N. Amatya & Co.
Chartered Accountants

UDIN: 240110CA00209B3K34

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
HIMALAYAN EVEREST INSURANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Himalayan Everest Insurance Limited** (the Company), which comprise the statement of financial position as at Ashad 31, 2080 (July 16, 2023), and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at Ashad 31, 2080 (July 16, 2023), and its financial performance and its 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 code of ethics for professional accountant issued by Institute of Chartered Accountants of Nepal (ICAN) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2063 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's Code of Ethics for professional accountants. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of matter

We draw attention to note 1 of the financial statements which describe the merger of the company with Everest Insurance Company Limited and the merged entity commenced joint operations in the name of Himalayan Everest Insurance Limited from Shrawan 1, 2079 (July 17, 2022). Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended on Ashad 31, 2080 (July 16, 2023). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	***How our audit addressed the key audit matter***
Investments *(Refer Note 3.5 "Financial instruments, financial assets and financial liabilities" and Note 10 of the financial statements)*	
The Company's investments represent substantial portion of the assets as at Ashad 31, 2080 which are valued in accordance with the accounting policy as framed in note 3.5 of the financial statements and in accordance with the framework as per the extent of the regulatory guidelines. Valuation of actively traded equity shares and mutual fund units are done as per the last traded	Our audit procedures included the following: ▪ Tested the design implementation and operating effectiveness of key controls over valuation process of investments. ▪ Assessed appropriateness of the valuation techniques with reference to NAS 39 – Financial Instruments: Recognition and Measurement read together with NFRS 9 –

House No. 409, Indrapuri Awash Chhetra, Dhapasi, Kathmandu, Nepal
T : 977-1-4010660, Fax: 977-1-4010661, E: info@namatya.com.np

Key audit matters	*How our audit addressed the key audit matter*
price as on the reporting date in Nepal Stock Exchange (NEPSE). If such securities are not traded on the reporting date, they are valued as per the previous closest traded price. Unlisted equity instruments and mutual fund units are measured at cost. All other securities including debt instruments have been measured at historical cost subject to amortization of premium paid, if any, over the residual period. The valuation of these investments is considered to be one of the areas which required attention and was one of the matters of significance in the financial statements.	Financial Instruments along with the Company's own valuation policy. ▪ We have agreed a sample of year-end investment holdings to external valuations and custody sources to verify the valuation and existence of these investments. ▪ Understood the management's process for identifying the existence of impairment indicators in respect of the interests in equity instruments measured at fair value through Other comprehensive income. ▪ Obtained an understanding of price verification control, which is designed to review the appropriateness of valuation methodologies to derive model inputs. ▪ Based on our audit procedures performed, we concluded that the valuation of level 1 financial instruments is appropriate.
Provision for outstanding claim *(Refer Note 3.14 "Benefits and claims"; Note 3.11 "Insurance contract liabilities"; Note 33 and Note 19 of the financial statements)*	
Insurance claim is the major area of expense for the Company. The Company makes the complete provisions of the remaining amounts of the payment against the claim made by the Company before year-end and claims incurred but not reported (IBNR) is recognised as higher of the conventional 15% outstanding claim or that determined by the actuarial methods. Given the fact that the provision is required to be made in respect of outstanding claim and complexity of calculations, the same has been considered as Key Audit Matter in our audit of the financial statements of the Company.	Our audit procedures included the following: ▪ Verified the operational mechanisms of the Company including the internal guidelines and standard operating procedures relating to claim processing, performed test of controls over claim settlement process and recording processes including analytical procedures on outstanding claims. ▪ Obtained clear understanding of the process and guidelines as per directives issued by the Insurance Authority for claim processing and compared their implementation and effectiveness in regard to internal operational guidelines relating to claim processing. ▪ Verified the claim paid and provision on sample basis along with evidence of payment, documentation as well as surveyor report and understanding the recording process in the books of account. ▪ In the case of IBNR, the amount of insurance contract liabilities has been estimated by the actuary appointed by the Company. The actuarial valuation of insurance contract liabilities in respect of IBNR and IBN(E)R claims as of Ashad 31, 2080 is as certified by the Company's appointed actuary. ▪ Verified the sufficiency and adequacy of related insurance contract liability based on report from the Company appointed actuary



Key audit matters	*How our audit addressed the key audit matter*
	with the liabilities recognised in the financial statements. ▪ Examined the appropriateness and validity of key assumptions and information provided by the Company to the Company appointed actuary for valuation of insurance contract liabilities.
Revenue Recognition (Premium Income) *(Refer Note 3.13 "Revenue recognition" and Note 25 of the financial statements)*	
Premium income comprises a major part of revenue which is recorded on issue of policy as prescribed by the Insurance Authority. Unearned premium income of previous and current fiscal year is recorded / adjusted as estimated by the Company appointed actuary and as prescribed by the directives issued by the Insurance Authority. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro-rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. Since the management considers revenue as key measure of evaluation of performance, there is a risk of revenue being recorded before control is transferred and is not recognised in the correct period.	Our audit procedures included the following: ▪ Obtained and read the Company's revenue accounting policy on revenue recognition in accordance with the requirements of relevant standards. ▪ Understood and tested the design, implementation and operating effectiveness of key controls over premium collection and its recognition. ▪ Obtained clear understanding of the process of issuing the policies as per directives issued by the Insurance Authority and understood the process of booking such premium as income. ▪ Tested on a sample basis unallocated premium to ensure that there were no policies where risk assumed were prior to recognition of revenue and corresponding to collection of premiums. ▪ Verified on a sample basis the policies and other related documents including premium calculations therein as per regulatory requirements and internal policies of the Company along with premium / cash receipt with special attention to the timestamp thereto so as to ascertain the correctness of period of revenue recognition. ▪ Verified on a sample basis, the premium ceded to the reinsurers as per Reinsurance agreement / treaty with the reinsurers. ▪ Verified unearned premium income as assessed by the Company appointed actuary in the actuarial valuation report. ▪ Based on our audit procedures performed, we concluded that the premium income recognition is appropriate.
Gain on disposal of FVOCI Instrument *(Refer Note 31 and statement of changes in equity of the financial statements)*	
A financial asset is measured at FVOCI, if it is held with an objective to collect contractual cash flows and selling such financial asset and the contractual cash flows are solely payments of principal and	Our audit procedures included the following: ▪ Obtained and read the Company's accounting policy on recognition of gain on disposal of FVOCI instruments in accordance with the

Key audit matters	How our audit addressed the key audit matter
interest on the principal outstanding. It is subsequently measured at fair value with fair value movements recognised in the other comprehensive income (OCI), except for the recognitions of impairment gains or losses, interest revenue and foreign exchange gain or losses; interest revenue and foreign exchange gains and losses are recognised in profit or loss. The fair value gains or losses of FVOCI instruments are not recycled to profit or loss. Rather the gains or losses are reclassified to retained earning upon actual disposal of the FVOCI instrument. Since fair value are not recycled to profit and loss upon actual disposal and is reclassified to retained earnings through statement of changes in equity, it poses certain challenges in evaluating the appropriateness and accuracy of the Company's judgement on the amount to be reclassified to retained earnings. As of the current fiscal year ended on Ashadh 31, 2080, the Company have recognised loss of Rs. 322,532 to the retained earnings for disposal of FVOCI instruments. The same has been considered as key audit matter in our audit of the financial statements of the Company.	requirements of NAS 39 – Financial Instruments: Recognition and Measurement read together with NFRS 9 – Financial Instruments. • Checked the accuracy of the amount that has been recognised to retained earnings by analyzing both the historical fair value adjustment to other comprehensive income (OCI) and the current disposal value of the FVOCI instruments. • Ascertained that the transaction costs related to the FVOCI instruments are charged to the same FVOCI instruments and not charged off in profit or loss. • Verified the withholding capital gain taxes therein, wherever applicable, have been deposited with the regulatory authority. • Evaluated the management's methodologies and the Company's internal procedures relating to accounting records of such FVOCI instruments. • Verified from external sources and relevant documents including that from the custody sources that the disposal and subsequent transfer of FVOCI equity instruments are recorded in the correct reporting period. • Based on our audit procedures performed, we concluded that the recognition of gain on disposal of FVOCI investments is appropriate.

Information other than the financial statements and auditor's report thereon

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained during the course of audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement therein, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using

the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We report that:

a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.

c. The enclosed statement of financial position, statement of profit or loss, statement of other comprehensive income and statement of cash flows have been prepared in conformity with provision of the Company Act, 2063 and format as prescribed by Nepal Insurance Authority and the same are in agreement with the books of account maintained by the Company.

d. In our opinion and to the best of our information and according to the explanations given to us, the board or any member thereof or any employee of the Company has not acted against the provision of law relating the accounts nor caused loss or damage to the Company or misappropriated the funds of the Company.

e. To the best of our knowledge, the Company has maintained insurance fund and other mandatory reserves as prescribed by the directive issued by Nepal Insurance Authority.

f. We did not obtain any information indicating engagement of the Company in activities other than insurance business as approved/licensed by Nepal Insurance Authority.

g. We did not obtain any information indicating the Company's activities which are prejudicial to the interest of the insured.

h. The Company has complied with the directive issue by Nepal Insurance Authority.

i. We did not obtain any information indicating issuance of insurance policies other than as approved by Nepal Insurance Authority.

j. It appears that all the financial and other information which is required to be reported/informed to the shareholders as per the prevalent laws has been provided to the shareholders.

k. To the best of our knowledge, the Company is capable of bearing its long-term liabilities from its assets.

l. The internal control system implemented by the Company was found to be effective.



