935	-	1,810,523,935
Other financial assets		-	262,094,447	(4,933,539)	257,160,908
Reinsurance assets	l	-	183,838,624	-	183,838,624
Loan and advances	j	16,787,956	(16,787,956)	-	-
Deferred acquisition cost	c	-	-	14,898,660	14,898,660
Prepayments	j	-	8,643,988	-	8,643,988
Deferred tax asset	f & j	-	22,316,289	44,026,601	66,342,890
Advance income tax	j & m	-	116,300,006	-	116,300,006
Other assets	j	434,138,340	(434,138,340)	-	-
Cash and cash equivalents		57,291,802	-	-	57,291,802
Total Assets		2,446,793,554	142,267,057	107,396,167	2,696,456,782
EQUITY					
Head office account	n	-	251,197,769	-	251,197,769
Retained earnings	k & 31.1	(336,790,908)	(56,523,825)	(140,900,819)	(534,215,552)
Insurance fund		513,434,324	-	-	513,434,324
Catastrophe reserve		11,399,414	-	-	11,399,414
Capital reserve	k	-	34,007,536	-	34,007,536
Other reserve	k & 31.1	-	22,516,289	38,172,085	60,688,374
Total equity		188,042,830	251,197,769	(102,728,734)	336,511,865
Liabilities					
Insurance contract liabilities					
Provision for outstanding claims	e & l	1,227,446,239	183,838,624	-	1,411,284,863
Provision for unexpired risk	e	504,925,724	-	168,918,799	673,844,523
Deferred commission income	d	-	-	44,683,672	44,683,672
Retirement benefit obligation	h & m	-	73,908,421	-	73,908,421
Other Payable	n & p	379,856,438	(257,341,699)	1,455,971	123,970,710
Provisions	n	146,522,323	(114,269,595)	-	32,252,728
Total liabilities		2,258,750,724	(113,864,249)	215,058,442	2,359,944,917
Total liabilities and equity		2,446,793,554	137,333,520	112,329,706	2,696,456,782



The Oriental Insurance Company Limited

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Notes to the Financial Statements for the year ended Ashad 31, 2076

31.3 Reconciliation of Statement of Profit or Loss

I. Reconciliation of Profit or Loss for the year ended Ashad 32, 2075 due to adoption of NFRS

<u>Particulars</u>	<u>Notes</u>	<u>Local GAAP</u> <u>(NRS)</u>	<u>Adjustments</u> <u>(NRS)</u>	<u>NFRS</u> <u>(NRS)</u>
Income				
Gross premium		844,543,854	-	844,543,854
Premium ceded to reinsurers		(170,642,867)	-	(170,642,867)
Total premium revenue		<u>673,900,987</u>	<u>-</u>	<u>673,900,987</u>
Income from investments	o	148,273,830	(2,132,211)	146,141,619
Reinsurance Commission income	d	45,190,296	(6,140,446)	39,049,850
Other income	g & o	800,478	3,309,165	4,109,643
Total other operating income		<u>194,264,604</u>	<u>(4,963,492)</u>	<u>189,301,112</u>
Total income		<u>868,165,591</u>	<u>(4,963,492)</u>	<u>863,202,099</u>
Expenses				
Gross benefits and claims paid		589,322,617	-	589,322,617
Claims ceded to reinsurers		(139,413,359)	-	(139,413,359)
Net benefit and claim expenses		<u>449,909,258</u>	<u>-</u>	<u>449,909,258</u>
Change in insurance contract liabilities	e	(501,102)	31,427,494	30,926,392
Underwriting and net acquisition cost	c	44,199,019	(476,487)	43,722,532
Employee benefit expenses	h & g	123,548,951	(3,928,966)	119,619,985
Depreciation and amortization		4,324,607	(1,584,324)	2,740,283
Operating and administrative expenses		33,618,612	-	33,618,612
Total other expenses		<u>205,190,088</u>	<u>25,437,717</u>	<u>230,627,804</u>
Total expenses		<u>655,099,346</u>	<u>25,437,717</u>	<u>680,537,062</u>
Profit before income tax		<u>213,066,246</u>	<u>(30,401,209)</u>	<u>182,665,037</u>
Income tax expense:				
Provision for income tax		46,505,105	-	46,505,105
Deferred tax (income)/expense	f	(3,476,534)	(9,120,363)	(12,596,897)
Profit for the year		<u>170,037,675</u>	<u>(21,280,846)</u>	<u>148,756,829</u>

Reconciliation of Other Comprehensive Income for the year ended Ashad 32, 2075 due to adoption of NFRS

<u>Particulars</u>	<u>Notes</u>	<u>Local GAAP</u> <u>(NRS)</u>	<u>Adjustments</u> <u>(NRS)</u>	<u>NFRS</u> <u>(NRS)</u>
Profit for the year		170,037,675	(21,280,846)	148,756,829
Items that will not be reclassified to profit or loss				
Net fair value (losses)/gains on financial assets		-	2,646,704	2,646,704
Re-measurement gains on defined benefit plan		-	(29,870,646)	(29,870,646)
Deferred tax on other comprehensive income		-	8,167,183	8,167,183
Total other comprehensive income, net of tax		<u>-</u>	<u>(19,056,759)</u>	<u>(19,056,759)</u>
Total comprehensive income for the year		<u>170,037,675</u>	<u>(40,337,605)</u>	<u>129,700,070</u>



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Notes to the Financial Statements for the year ended Ashad 31, 2076

II. Reconciliation of profit or loss for the year ended Ashad 31, 2076 due to adoption of NFRS

Particulars	Notes	Local GAAP (NRS)	Adjustments (NRS)	NFRS (NRS)
Income				
Gross premium		924,647,173	-	924,647,173
Premium ceded to reinsurers		(250,827,085)	-	(250,827,085)
Total premium revenue		673,820,088	-	673,820,088
Income from investments	o	169,649,769	(1,307,347)	168,342,422
Re-insurance Commission income	d	76,645,741	(25,599,901)	51,045,840
Other income	g & o	1,762,536	3,949,618	5,712,154
Total other operating income		248,058,046	(22,957,630)	225,100,416
Total income		921,878,134	(22,957,630)	898,920,504
Expenses				
Gross benefits and claims paid		599,712,372	-	599,712,372
Claims ceded to reinsurers		(77,740,552)	-	(77,740,552)
Net benefit and claim expenses		521,971,820	-	521,971,820
Change in insurance contract liabilities	e	547,002,168	136,199,330	683,201,498
Underwriting and net acquisition cost	c	40,263,744	3,060,573	43,324,317
Employee benefit expenses	h & g	86,777,123	7,497,890	94,275,013
Depreciation and amortization		3,822,814	-	3,822,814
Operating and administrative expenses	p	36,287,650	1,455,972	37,743,622
Total other expenses		714,153,498	148,213,765	862,367,264
Total expenses		1,236,125,318	148,213,765	1,384,339,084
Profit before income tax		(314,247,184)	(171,171,396)	(485,418,580)
Income tax expense:				
Provision for income tax		-	-	-
Deferred tax (income)/expense	f	1,435,036	(51,351,417)	(49,916,381)
Profit for the year		(315,682,222)	(119,819,979)	(435,502,199)

Reconciliation of Other Comprehensive Income for the year ended Ashad 31, 2076 due to adoption of NFRS

Particulars	Notes	Local GAAP (NRS)	Adjustments (NRS)	NFRS (NRS)
Profit for the year		(315,682,222)	(119,819,979)	(435,502,199)
Items that will not be reclassified to profit or loss				
Net fair value (losses)/gains on financial assets		-	12,246,499	12,246,499
Re-measurement gains on defined benefit plan		-	4,855,619	4,855,619
Deferred tax on other comprehensive income		-	(5,130,636)	(5,130,636)
Total other comprehensive income, net of tax		-	11,971,482	11,971,482
Total comprehensive income for the year		(315,682,222)	(107,848,497)	(423,530,717)



The Oriental Insurance Company Limited

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Notes to the Financial Statements for the year ended Ashad 31, 2076

31.4 Reconciliation of Cash Flow Statement

I. Reconciliation of Cash Flow Statement for the year ended Ashad 32, 2075 due to adoption of NFRS

<u>Particulars</u>	<u>Amount</u> <u>(NRS)</u>
Cash flow from operating activities under GAAP	17,831,883
Cash flow from operating activities under NFRS	22,560,922
Difference	4,729,039
Cash flow from financing activities under GAAP	(47,496,987)
Cash flow from financing activities under NFRS	(52,226,026)
Difference	(4,729,039)

Explanation

Total income of Rs. 2,033,995 was classified to cash flows from financing activities under previous GAAP which has been reclassified to operating activities under NFRS

Total changes in interest receivables of Rs. 2,695,044 was classified to cash flow from financing activities under previous GAAP has been reclassified to cash flow from operating activities under NFRS

III. Reconciliation of Cash Flow Statement for the year ended Ashad 31, 2076 due to adoption of NFRS

<u>Particulars</u>	<u>Amount</u> <u>(NRS)</u>
Cash flow from operating activities under GAAP	(9,541,605)
Cash flow from operating activities under NFRS	(12,427,656)
Difference	(2,886,051)
Cash flow from financing activities under GAAP	26,779,795
Cash flow from financing activities under NFRS	29,665,846
Difference	2,886,051