Manish Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Place: Kathmandu
Date: January 10, 2024 (Poush 25, 2080)

HIMALAYAN EVEREST INSURANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT ASHAD 31, 2080 (JULY 16, 2023)

Amount in NRs.

	Notes	As at Ashad 31, 2080 (July 16, 2023)	As at Ashad 32, 2079 (July 16, 2022)
ASSETS			
Goodwill and intangible assets	4	20,992,187	9,090,559
Property, plant and equipment	5	316,695,727	175,103,649
Investment properties	6	-	-
Deferred tax assets	7	90,362,723	53,241,535
Investment in subsidiaries	8	-	-
Investment in associates	9	-	-
Investments	10	4,654,708,234	1,843,736,972
Loans	11	-	-
Reinsurance assets	12	3,191,111,435	2,054,311,737
Current tax assets (net)	21	-	59,549,584
Insurance receivables	13	1,154,516,677	221,972,587
Other assets	14	48,959,553	28,635,772
Other financial assets	15	151,561,392	146,941,880
Cash and cash equivalents	16	207,456,354	347,328,744
TOTAL ASSETS		**9,836,364,282**	**4,939,913,019**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17(a)	2,301,535,000	1,173,509,100
Share application money pending allotment	17(b)	-	-
Share premium	17(c)	-	-
Special reserve	17(d)	1,410,503,655	707,723,176
Catastrophe reserves	17(e)	57,061,187	26,049,183
Retained earnings	17(f)	226,482,875	68,434,242
Other equity	17(g)	294,796,841	84,142,177
TOTAL EQUITY		**4,290,379,558**	**2,059,857,878**
LIABILITIES			
Provisions	18	3,417,533	8,481,680
Gross insurance contract liabilities	19	4,187,573,339	2,430,289,758
Deferred tax liabilities	7	-	-
Insurance payables	20	858,561,613	200,305,095
Current tax liabilities (net)	21	17,927,670	-
Borrowings	22	-	-
Other liabilities	23	249,773,619	138,678,450
Other financial liabilities	24	228,730,950	102,300,158
TOTAL LIABILITIES		**5,545,984,724**	**2,880,055,141**
TOTAL EQUITY AND LIABILITIES		**9,836,364,282**	**4,939,913,019**

The accompanying notes form an integral part of these financial statements.

For and on behalf of Himalayan Everest Insurance Limited

Mahendra Krishna Shrestha
Chairman

Vijit Krishna Shrestha
Director

Ajaya Ratna Sthapit
Director

Hem Raj Thapa
Director

Bijaya Kumar Pant
Director

Avilasha Panth Sharma
Director

Vijaya Bahadur Shah
Chief Executive Officer

Rajkumar Khadka
Chief Financial Officer

As per our report of even date

Manish Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Place: Kathmandu
Date: 10th January, 2024

HIMALAYAN EVEREST INSURANCE LIMITED

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

Amount in NRs.

	Notes	For the year ended Ashad 31, 2080 (July 16, 2023)	Ashad 32, 2079 (July 16, 2022)
INCOME			
Gross earned premiums	25	3,394,102,330	1,734,572,615
Premiums ceded	26	(2,415,783,095)	(1,395,856,787)
Net earned premiums		**978,319,235**	**338,715,828**
Commission income	27	390,558,980	165,278,713
Other direct income	28	-	-
Investment income and loans	29	338,770,094	148,700,893
Net gains/ (losses) on fair value changes	30	-	-
Net realised gains/ (losses)	31	(1,263,914)	1,020,612
Other income	32	9,059,687	3,811,451
TOTAL INCOME		**1,715,444,082**	**657,527,497**
EXPENSES			
Gross claims paid	33	2,520,707,724	764,811,051
Claims ceded	33	(1,914,671,679)	(594,279,499)
Net claims paid		**606,036,045**	**170,531,552**
Gross change in contract liabilities	34	(264,738,255)	523,298,064
Change in contract liabities ceded to reinsurers	34	124,566,532	(491,322,200)
Net changes in insurance contract liabilities		**(140,171,723)**	**31,975,864**
Net claims paid		**465,864,322**	**202,507,416**
Commission expenses	35	59,174,530	28,681,699
Service fees	36	10,885,921	5,182,852
Other direct expenses	37	3,970,633	-
Employee benefits expenses	38	350,331,144	115,156,619
Depreciation and amortization expenses	39	19,194,061	10,383,752
Impairment losses	40	-	-
Other operating expenses	41	162,148,699	80,094,596
Finance cost	42	1,719,066	737,577
TOTAL EXPENSES		**1,073,288,376**	**442,744,511**
Net profit/(loss) for the year before share of net profits of associates accounted for using equity method and tax		**642,155,706**	**214,782,986**
Share of net profit of associates accounted using equity method	9	-	-
Profit before tax		**642,155,706**	**214,782,986**
Income tax expense	43	197,096,179	64,027,533
Net profit/ (loss) for the year		**445,059,527**	**150,755,453**
Earning per share	51		
Basic EPS		**19.34**	**12.85**
Diluted EPS		**19.34**	**12.85**
Restated basic EPS			**6.55**

The accompanying notes form an integral part of these financial statements.

For and on behalf of Himalayan Everest Insurance Limited

Mahendra Krishna Shrestha
Chairman

Vijit Krishna Shrestha
Director

Ajaya Ratna Sthapit
Director

Hem Raj Thapa
Director

Bijaya Kumar Pant
Director

Avibacha Panth Sharma
Director

Vijaya Bahadur Shah
Chief Executive Officer

Rajkumar Khadka
Chief Financial Officer

Himalayan Everest Insurance Ltd. Kathmandu

Place: Kathmandu
Date: 10th January, 2024

As per our report of even date

Manish Amatya
Partner
N. Amatya & Co.
Chartered Accounter

HIMALAYAN EVEREST INSURANCE LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

Amount in NRs.

	For the year ended	
	Ashad 31, 2080 (July 16, 2023)	*Ashad 32, 2079 (July 16, 2022)*
Net profit/ (loss) for the year	**445,059,527**	**150,755,453**
Other Comprehensive Income		
a. Items that are or may be reclassified to profit or loss		
Changes in fair value of FVOCI debt instruments	-	-
Cash flow hedge - effective portion of changes in fair value	-	-
Exchange differences on translation of foreign operation	-	-
Share of other comprehensive income of associates accounted for using the equity method	-	-
Income tax relating to above items	-	-
Reclassified to profit or loss	-	-
b. Items that will not be Reclassified to Profit or Loss		
Changes in fair value of FVOCI equity instruments	69,827,376	(45,128,634)
Revaluation of property, plant and equipment/ goodwill and intangible assets	-	-
Remeasurement of post-employment benefit obligations	-	-
Share of other comprehensive income of associates accounted for using the equity method	-	-
Income tax relating to above items	(20,948,213)	13,538,586
Total other comprehensive income for the year, net of tax	**48,879,163**	**(31,590,048)**
Total comprehensive income for the year, net of tax	**493,938,690**	**119,165,405**

The accompanying notes form an integral part of these financial statements.

For and on behalf of Himalayan Everest Insurance Limited

Mahendra Krishna Shrestha
Chairman

Vijit Krishna Shrestha
Director

Ajaya Ratna Sthapit
Director

Hem Raj Thapa
Director

Bijaya Kumar Pant
Director

Avilasha Nanth Sharma
Director

Vijaya Bahadur Shah
Chief Executive Officer

Rajkumar Khadka
Chief Financial Officer

As per our report of even date

Manish Amatya
Partner
N. Amatya & Co.
Chartered Accountants

Place: Kathmandu
Date: 10th January, 2024

HIMALAYAN EVEREST INSURANCE LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

Amount in NR

	For the year ended Ashad 31, 2080 (July 16, 2023)	Ashad 32, 2079 (July 16, 2022)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Cash received		
Gross premium received	3,401,888,356	1,040,106,614
Commission received	345,721,146	197,868,599
Claim recovery received from reinsurers	1,395,559,372	508,827,357
Foreign exchange income other than on cash and cash equivalents	(535,962)	3,187,725
Other income	8,961,117	2,624,496
Cash paid		
Gross claims paid	(1,510,215,448)	(744,580,040)
Reinsurance premium paid	(1,176,884,768)	(1,490,513,733)
Commission paid	(39,618,133)	(82,345,272)
Service fees paid	(3,766,833)	(3,958,899)
Employee benefits expenses paid	(326,723,127)	(112,203,533)
Other expenses paid	(6,130,093)	68,147,598
Other taxes expenses	(2,970,033)	-
Income tax paid	(79,943,311)	(75,993,824)
Total cash flow from operating activities	**617,642,313**	**192,768,997**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisitions of intangible assets	(7,818,362)	(4,708,771)
Proceeds from sale of intangible assets	-	-
Acquisitions of investment properties	-	-
Proceeds from sale of investment properties	-	-
Rental income received	(35,724,574)	(99,871,181)
Acquisitions of property, plant & equipment	5,538,808	7,965,181
Proceeds from sale of property, plant & equipment	-	-
Payment for acquisition of subsidiaries/ investment in subsidiaries	-	-
Investment in associates	-	-
Receipts from sale of investments in subsidiaries	-	-
Receipts from sale of investments in associates	(181,411,708)	(139,149,170)
Purchase of equity instruments	6,760,595	14,533,993
Proceeds from sale of equity instruments	(10,598,387)	(4,615,106)
Purchase of mutual funds	-	-
Proceeds from sale of mutual funds	-	-
Purchase of government shares	-	-
Proceeds from sale of preference shares	(32,715,599)	(2,000,200)
Purchase of debentures	-	-
Proceeds from sale of debentures	-	-
Purchase of bonds	-	-
Proceeds from sale of bonds	(6,979,871,303)	(1,165,017,000)
Investments in deposits	3,593,317,650	1,270,000,000
Maturity of deposits	-	-
Proceeds from finance lease	-	-
Loans paid	534,570,218	141,037,521
Proceeds from loans	3,194,391	9,708,487
Interest income received	-	-
Dividend received	(780,669,731)	32,594,350
Other income		
Total cash flow from investing activities	-	(737,577)
C. CASH FLOW FROM FINANCING ACTIVITIES	-	-
Interest paid	-	(30,244,567)
Payment of finance lease	-	-
Proceeds from issue of share capital	(374,248)	(505,704)
Proceeds from loans and borrowings	(3,242,018)	(3,853,379)
Share issuance cost paid	-	-
Dividend paid	(8,616,264)	(44,599,089)
Dividend distribution tax paid		
Others	(337,803,523)	286,393,458
Total cash flow from financing activities	847,229,744	68,389,494
Net increase/(decrease) in cash & cash equivalents (a+b+c)	198,616,388	
Cash and cash equivalents at beginning of the year	3,314,743	191,832
Cash and cash equivalents taken over from Everest Insurance Company Limited	207,459,364	847,229,744
Effect of exchange rate changes on cash and cash equivalents		
Cash and cash equivalents at end of the year		
Components of cash and cash equivalents	1,200,000	692,907
Cash in hand	-	-
Cheques in hand	206,256,364	166,545,940
Term deposit with banks (with initial maturity up to 3 months)	307,456,364	77,898,997
Balance with banks		347,229,744
Total		

For and on behalf of Himalayan Everest Insurance Limited

Rajeshwor Krishna Shrestha
Chairman

Vijit Krishna Shrestha
Director

Ajaya Ratna Sthapit
Director

Hem Raj Thapa
Director

Bijaya Kumar Pant
Director

Ashisha Pandit Sharma
Director

Vijay [illegible]
Chief Executive Officer

Rajkamal Khadka
Chief Financial Officer

As per our report of even date

Manish Amatya
Partner
M. Amatya & Co.
Chartered Accountants

Place: Kathmandu
Date: 30th January, 2024

Himalayan Everest Insurance Ltd. Kathmandu

HIMALAYAN EVEREST INSURANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended Ashad 32, 2079 (July 16, 2022)

Amount in NRs.

	Share capital	Retained earnings	Special Reserve	Capital Adjustment Reserve	Catastrophe Reserve	Corporate Social Responsibility Reserve	Fair Value Reserve	Actuarial Reserve	Deferred Tax Reserve	Regulatory Reserve	Total
Balance as at Ashad 31, 2078 (July 15, 2021)	1,100,336,700	82,972,081	646,902,169	-	19,009,262	-	12,396,491	1,931,617	44,264,539	36,652,780	1,944,549,652
Profit/(loss) for the year	-	150,755,455	-	-	-	-	-	-	-	-	150,755,455
Other comprehensive income for the year, net of tax											
i) Changes in fair value of FVOCI debt instruments	-	-	-	-	-	-	-	-	-	-	-
ii) Gains/ (losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-
iii) Exchange differences on translation of foreign operation	-	-	-	-	-	-	-	-	-	-	-
iv) Changes in fair value of fvoci equity instruments	-	-	-	-	-	-	-	-	-	-	-
v) Revaluation of property, plant and equipment/ intangible assets	-	-	-	-	-	-	(31,590,048)	-	-	-	(31,590,048)
vi) Remeasurement of post-employment benefit obligations	-	1,931,617	-	-	-	-	-	(1,931,617)	-	-	-
Transfer to reserves/ funds	-	(88,707,570)	60,741,007	-	7,039,921	1,911,402	-	-	-	19,015,240	-
Transfer from reserves/ funds	-	-	-	-	-	-	-	-	-	-	-
Transfer of deferred tax reserves	-	(1,552,847)	-	-	-	-	-	-	1,552,847	-	-
Transfer of depreciation on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Transfer on disposal of revalued property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Transfer on disposal of equity instruments measured at FVTOCI	-	84,410	-	-	-		(84,410)	-	-	-	-
Current tax on disposed equity instruments measured at FVTOCI	-	(25,323)	-	-	-		25,323	-	-	-	-
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-	-	-	-	-	-
Contribution by/ distribution to the owners of the company	-	-	-	-	-	-	-	-	-	-	-
i) Bonus share issued	73,172,400	(73,172,400)	-	-	-	-	-	-	-	-	-
ii) Share issue	-	-	-	-	-	-	-	-	-	-	-
iii) Cash dividend	-	(3,851,179)	-	-	-	-	-	-	-	-	(3,851,179)
iv) Dividend distribution tax	-	-	-	-	-	-	-	-	-	-	-
v) Others	-	-	-	-	-	-	-	-	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	1,173,509,100	68,434,242	707,723,176	-	26,049,183	1,911,402	(19,254,644)	-	45,817,386	55,668,020	2,059,857,870

For the year ended Ashad 31, 2080 (July 16, 2023)

Amount in NRs.

	Share capital	Retained earnings	Special Reserve	Capital Adjustment Reserve	Catastrophe Reserve	Corporate Social Responsibility Reserve	Fair Value Reserve	Actuarial Reserve	Deferred Tax Reserve	Regulatory Reserve	Total
Balance as at Ashad 32, 2079 (July 16, 2022)	1,173,509,100	68,434,242	707,723,176	-	26,049,183	1,911,402	(19,254,644)	-	45,817,386	56,268,020	2,059,857,870
Equity components added through merger	1,066,427,800	1,320,505	469,101,859	188,195,101	13,328,046	56,642	(21,143,991)		11,121,243	4,014,196	1,728,439,275
Profit/(loss) for the year	-	445,859,527	-	-	-	-	-	-	-	-	445,859,527
Other comprehensive income for the year, net of tax											
i) Changes in fair value of FVOCI debt instruments	-	-	-	-	-	-	-	-	-	-	-
ii) Gains/ (losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-
iii) Exchange differences on translation of foreign operation	-	-	-	-	-	-	-	-	-	-	-
iv) Changes in fair value of fvoci equity instruments	-	-	-	-	-	-	48,879,162	-	-	-	48,879,162
v) Revaluation of property, plant and equipment/ intangible assets	-	-	-	-	-	-	-	-	-	-	-
vi) Remeasurement of post-employment benefit obligations	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserves/ funds	-	(250,036,686)	233,679,148	-	11,983,957	4,673,583	-	-	-	-	-
Transfer from reserves/ funds	-	60,282,229	-	-	-	-	-	-	-	(60,282,229)	-
Transfer of deferred tax reserves	-	(37,583,465)	-	-	-	-	-	-	37,583,465	-	-
Excess deferred tax reserve transferred back to retained earning	-	4,559,371	-	-	-	-	-	-	(4,559,371)	-	-
Transfer of depreciation on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Transfer on disposal of revalued property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Transfer on disposal of equity instruments measured at FVTOCI	-	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	-
Transfer on disposal of equity instruments measured at FVTOCI net of tax	-	(322,532)	-	-	-	-	322,532	-	-	-	-
Current tax on disposed equity instruments measured at FVTOCI	-	-	-	-	-	-	(96,760)	-	-	-	(96,760)
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	-
Corporate Social Responsibility Reserve utilized	-	-	-	-	-	(1,369,044)	-	-	-	-	(1,369,044)
Goodwill created on merger	-	-	-	2,840,535	-	-	-	-	-	-	2,840,535
Contribution by/ distribution to the owners of the company											
i) Bonus share issued	61,598,300	(61,598,300)	-	-	-	-	-	-	-	-	-
ii) Share issue	-	-	-	-	-	-	-	-	-	-	-
iii) Cash dividend	-	-	-	-	-	-	-	-	-	-	-
iv) Dividend distribution tax	-	(3,242,916)	-	-	-	-	-	-	-	-	(3,242,916)
v) Rounding off adjustment	-	-	-	-	-	-	-	-	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	2,301,535,000	226,482,875	1,410,503,655	191,035,636	51,361,186	4,673,583	8,706,900	-	90,162,723	-	4,290,370,558

HIMALAYAN EVEREST INSURANCE LIMITED

STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

Amount in NRs.