Explanation

Total income of Rs. 490,258 was classified to cash flows from financing activities under previous GAAP which has been reclassified to operating activities under NFRS

Total changes in interest receivables of Rs. 3,376,308 was classified to cash flow from financing activities under previous GAAP has been reclassified to cash flow from operating activities under NFRS



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Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

32 Notes for adjustments

- a Under previous GAAP, investments were measured at cost or market value whichever is lower. Under NFRS, these financial assets have been classified as financial assets held at fair value through other comprehensive income (FVTOCI). On the date of transition to NFRS, these financial assets have been measured at their fair value which is higher than the cost as per previous GAAP, resulting in an increase in the carrying amount as explained in the table below. These changes do not affect net profit for the year ended 16 July 2019, 16 July 2018 because the changes in fair value have been recognised under Other Comprehensive Income (OCI).

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Number of shares held in Nepal Reinsurance Limited	1,129,117	1,129,117
Fair value per share	145.89	135.05
Total fair value of investments	164,731,820	152,485,321
Carrying value of investments	112,911,700	112,911,700
Increase in carrying amount due to fair value measurement	51,820,120	39,573,621

- b Management had changed the method of depreciation from Written down value (WDV) to Straight line method (SLM) and depreciation has been accounted prospectively resulting decrease in depreciation charges the year by NPR 1,584,326 in the year 2017/18.
- c Under previous GAAP, agent commission and reinsurance commission expenses was booked as expenses on the basis of actual cash obligation. Under NFRS, portion of agent commissions and reinsurance commission expenses is deferred under straight line basis, and amortized over the policy period.

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Accumulated agent commission & incentives booked under Local GAAP (for policies issued during FY 15-16 and onwards)	31,017,271	35,753,580
Accumulated equated agent commission & incentives under NFRS (for policies issued during FY 15-16 and onwards)	16,118,611	17,794,347
Net impact in equity	14,898,660	17,959,233
Movement in profit or loss during the year	(3,060,573)	(476,487)

- d Under previous GAAP, reinsurance Commission Income was booked as income on the basis of actual cash obligation. Under NFRS, portion of reinsurance commission income is deferred under straight line basis, and amortized over the maturity period.

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Accumulated reinsurance commission income booked under Local GAAP (for policies issued during FY 15-16 and onwards)	76,645,741	45,190,296
Accumulated equated reinsurance commission income under NFRS (for policies issued during FY 15-16 and onwards)	31,962,069	26,106,526
Net impact in equity	44,683,672	19,083,770
Movement in profit or loss during the year	(25,599,902)	(6,140,446)



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Notes to the Financial Statements for the year ended Ashad 31, 2076

- e Liability Adequacy Test has been carried out pursuant to Para 15-19 of NFRS 4 Insurance Contracts with the assistance of the external actuary to confirm that the provisions measured as per the directives of Beema Samiti are sufficient.

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Insurance contract liabilities under Local GAAP	1,732,371,963	1,185,369,795
Insurance contract liabilities under NFRS	1,901,290,762	1,218,089,264
Net impact on equity	168,918,799	32,719,469
Net movement in profit or loss during the year	136,199,330	31,427,492

- f Under previous GAAP, deferred tax assets has been calculated on the temporary differences arising as per GAAP financial statements. Under NFRS, deferred tax assets have been calculated on the temporary differences arising as per NFRS financial statements.

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Deferred tax assets under Local GAAP	22,316,289	23,751,325
Deferred tax assets under NFRS	66,342,890	21,557,145
Net impact on equity	(44,026,601)	2,194,180

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Deferred tax (income)/expenses under Local GAAP	1,435,036	(3,476,534)
Deferred tax (income)/expenses under NFRS	(49,916,381)	(12,596,897)

- g Under previous GAAP, staff loans were shown at historical value. Under NFRS, such staff loans are initially recognised at fair value. For the purpose of computing fair value of staff loan, market interest rate is considered. Such loans are subsequently classified as Amortised Cost.

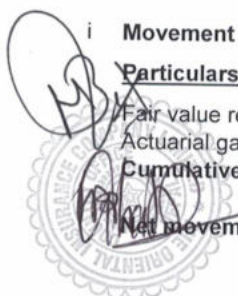
<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Loan to employees under Local GAAP	16,787,956	21,006,287
Less: Deferred employee expenditure	4,933,539	4,439,839
Loan to employees under NFRS	11,854,417	16,566,448
Amortization of prepaid benefits	2,642,271	1,176,954
Interest income from loans to employees	2,642,271	1,176,954

- h Prior period adjustments for gratuity and leave encashment

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Prior period adjustments in gratuity	4,855,619	11,924,495
Prior period adjustments in leave encashment	-	(6,818,575)
	4,855,619	5,105,920

- i Movement of Other Comprehensive Income during the year

<u>Particulars</u>	<u>FY 2075-76</u> <u>(NRS)</u>	<u>FY 2074-75</u> <u>(NRS)</u>
Fair value reserve	36,274,084	27,701,536
Actuarial gain/loss	(17,575,096)	(20,974,028)
Cumulative OCI	18,698,988	6,727,508
Net movement in OCI during the year	11,971,480	(19,056,759)



The Oriental Insurance Company Limited

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Notes to the Financial Statements for the year ended Ashad 31, 2076

Notes for reclassifications

Reclassification in Statement of financial position

- j Assets under Local GAAP has been reclassified to appropriate class of assets under NFRS as below:

<u>Particulars</u>	<u>FY 2075-76 (NRS)</u>	<u>FY 2074-75 (NRS)</u>
Long term investments under Local GAAP	1,317,611,700	614,061,700
Short term investments under Local GAAP	606,023,935	1,164,153,456
Other assets under Local GAAP	434,138,340	391,326,718
Loan and advances to employees under Local GAAP	16,787,956	21,006,287
	<u>2,374,561,931</u>	<u>2,190,548,161</u>

Under NFRS statement of financial position, above investment reclassified as:

Financial assets at FVTOCI under NFRS(excluding remeasurements)	113,111,700	112,911,700
Financials assets at amortized cost under NFRS (excluding remeasurements)	1,810,523,935	1,922,856,475
Advance income tax under NFRS	162,805,111	123,241,826
Deferred tax assets under NFRS	22,316,289	23,751,325
Prepayments under NFRS	8,643,988	7,786,837
	<u>2,117,401,023</u>	<u>2,190,548,163</u>

- k DTA reserves and capital reserve classified as Retained earnings under previous GAAP has been reclassified to DTA reserve, capital reserve under NFRS

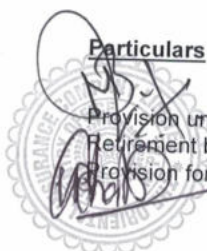
<u>Particulars</u>	<u>FY 2075-76 (NRS)</u>	<u>FY 2074-75 (NRS)</u>
Retained earnings under Local GAAP		
DTA reserve under NFRS	56,523,825	57,758,861
Capital reserve under NFRS	22,516,289	23,751,325
	34,007,536	34,007,536

- l Reinsurance portion of provisions for outstanding claims under previous GAAP has been reclassified to reinsurance receivables under NFRS

<u>Particulars</u>	<u>FY 2075-76 (NRS)</u>	<u>FY 2074-75 (NRS)</u>
Provision for outstanding claims(reinsurance portion) under Local GAAP	183,838,624	88,969,755
Reinsurance assets under NFRS	183,838,624	88,969,755

- m Gratuity provisions, leave encashment provisions and provision for income tax classified as provisions under GAAP has been reclassified to retirement benefits obligations and provision for income tax (off set with advance income tax) under NFRS.

<u>Particulars</u>	<u>FY 2075-76 (NRS)</u>	<u>FY 2074-75 (NRS)</u>
Provision under Local GAAP		
Retirement benefits obligations under NFRS	120,413,526	123,120,449
Provision for income tax (off set with advance tax) under NFRS	73,908,421	76,615,344
	46,505,105	46,505,105



The Oriental Insurance Company Limited

Dillibazar, Kathmandu

Notes to the Financial Statements for the year ended Ashad 31, 2076

- n Payable to head office and provision for expenses classified under Other payables under GAAP has been reclassified to head office account, provision for expenses under NFRS.

Particulars

	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Other payables under Local GAAP	257,341,699	256,627,940
Head office account under NFRS	251,197,769	251,197,769
Provisions under NFRS	6,143,931	5,430,171

Reclassification in Statement of profit or loss

- o Interest income from loan provided to staffs classified as income from investments under GAAP has been reclassified to other income under NFRS

Particulars

	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Income from investments under Local GAAP	1,307,347	2,132,211
Other income under NFRS	1,307,347	2,132,211

Adjustment in lease

- p. Under previous GAAP, actual rent was shown. Under NFRS, Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Particulars

	FY 2075-76 (NRS)	FY 2074-75 (NRS)
Rent under Local GAAP	11,636,616	11,343,873
Rent under NFRS	13,092,587	11,343,873
Net impact on equity	(1,455,971)	-
Movement in profit or loss during the year	(1,455,971)	