	For the year ended	
	Ashad 31, 2080 (July 16, 2023)	*Ashad 32, 2079 (July 16, 2022)*
Opening balance in retained earnings	**88,609,479**	**77,864,790**
Retained earning brought in from merger	1,330,505	-
Transfer from OCI reserve to retained earning in current year	(322,532)	
Net profit or (loss) as per statement of profit or loss	445,059,527	150,755,453
Appropriations:		
i) Transfer to insurance fund	-	
ii) Transfer to special reserve	(233,679,146)	(60,741,007)
iii) Transfer to catastrophe reserve	(11,683,957)	-
iv) Transfer (to)/from capital reserve	-	-
v) Transfer to CSR reserve	(4,673,583)	-
vii) Transfer (to)/from regulatory reserve	60,282,229	(19,615,240)
vii) Transfer to fair value reserve		59,087
viii) Transfer to deferred tax reserve	(37,983,465)	(1,552,847)
ix) Transfer to OCI reserve due to change in classification	-	-
x) Actuarial reserve	-	19,254,644
xi) Others		
Capital adjustment reserve	191,053,635	-
Excess deferred tax reserve reverted back to retained earnings	4,559,371	-
Deductions:		
i) Accumulated fair value gain on financial instruments measured at FVTPL		
a) Equity Instruments	-	-
b) Mutual Fund	-	-
c) Others	-	-
ii) Accumulated fair value gain on investment properties	-	-
iii) Accumulated fair value gain on hedged items in fair value hedges	-	-
iv) Accumulated fair value gain on hedged instrument in fair value hedge	-	-
v) Accumulated fair value gain of ineffective portion on cash flow hedge	-	-
vi) Goodwill recognised	(2,860,535)	-
vii) Unrealised gain on fluctuation of foreign exchange currency	(3,314,747)	(391,822)
viii) Accumulated share of net profit of associates accounted using equity method included in investment account	-	-
ix) Overdue loans	-	-
x) Fair value gain recognised in Statement of profit or loss	-	-
xi) Investment in unlisted shares	-	-
xii) Delisted share investment or mutual fund investment	-	-
xiii) Bonus share distributed during the year	(61,598,300)	(73,172,400)
xiv) Cash dividend distributed during the year	(3,242,016)	(3,851,179)
xv) Deduction as per section (17) Financial directive	-	-
xvi) Deduction as per section (18) Financial directive	(36,378,607)	-
xvii) Others	-	-
Adjusted retained earnings		
Add: Transfer from share premium	-	-
Less: Amount apportioned for assigned capital	-	-
Less: Deduction as per sec 15(1) of financial directive	-	-
Add/Less: Others	-	-
Total distributable profit	**395,157,858**	**88,609,479**

1. Company overview

Himalayan Everest Insurance Limited *(hereinafter referred to as "the Company")* is a public limited liability company incorporated as per the laws of Nepal. The Company obtained the license (License number 04/050) from Nepal Insurance Authority on Srawan 6, 2050 and finally got approval from the Authority to carry on business from Srawan 13, 2050 under Insurance Act 2079. The Company started its commercial operation from Mangsir 16, 2050.

The registered office of the Company and the principal place of business is HGI House, Babar Mahal, Kathmandu, Nepal. The Company's share are listed in Nepal Stock Exchange.

The Company is engaged in the business of underwriting non-life insurance through its branches and network of agents. There were no significant changes in the nature of principal activities in the company during the financial year.

The Company does not have any holding company and neither have any interest in subsidiary and associate companies.

The company merged with Everest Insurance Company Limited and commenced joint operation in the name of the merged entity, Himalayan Everest Insurance Limited from Srawan 1, 2079 (July 17, 2022).

2. Basis of preparation of financial statements

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

2.1 Reporting period and approval of financial statement

a. Reporting dates

The company follows the Nepalese financial year based on the Nepalese calendar starting from first day of Srawan of each year (mid-July) to the last day of Ashad (mid-July) of the next year.

b. Approval of financial statements

This financial statement was approved for issue by the Company's board of directors on January 10, 2024.

2.2 Statement of compliance

These financial statements, which comprise the statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity, statement of cash flows, and notes along with the relevant presentation requirements thereto have been prepared in all material aspects under Nepal Financial Reporting Standards (NFRS) laid down by the Accounting Standard Board (ASB), and comply with requirements of Company Act, 2063 of Nepal and applicable directives issued by Nepal Insurance Authority and required disclosures as per Securities Board Nepal. The Company adopted NFRS from Srawan 1, 2074 (July 16, 2017). The format used in the preparation and presentation of the financial statements and disclosures made therein also complies with the specified formats prescribed in the directives of Nepal Insurance Authority.

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

2.3 Basis of measurement

These financial statements are prepared under the historical cost convention, except for certain assets and liabilities measured as follows as follows:

a. Investment in equity instruments and units of mutual funds are measured at fair value.

b. Liability for defined benefit obligations is recognized at the present value of the defined benefit obligation as determined by the actuary.

c. Insurance contract liabilities are actuarially determined values, and these have been measured at higher of such actuarial determined values under liability adequacy test and regulatory requirements as per Section 2, Annexure 8 of Actuarial Valuation Directive 2076 issued by Nepal Insurance Authority.

Historical cost is generally the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, or 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs used for fair value measurement in its entirety, which are described as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs are unobservable inputs for the asset or liability.

The Company presents its statement of financial position broadly in the order of liquidity.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with NFRS requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical accounting estimates / judgements	*Disclosure note*
Unexpired risk reserve (URR)	Note 3.11(a)
Provision for gross outstanding claims (OCR)	Note 3.11(b)
Provision for incurred but not reported claims (IBNR)	Note 3.11(c)
Employee benefits	Note 3.12(a), (b) and (c)
Useful lives of property, plant and equipment	Note 3.1(d)
Useful lives of intangible assets	Note 3.2(b)(v)

c. *Insurance contract liabilities*

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred, but not yet reported (IBNR). It can take significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

d. *Defined benefit obligation*

The defined benefit obligation liability of the Company is based on the actuarial valuations carried out by an independent actuary. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is very sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

e. *Useful lives of property, plant and equipment and intangible assets*

As described in the significant accounting policies, the Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

2.5 Functional and presentation currency

The financial statements are presented in Nepalese Rupees (Rs.), which is the functional and presentation currency of the Company. Amounts in the financial statements are rounded off to the nearest rupee.

2.6 Going concern

The board of directors have made assessment of the Company's ability to continue as going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as going concern and accordingly, the financial statements continue to be prepared on the basis of going concern.

2.7 Changes in accounting policy

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Company in preparing and presenting financial statements. The Company changes its accounting policy only if the change is required by a standard or interpretation; or results in the financial

statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the company's financial position, financial performance, or cash flows.

2.8 New standard issued but not yet effective

New standards and amendments to the existing standards and interpretations have been issued by ICAN with varying effective dates. Those become applicable from the financial year beginning from Srawan 1, 2081 (July 17, 2023).

Standards issued but not yet effective up to the date of issuance of the financial statements are set out below. The Company will adopt these standards from their effective dates.

a. NFRS 17 – Insurance Contract

NFRS 17 and will replace NFRS 4 – Insurance Contract. Under the NFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. The discount rate will reflect current interest rates. NFRS 17 requires an entity to recognise profit as it delivers insurance services, rather than when it received premium and to provide information about insurance contract profit that an entity expects to recognise in the future period.

NFRS 17 becomes effective from financial year commencing from Srawan 1, 2081 (July 16, 2024). The management of the Company is assessing the potential impact in its financial statements from the application of this standard.

2.9 Offsetting

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

2.10 Presentation of financial statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by the nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.11 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless that are material.

3. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property, plant and equipment

a. Recognition of property, plant and equipment

The cost of an item of property, plant and equipment is recognised as assets if and only if:

- It is probable that future economic benefits associated with the item will flow the Company; and
- The cost of the item can be measured reliably.

b. Initial recognition

Property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of an item of property, plant and equipment.

c. Subsequent recognition

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to statement of profit or loss during the reporting period in which they are incurred.

d. Depreciation method, estimated useful lives and residual value

Depreciation is calculated using the straight-line method over their useful lives. The estimated useful lives of property, plant and equipment is as follows:

Class of property, plant and equipment	*Useful life*
Building	60 years
Leasehold property	5 years
Furniture and fixtures	10 years
Computers	5 years
Office equipment	5 years
Other assets	10 years
Vehicles	10 years

Freehold land is not depreciated.

Residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted if appropriate.

e. Disposals and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the property, plant and equipment and is recognised in the statement of profit or loss.

f. Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

g. Capital work-in-progress

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

3.2 Goodwill and intangible assets

a. Goodwill on business combination

i. Initial recognition

Goodwill on business combination is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in the statement of profit or loss as a bargain purchase gain.

ii. Amortisation and impairment

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

b. Other intangible assets

iii. Initial recognition

Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible asset acquired separately are measured at cost. Cost includes expenditure that is directly attributable to the acquisition of an item of intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

iv. Subsequent recognition

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in statement of profit or loss as incurred.

v. Amortisation

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

The useful economic life of an intangible asset is considered finite where the right to such asset is limited to a specified period of time by contract or by the likelihood of technological obsolescence. Intangible assets with finite lives are amortised using the straight-line method to write down the cost over its estimated useful economic lives and is recognised in statement of profit or loss.

Class of intangible assets	*Useful life*
Enterprise Resource Planning Software	15 years
Other software	5 years

The amortization method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

vi. Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the asset, is recognised in statement of profit or loss in the year the asset is derecognised.

vii. Impairment

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

Intangible assets with infinite useful life such as license are not amortized but are assessed for impairment in each reporting period or as and when there is indication of impairment. The assessment of infinite life is reviewed each reporting period to determine whether the infinite life continues to be supportable.

3.3 Investment properties

Property that is held for rental income or for capital appreciation or both, is classified as investment property. Investment properties are measured initially at cost, including related transaction cost. It is subsequently carried at cost less accumulated depreciation. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with

the expenditure will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

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

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

As on the date of the statement of financial position, the company does not have any investment properties.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and financial institutions in current and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.5 Financial instruments, financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities.

a. Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in statement of profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

b. Financial assets

Financial assets include loans, advances, insurance receivables and cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being measured at fair value through statement of profit or loss and other comprehensive income.

i. Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both (a) the entity's business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset.

Financial assets are classified as those:

- *Measured at amortised cost*

A financial asset is measured at amortised cost, if it is held solely for collection of cash flows arising from payments of principal and interest. Interest income in these financial assets is measured using the effective interest rate method.

Fixed deposits with banks and financial institutions, advances, insurance receivables and cash and cash equivalents are classified for measurement at amortised cost.

- *Measured at fair value through other comprehensive income (FVOCI)*

A financial asset is measured at FVOCI, if it is held with an objective to collect contractual cash flows and selling such financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding. It is subsequently measured at fair value with fair value movements recognised in the other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains or losses. Interest income from these financial assets is included in investment income using the effective interest method.

However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

- *Measured at fair value through profit or loss (FVPL)*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in investment income.

ii. Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Financial assets are also derecognised upon write off. Any gain or loss arising on the disposal or retirement of an item of financial asset is determined as the difference between the sales proceeds and its carrying amount and is recognised in the statement of profit or loss.

iii. Impairment of financial assets

The Company assesses at each reporting date whether a financial asset (or a group of financial assets) held at amortised cost and financial assets that are measured at fair value through other comprehensive income are impaired based on evidence or information that is available without undue cost or effort. Loss allowances is recognised for all financial assets which are considered as doubtful of recovery. Losses arising from impairment are recognised in statement of profit or loss.

c. Financial liabilities

Insurance payables, sundry creditors and other financial liabilities are initially recognised at the value of the respective contractual obligations.

i. Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the statement of profit or loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the statement of financial position.

ii. Derecognition

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expired.

d. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.6 Reinsurance assets

The Company cedes insurance risk in the normal course of business to recognise reinsurers through formal reinsurance arrangements. Reinsurance assets include balance due from reinsurer for unexpired premium reserve and for outstanding claim reserve. Amount recoverable from reinsurers are estimated in a manner consistent with the ratio of unexpired premium reserve to gross premiums that have been ceded and with the ratio of outstanding claim reserve recoverable from reinsurers in accordance with the related reinsurance contract.

Reinsurance assets is measured in gross in the statement of financial position unless a right to offset exits. Where the right to offset exits, these are measured at net basis.

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

The impairment loss, if any, is recognised in the statement of profit or loss.

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

3.7 Current tax assets and current tax liabilities

Current tax assets of the company include the amount of advance income tax paid to the Inland Revenue Department and tax deducted at source. Similarly, current tax liabilities include the tax provision made for the year.

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

Current tax assets and current tax liabilities are shown in net in statement of financial position of the company as there exist condition to set off both assets and liabilities.

3.8 Other assets

Deferred fees and commission expenses

Fees and commission expenses incurred during the financial year arising from writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other costs are recognised as expenses when incurred.

3.9 Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability.

3.10 Reserve and funds

a. Share premium

It represents amount collected in excess of the face value of shares on auction of unsubscribed right shares. This amount may be utilised for issuing fully paid bonus shares to the ordinary shareholders.

b. Revaluation reserves

Represents unrealised gain on revaluation adjustment to carrying amount of assets and cannot be used for distribution.

c. Special reserve

Represents appropriation of 50% of profit for the year as per Insurance Act, 2079 to categories based on the weight of their contribution to revenue. The fund maintained for one category cannot be utilized to bear the liabilities relating to other category of Insurance Business. During the year, the amount appropriated to the fund is based on the profit for the year as per the financial statement prepared under regulator's directive. Also represents all the reserves created before financial year 2064-65.

d. Capital reserve

It represents funds used for contingencies or to offset capital losses. It is derived from the accumulated capital surplus of a company, created out of capital profit.

e. Capital adjustment reserve

The Company has acquired erstwhile Everest Insurance Limited in the reporting period which and its joint operation was started from 1st Srawan, 2079 (17th July, 2022). For the consideration of acquisition, the Company has issued 10,664,276 number of equity shares at swap ratio of 100:85 (85 shares of Himalayan General Insurance Company Limited for every 100 shares of Everest Insurance Company Limited). Accounting for acquisition of Everest Insurance Limited has been done as per Nepal Financial Reporting Standard (NFRS) 3 – Business Combination along with considering the explanatory notes prescribed by the Institute of Chartered Accountants of Nepal by recognizing goodwill of Rs. 2,860,535 and Rs. 184,002,024 of swap adjusted paid up capital by creating capital adjustment reserve.

f. Catastrophe reserves

Represents appropriation of 10% of profit for the year remaining after appropriation to insurance fund, segregated for significant insurance claims that might have adverse impact on financial stability. This reserve is not available for distribution to the ordinary shareholders.

g. Corporate social responsibility reserve

Represents reserve established under regulatory requirement by apportioning 1% of profit for the year before considering deferred tax impact for the year to be expended towards CSR initiatives.

h. Fair value reserves

Represents the cumulative gains (net of losses) arising on the revaluation of equity instruments and units of mutual fund measured at FVOCI.

i. Actuarial reserves

Represents the cumulative gains / (losses) arising on actuary valuation of gratuity, a defined benefit plan resulting from experience adjustment (the effects of differences between the previous actuarial assumptions and what has occurred; and the effects of changes in actuarial assumptions.)

j. Deferred tax reserve

Represents amount appropriated from retained earnings for an amount equal to deferred tax assets recognised and amount set aside for corporate social responsibility as per the regulator's directive.

k. Regulatory reserves

Represents excess amount of retained earnings and profit reported under financial statement prepared under NFRS compared to retained earnings and profit reported under GAAP. This amount has been appropriated to retained earnings after regulatory allocations stated by Insurer's Financial Statement Directives, 2080 during this reporting period.

3.11 Insurance contract liabilities

Insurance contract liabilities include outstanding claim reserve (OCR) including liability recognised for incurred but not reported (IBNR) claims and provision for unearned risk premiums (UPR). Insurance contract liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

a. Unearned risk reserve (URR)

Unearned risk reserve includes a provision for unearned premium and any additional provision for premium deficiency. Unearned risk premiums represent premiums received for risks that have not yet expired and is generally released over the term of the insurance contract and is recognised as earned premiums.

As required by NFRS 4 – Insurance Contracts, the Company performed liability adequacy test (LAT) with respect of URR on general insurance contracts with the assistance of an external actuary. Liability for URR is recognised at higher of the liability assessed by actuary in LAT or liability required under regulatory requirements at 50% of net premium received.

b. Outstanding claim reserve (OCR)

Outstanding claim reserve is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claim handling cost and reduction for the expected value of salvage and other recoveries. Delays are experienced in notification and settlement of certain types of claims; therefore, the ultimate actual cost of the claims cannot be ascertained with certainty as at the date of statement of financial position.

As required by NFRS 4 – Insurance Contracts, the Company performed liability adequacy test (LAT) with respect of OCR on general insurance contracts with the assistance of an external actuary. Liability for OCR is recognised at higher of the liability assessed by actuary in LAT or liability required under regulatory requirements.

c. Incurred but not reported (IBNR) claims

Incurred but not reported (IBNR) claims are actuarially computed as required by NFRS 4 – Insurance Contracts. Liability of IBNR is recognised at higher of the liability assessed by actuary in LAT or liability required under regulatory requirements at 15% of net outstanding claims.

d. Liability Adequacy

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

3.12 Employee benefits

a. Short-term obligations

Expenses in respect of short-term benefits are recognised on the basis of amount paid or payable during which services are rendered by the employees. Liabilities for salary and allowances that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

b. Post-employment obligations

i. Defined contribution plan

These are plans in which the Company pays pre-defined amounts to publicly administered funds as per local regulations and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the social security fund with the government on account of provident fund. The Company's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

ii. Defined benefit plan

The Company's defined benefit plans comprise of gratuity. The liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Service costs and net interest expense or income is reflected in the statement of profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in OCI reserve as actuarial reserve in the statement of changes in equity and in the statement of financial position. Gratuity is funded and deposited with Citizens Investment Trust, towards meeting the gratuity obligation.

c. Long-term employee benefits

The liabilities for earned leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Leave Encashment has been computed using actuarial assumptions and these are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the year using the projected unit credit method. The benefits are discounted using the market yields at the end of the year that have terms approximating to the terms of assumptions. This benefit is unfunded.

d. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary retirement in exchange of these benefits. The Company recognises termination benefits at the earlier of the following dates:
- when the Company can no longer withdraw the offer of those benefits; and
- when the entity recognises costs for a restructuring that is within the scope of NAS 37 and involves the payment of termination benefits.

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

3.13 Revenue recognition

a. Gross premiums

Gross premiums comprise the total premium received or receivable for the whole period of cover provided by insurance contract entered during the financial year. Gross premium is generally recognised upon inception of the insurance contract policy. Upon inception of the contract, premiums are recorded as and are earned primarily on a pro-rate basis over the term of the coverage of related insurance contract.

Unexpired risk reserve are those proportions of premiums written in a financial year that relate to periods of risks after the reporting date. Unexpired premiums are calculated on 365 days basis for all insurance contracts having an insurance coverage period of one year. However, in the case of marine cargo policies, having an insurance coverage period of less than one year, unearned premiums are calculated on 365 days basis of the insurance contract and where the insurance coverage is for a period of more than one year or in the absence of data required, unearned premiums are calculated at 50% of the gross premiums.

The proportion attributable to subsequent periods is deferred as provision for unexpired risk reserve which is included under liabilities.

b. Premiums ceded to reinsurers

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when the premiums are payable or when the policy becomes effective. Reinsurance premiums are based on the rates agreed with reinsurers.

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

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

c. Fees and commission income

Fees and commission income earned during the financial year arising on premium ceded to reinsurers are recognised when the related service is performed in accordance with the insurance contract. The portion of fees and commission income for which the insurance contact is not expired is deferred and amortised over the period in with the related revenues are earned.

d. Investment income

I. Interest income

Interest income is recognised as it accrues, using the effective interest method.

ii. Dividend income

Dividend income from investments in equity instruments and from investment in units of mutual funds is recognised when the right to receive dividend is established.

e. Net realized gains and losses

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

3.14 Benefits and claims

a. Gross benefits and claims

Claims include all claims occurring during the financial year, whether reported or not together with 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. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

The provision in respect of claims incurred but not reported (IBNR) is actuarially determined based on the past experience and trends. The provisions for claims are fairly stated based on the information currently available, the ultimate liability will vary as a result of subsequent information and events which may result in adjustments to the amount reported. Such amounts are recorded and reflected in such subsequent periods.

b. Claims recovered from reinsurers

Claims recovered from reinsurers are recognised when the related gross insurance claim is recognised according to the terms of the relevant insurance contract.

3.15 Product classification

Insurance contracts are those contracts when the Company has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company has following portfolios under which it operates its business:"

a. Fire portfolio

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

b. Motor portfolio

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

c. Marine portfolio

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

d. Engineering portfolio

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

e. Micro portfolio

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

f. Aviation portfolio

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

g. Cattle and crop portfolio

Cattle and Crop Insurance provides insurance against loss of or damage to cattle and crops.

h. Miscellaneous portfolio

All the insurance business which does not fall in above categories fall under miscellaneous insurance business. Group personal accidents, medical insurances, professional indemnity insurance etc. fall under this category of business.

3.16 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

3.17 Cash flow statement

Cash Flows are reported using the direct method, whereby major classes of cash receipts and cash payments are disclosed as cash flows.

3.18 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

Right-of-Use (ROU) assets are recognised at inception of a contract or arrangement for significant lease components at cost less lease incentives, if any. ROU assets are subsequently measured at cost less accumulated amortisation and impairment losses, if any. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct cost incurred and lease payments made at or before the lease commencement date. ROU assets are generally amortised over the shorter of the lease term and estimated useful lives of the underlying assets on a straight-line basis. Lease term is determined based on consideration of facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Lease payments associated with short-term leases and low value leases are charged to the statement of profit and loss on a straight-line basis over the term of the relevant lease. The Company recognizes lease liabilities measured at the present value of lease payments to be made on the date of recognition of the lease. Such lease liabilities do not include variable lease payments (that do not depend on an index or a rate), which are recognised as expense in the periods in which they are incurred. Interest on lease liability is recognised using the effective interest method.

Lease liabilities are subsequently increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is also remeasured upon modification of lease arrangement or upon change in the assessment of the lease term. The effect of such remeasurements is adjusted to the value of the ROU assets.

3.19 Income tax

a. Current tax

Current tax in the statement of profit or loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates and tax laws applicable during the period, together with any adjustment to tax payable in respect of previous years.

b. Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that the future taxable amounts will be available to utilise those temporary differences and losses.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3.20 Provisions, contingent liabilities and contingent assets

a. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The carrying amounts of provisions are reviewed at each date of statement of financial position and adjusted to reflect the current best estimate.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

b. Contingent Liabilities

Contingent liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

c. Contingent Assets

Contingent assets where it is probable that future economic benefits will flow to the Company are not recognized but are disclosed in the financial statements.

3.21 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in statement of profit or loss.

3.22 Dividend distribution

Dividends paid are recognised in the period in which the interim dividends are approved by the board of directors, or in respect of the final dividend when approved by shareholders.

3.23 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of equity shares outstanding during the financial year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

3.24 Operating Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team of the Company comprising of the chief executive officer and various department heads.

The Company has identified the following line of insurance business as separate segment

- Fire
- Marine
- Motor
- Engineering
- Aviation
- Miscellaneous
- Agriculture and
- Micro

Segments are organised based on business which have similar economic characteristics as well as which exhibit similarities in nature of products and services offered, the type and class of customer and distribution methods.

Segments includes total profit distribution of the Company to all its line of businesses. The premium income, reinsurance premium expenses, gross claims and claims recovered from reinsurers, outstanding claims, other direct expenses and income, fees and commission income, other operating and administrative expenses are allocated to each line of business as per the existing GAAP.

"Unallocated corporate expenses" include revenue and expenses that relate to initiatives / costs attributable to the enterprise as a whole and are not attributable to segments.

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

4. GOODWILL AND INTANGIBLE ASSETS

Amount in NRs.

Particulars	Software	Goodwill	Others	Total
Gross carrying amount				
Balance as at Srawan 1, 2078 (July 16, 2021)	**9,077,320**	-	-	**9,077,320**
Additions during the year				
Acquisition	-	-	-	-
Internal development	4,708,372	-	-	4,708,372
Business combination	-	-	-	-
Disposals during the year	-	-	-	-
Revaluation/adjustment	-	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	**13,785,692**	-	-	**13,785,692**
Additions during the year				
Acquisition	4,625,086	2,860,535	-	7,485,621
Internal development	7,818,362	-	-	7,818,362
Business combination	-	-	-	-
Disposals during the year	-	-	-	-
Revaluation/adjustment	-	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	**26,229,140**	**2,860,535**	-	**29,089,675**
Accumulated amortization and impairment				
Balance as at Srawan 1, 2078 (July 16, 2021)	**2,375,737**	-	-	**2,375,737**
Additions during the year	2,319,396	-	-	**2,319,396**
Disposals during the year	-	-	-	-
Impairment losses during the year	-	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	**4,695,133**	-	-	**4,695,133**
Acquisition	1,406,041			**1,406,041**
Additions during the year	1,996,314	-	-	**1,996,314**
Disposals during the year	-	-	-	-
Impairment losses during the year	-	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	**8,097,488**	-	-	**8,097,488**
Net carrying amount				
Balance as at Ashad 32, 2079 (July 16, 2022)	**9,090,559**	-	-	**9,090,559**
Balance as at Ashad 31, 2080 (July 16, 2023)	**18,131,652**	**2,860,535**	-	**20,992,187**

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

5. PROPERTY, PLANT AND EQUIPMENT

Amount in NRs.

	Land	Buildings	Leasehold improvement	Furniture and fixtures	Computers and IT equipment	Office equipment	Vehicles	Other assets	Total
Gross carrying amount									
Balance as at Srawan 1, 2078 (July 16, 2021)	**16,930,121**	-	**8,800,793**	**8,982,485**	**11,107,028**	**6,211,368**	**25,514,573**	-	**77,546,368**
Additions during the year									
Acquisition	-	-	-	-	-	-	-	-	-
Capitalisation	-	-	954,961	2,151,676	3,896,686	2,020,750	13,000,885	-	22,024,958
Disposals during the year	-	-	-	-	-	(140,000)	(12,592,066)	-	(12,732,066)
Write-offs during the year	-	-	-	-	-	-	-	-	-
Revaluation during the year	-	-	-	-	-	-	-	-	-
Transfer/ adjustments	-	-	-	-	-	-	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	**16,930,121**	-	**9,755,754**	**11,134,161**	**15,003,714**	**8,092,118**	**25,923,392**	-	**86,839,260**
Additions during the year									
Acquisition	18,473,954	-	-	24,481,783	18,996,750	13,571,889	22,316,270	-	97,840,646
Capitalisation	-	12,066,955	4,346,831	2,731,308	1,042,478	2,747,582	4,435,064	-	27,370,218
Disposals during the year	-	-	-	-	-	-	(8,018,850)	-	(8,018,850)
Write-offs during the year	-	-	-	-	-	-	-	-	-
Revaluation during the year	-	-	-	-	-	-	-	-	-
Transfer/ adjustments	-	-	-	-	-	-	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	**35,404,075**	**12,066,955**	**14,102,585**	**38,347,252**	**35,042,942**	**24,411,589**	**44,655,876**	-	**204,031,274**
Accumulated depreciation and impairment									
Balance as at Srawan 1, 2078 (July 16, 2021)	-	-	**4,519,256**	**4,608,466**	**6,542,182**	**4,683,456**	**10,244,231**	-	**30,597,591**
Additions during the year	-	-	1,807,380	740,072	1,989,666	798,778	2,728,460	-	**8,064,356**
Disposals during the year	-	-	-	-	-	(140,000)	(5,812,840)	-	**(5,952,840)**
Write-offs during the year	-	-	-	-	-	-	-	-	-
Impairment during the year	-	-	-	-	-	-	-	-	-
Transfer/ adjustments	-	-	-	-	-	-	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	-	-	**6,326,636**	**5,348,538**	**8,531,848**	**5,342,234**	**7,159,851**	-	**32,709,107**
Additions during the year	-	241,339	1,733,372	2,249,823	3,447,543	2,459,203	3,478,607	-	**13,609,887**
Disposals during the year	-	-	-	-	-	-	(2,599,831)	-	**(2,599,831)**
Write-offs during the year	-	-	-	-	-	-	-	-	-
Impairment during the year	-	-	-	-	-	-	-	-	-
Transfer/ adjustments	-	-	-	11,266,737	11,988,260	6,807,225	11,367,443	-	**41,429,665**
Balance as at Ashad 31, 2080 (July 16, 2023)	-	**241,339**	**8,060,008**	**18,865,098**	**23,967,651**	**14,608,662**	**19,406,070**	-	**85,148,828**

** Building capitalised during the year from capital work in progress amounting to Rs. 12,066,955 pertains to asset taken over from former Everest Insurance Company Limited whose legal ownership is yet to be transferred due a legal notice received from the Office of Kathmandu Metropolitan. The Company is under legal proceeding against such notice received.*

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

5. PROPERTY, PLANT AND EQUIPMENT (contd)

Amount in NRs.

	Land	Buildings	Leasehold improvement	Furniture and fixtures	Computers and IT equipment	Office equipment	Vehicles	Other assets	Total
Capital Work-In-Progress									
Balance as at Srawan 1, 2078 (July 16, 2021)	-	32,226,264	-	-	-	-	-	-	32,226,264.00
Additions during the year	-	88,747,232	-	-	-	-	-	-	88,747,232.00
Capitalisation during the year	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-	-
Impairment during the year	-	-	-	-	-	-	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	-	120,973,496	-	-	-	-	-	-	120,973,496.00
Acquisition during the year	-	12,066,955	-	-	1,944,444	-	-	-	14,011,399.00
Additions during the year	-	60,421,311	-	-	-	-	-	-	60,421,311.00
Capitalisation during the year	-	(12,066,955)	-	-	-	-	-	-	(12,066,955.00)
Disposals during the year	-	-	-	-	-	-	-	-	-
Impairment during the year	-	-	-	-	-	-	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	-	181,394,807	-	-	1,944,444	-	-	-	183,339,251.00
Net carrying amount									
Balance as at Ashad 32, 2079 (July 16, 2022)	16,930,121	120,973,496	5,429,118	5,785,623	6,471,866	2,749,884	18,763,541	-	175,103,649.00
Balance as at Ashad 31, 2080 (July 16, 2023)	35,404,075	193,220,423	6,042,577	19,482,154	15,019,735	9,802,927	25,249,806	-	302,221,697.00
Right-of-use assets									
Gross carrying amount									
Balance as at Srawan 1, 2078 (July 16, 2021)	-	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-	-
Write-offs during the year	-	-	-	-	-	-	-	-	-
Revaluation during the year	-	-	-	-	-	-	-	-	-
Transfer/ adjustments	-	-	-	-	-	-	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	-	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	18,061,890	18,061,890.00
Write-offs during the year	-	-	-	-	-	-	-	-	-
Revaluation during the year	-	-	-	-	-	-	-	-	-
Transfer/ adjustments	-	-	-	-	-	-	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	-	-	-	-	-	-	-	18,061,890	18,061,890.00
Accumulated depreciation									
Balance as at Srawan 1, 2078 (July 16, 2021)	-	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-	-
Write-offs during the year	-	-	-	-	-	-	-	-	-
Impairment during the year	-	-	-	-	-	-	-	-	-
Transfer/ adjustments	-	-	-	-	-	-	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	-	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	3,587,860	3,587,860.00
Write-offs during the year	-	-	-	-	-	-	-	-	-
Impairment during the year	-	-	-	-	-	-	-	-	-
Transfer/ adjustments	-	-	-	-	-	-	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	-	-	-	-	-	-	-	3,587,860	3,587,860.00
Net carrying amount									
Balance as at Ashad 32, 2079 (July 16, 2022)	-	-	-	-	-	-	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	-	-	-	-	-	-	-	14,474,030	14,474,030
Net carrying amount									
Balance as at Ashad 32, 2079 (July 16, 2022)	16,930,121	120,973,496	5,429,118	5,785,623	6,471,866	2,749,884	18,763,541	-	175,103,649.00
Balance as at Ashad 31, 2080 (July 16, 2023)	35,404,075	193,220,423	6,042,577	19,482,154	13,019,735	9,802,927	25,249,806	14,474,030	316,695,727.00

Himalayan Everest Insurance Ltd.

B. AMATYA & Co. CHARTERED ACCOUNTANTS Kathmandu

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

6. INVESTMENT PROPERTIES

Amount in NRs.

Investment properties at cost

Particulars	*Land*	*Building*	*Total*
Gross carrying amount			
Balance as at Srawan 1, 2078 (July 16, 2021)	-	-	-
Additions during the year			
Acquisition	-	-	-
Subsequent expenditure	-	-	-
Assets classified as held for sales	-	-	-
Disposals during the year	-	-	-
Transfer/ adjustments	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	-	-	-
Additions during the year			
Acquisition	-	-	-
Subsequent expenditure	-	-	-
Assets classified as held for sales	-	-	-
Disposals during the year	-	-	-
Transfer/ adjustments	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	-	-	-
Accumulated depreciation and impairment			
Balance as at Srawan 1, 2078 (July 16, 2021)	-	-	-
Additions during the year	-	-	-
Disposal during the year	-	-	-
Impairment during the year	-	-	-
Transfer/ adjustments	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	-	-	-
Additions during the year	-	-	-
Disposal during the year	-	-	-
Impairment during the year	-	-	-
Transfer/ adjustments	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	-	-	-
Capital work-in-progress			
Balance as at Srawan 1, 2078 (July 16, 2021)	-	-	-
Additions during the year	-	-	-
Capitalisation during the year	-	-	-
Disposal during the year	-	-	-
Impairment during the year	-	-	-
Transfer/ adjustments	-	-	-
Balance as at Ashad 32, 2079 (July 16, 2022)	-	-	-
Additions during the year	-	-	-
Capitalisation during the year	-	-	-
Disposal during the year	-	-	-
Impairment during the year	-	-	-
Transfer/ adjustments	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	-	-	-
Net Carrying Amount			
Balance as at Ashad 32, 2079 (July 16, 2022)	-	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	-	-	-

(i) Amounts recognised in statement of profit or loss for investment properties

Particulars	*Current Year*	*Previous Year*
Rental income	-	
Direct operating expenses from property that generated rental income	-	
Direct operating expenses from property that didn't generated rental income	-	-
Profit from investment properties before depreciation	-	-

Depreciation charge	-	-
Profit from investment properties	-	-

(ii) Fair value of investment properties:

Particulars	***Current Year***	***Previous Year***
Land	-	-
Building	-	-
Total	-	-

7. DEFERRED TAX ASSETS/ (LIABILITIES)

Amount in NRs.

Particulars	Current Year			Previous Year		
	Through SOPL	Through SOCI	Total	Through SOPL	Through SOCI	Total
Goodwill and intangible assets	(1,195,484)	-	(1,195,484)	190,004	-	190,004
Property, plant and equipment	(4,596,116)	-	(4,596,116)	(774,310)	-	(774,310)
Right of use assets	(4,342,209)	-	(4,342,209)	-	-	-
Financial assets at FVTPL	-	-	-	-	-	-
Financial assets at FVTOCI	-	(3,731,531)	(3,731,531)	-	8,251,988	8,251,988
Provision for leave	7,037,339	-	7,037,339	2,544,504	-	2,544,504
Provision for gratuity	17,270,214	-	17,270,214	16,894,448	-	16,894,448
Provision for unrealised premium	6,711,328	-	6,711,328	-	-	-
Impairment loss on property, plant and equipment	-	-	-	-	-	-
Impairment loss on financial assets	7,871,872	-	7,871,872	-	-	-
Impairment loss on other assets	-	-	-	-	-	-
Rent equalization	254,852	-	254,852	253,928	-	253,928
Lease liability	4,617,767	-	4,617,767	-	-	-
Income tax losses	-	-	-	-	-	-
Others						
Unearned premiums	(48,345,634)	-	(48,345,634)	(2,439,153)	-	(2,439,153)
Premium deficiency	-	-	-	6,069,493	-	6,069,493
IBNR and IBNER	87,545,547	-	87,545,547	42,446,871	-	42,446,871
Outstanding claims	-	-	-	-	-	-
Margin for adverse deviation	8,792,812	-	8,792,812	4,434,010	-	4,434,010
Reinsurance asset on Unearned premiums	49,667,114	-	49,667,114	3,415,867	-	3,415,867
Reinsurance asset on Premium deficiency	243,908	-	243,908	(4,817,910)	-	(4,817,910)
Reinsurance asset on IBNR and IBNER Claim	(64,931,771)	-	(64,931,771)	(41,110,243)	-	(41,110,243)
Reinsurance asset on Outstanding claims	-	-	-	-	-	-
Reinsurance asset on Margin for adverse deviation	(7,052,746)	-	(7,052,746)	(4,067,132)	-	(4,067,132)
Deferred fee and commission expenses	(7,139,449)	-	(7,139,449)	(5,007,434)	-	(5,007,434)
Deferred commission income	40,992,819	-	40,992,819	26,956,604	-	26,956,604
Provision for probable salary	692,091	-	692,091	-	-	-
Total	**94,094,254**	**(3,731,531)**	**90,362,723**	**44,989,547**	**8,251,988**	**53,241,535**
Deferred tax assets			231,697,663			111,457,717
Deferred tax liabilities			(141,334,940)			(58,216,182)

Movements in deferred tax assets/ (liabilities)

Particulars	Current Year			Previous Year		
	Through SOPL	Through SOCI & Equity	Total	Through SOPL	Through SOCI & Equity	Total
Balance as at Ashad 32, 2079 (July 16, 2022)	**44,989,547**	**8,251,988**	**53,241,535**	**46,542,394**	**21,790,574**	**68,332,968**
Deferred tax asset/(liabilities) taken over from Everest Insurance Limited	11,121,243	9,061,453	20,182,696	-	-	-
Charged/(credited) to statement of profit or loss	37,983,465	-	37,983,465	(1,552,847)	-	(1,552,847)
Charged/(credited) to other comprehensive income and equity	-	(21,044,973)	(21,044,973)	-	(13,538,586)	(13,538,586)
Balance as at Ashad 31, 2080 (July 16, 2023)	**94,094,254**	**(3,731,531)**	**90,362,723**	**44,989,547**	**8,251,988**	**53,241,535**

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

8. INVESTMENTS IN SUBSIDIARIES

Amount in NRs.

Particulars	*Current Year*	*Previous Year*
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	-	-
Less: Impairment losses	-	-
Total	-	-

Investment in quoted subsidiaries

Particulars	*Current Year*		*Previous Year*	
	Cost	*Fair Value*	*Cost*	*Fair Value*
..... shares of Rs. ..... each of ..... Ltd.	-	-	-	-
..... shares of Rs. ..... each of ..... Ltd.	-	-	-	-
Total	-	-	-	-

Investment in Unquoted Subsidiaries

Particulars	*Current Year*		*Previous Year*	
	Cost	*Fair Value*	*Cost*	*Fair Value*
..... shares of Rs. ..... each of ..... Ltd.	-	-	-	-
..... shares of Rs. ..... each of ..... Ltd.	-	-	-	-
Total	-	-	-	-

Information relating to subsidiaries: The Company does not have any subsidiary companies.

9. INVESTMENTS IN ASSOCIATES

Amount in NRs.

Particulars	Current Year	Previous Year
Investment in quoted associates	-	-
Investment in unquoted associates	-	-
Less: Impairment Losses	-	-
Total	-	-

Investment in quoted associates

Particulars	Current Year			Previous Year		
	Cost	Fair value	(or) Equity method	Cost	Fair value	(or) Equity method
..... shares of Rs. ..... each of ..... Ltd.	-	-	-	-	-	-
..... shares of Rs. ..... each of ..... Ltd.	-	-	-	-	-	-
Add: share of profit or loss for earlier years	-	-	-	-	-	-
Add: share of profit or loss for current year	-	-	-	-	-	-
Total	-	-	-	-	-	-

Investment in unquoted associates

Particulars	Current Year			Previous Year		
	Cost	Fair value	(or) Equity method	Cost	Fair value	(or) Equity method
..... shares of Rs. ..... each of ..... Ltd.	-	-	-	-	-	-
..... shares of Rs. ..... each of ..... Ltd.	-	-	-	-	-	-
Add: share of profit or loss for earlier years	-	-	-	-	-	-
Add: share of profit or loss for current year	-	-	-	-	-	-
Total	-	-	-	-	-	-

Information relating to associates: The Company does not have any associates

10. INVESTMENTS

Amount in NRs.

Particulars	*Current Year*	*Previous Year*
Investments measured at amortised cost		
i) Investment in preference shares of bank and financial institutions	-	-
ii) Investment in debentures	184,101,630	26,898,000
iii) Investment in bonds (Nepal Government/NRB/Guaranteed by Nepal Government)	-	-
iv) Fixed Deposit of "A" Class Financial Institutions	3,051,202,500	1,339,012,000
v) Fixed Deposit of Infrastructure Banks	-	-
vi) Fixed Deposits in "B" Class Financial Institutions	480,000,000	138,500,000
vii) Fixed Deposits in "C" Class Financial Institutions	150,500,000	18,500,000
viii) Others	-	-
Less: Impairment Losses	-	-
Investments measured at FVTOCI		
i) Investment in equity instruments (quoted)	622,126,572	126,497,089
ii) Investment in equity instruments (unquoted)	114,060,000	164,011,800
iii) Investment in mutual funds	52,717,532	30,318,083
iv) Investment in debentures	-	-
v) Others	-	
Investments measured at FVTPL		
i) Investment in equity instruments (quoted)	-	-
ii) Investment in equity instruments (unquoted)	-	-
iii) Investment in mutual funds	-	-
iv) Investment in debentures	-	-
v) Others	-	-
Total	**4,654,708,234**	**1,843,736,972**

a. Details of Impairment Losses

Particulars	*Current Year*	*Previous Year*
Investment in preference shares of bank and financial institutions	-	-
Investment in debentures	-	-
Investment in bonds (Nepal Government/NRB/Guaranteed by Nepal Government)	-	-
Fixed Deposit with "A" Class Financial Institutions	-	-
Fixed Deposit with Infrastructure Bank	-	-
Fixed Deposits with "B" Class Financial Institutions	-	-
Fixed Deposits with "C" Class Financial Institutions	-	-
Others	-	-
Total	-	-

b. Investments having expected maturities less than 12 months:

Particulars	*Current Year*	*Previous Year*
Investment in equity instruments (quoted)	-	-
Investment in equity instruments (unquoted)	-	-
Investment in mutual funds	-	-
Investment in preference shares of bank and financial institutions	-	-
Investment in debentures	-	-
Investment in bonds (Nepal Government/NRB/Guaranteed by Nepal Government)	-	-
Fixed Deposit with "A" Class Financial Institutions	2,792,202,500	1,392,500,000
Fixed Deposit with Infrastructure Bank	-	-
Fixed Deposits with "B" Class Financial Institutions	476,000,000	63,000,000
Fixed Deposits with "C" Class Financial Institutions	148,500,000	13,000,000
Others	-	-
Total	**3,416,702,500**	**1,468,500,000**

c. *The Company has earmarked investments amounting to Rs. 3,293,202,500 (2078-79: Rs. 965,500,000) with banks.*

d. *The rate of interest on fixed deposits ranges from 6.5% to 11.1% (2078-79: 6.5% to 11.1%) for deposits with commercial banks, 8% to 12% (2077-78: 7.5% to 11.5%) for deposits with development banks and 8% to 12% (2078-79: 7.5% to 11.1%) for deposits with finance companies.*

e. Information relating to investment in equity instruments

Amount in NRs.

Particulars	Current Year		Previous Year	
	Cost	Fair value	Cost	Fair value
Agriculture Development Bank	5,087,204	3,025,076	2,963,318	2,509,647
API Power Company Limited	1,480,252	1,024,991	1,414,480	1,110,030
Asian Life Insurance Co Ltd	1,539,530	1,819,534	-	-
Bank of Kathmandu Ltd	-	-	9,298,188	7,840,400
Butwal Power Company Ltd.	132,579	152,691	135,375	141,680
Chhimek Laghubitta Bikas Bank Ltd	5,072,196	4,535,000	-	-
Citizen Investment Trust	9,507,583	8,535,654	7,945,377	6,357,920
Citizens Bank International Limited	9,010,944	5,328,537	2,213,436	1,918,460
Deprosc Laghubitta Bittiya Sanstha Limited	4,006,429	3,147,886	1,536,296	2,495,700
GLOBAL IME	17,507,270	12,760,716	5,570,000	4,338,158
Himalayan Bank Ltd.	10,174,020	7,042,403	1,033,714	915,253
Himalayan Distillery Limited	4,488,710	4,799,480	3,588,770	3,467,970
Hydroelectricity Investment and Development Company Ltd.	159,300	332,856	159,300	318,600
Hydroelectricity Investment and Development Company Ltd. Promoter Share	10,010,000	10,280,000	-	-
Infinity Laghubitta Bittaya Sanstha Ltd	5,038,191	3,039,465	-	-
Kumari Bank Limited	8,323,114	6,301,845	6,122,457	4,915,767
Laxmi Bank Limited	-	-	2,804,683	2,373,075
Machchapuchre Bank Ltd.	5,673,812	4,734,283	5,182,022	4,666,488
Mahalaxmi Bikas Bank Limited	2,792,753	2,464,035	1,729,564	1,502,928
Manjushree Finance Limited	4,431,455	3,765,850	-	-
MEGA Bank	-	-	2,355,807	2,254,350
Mero Micro Finance Bittiya Sanstha Ltd.	-	-	-	29,645
Mirmire Microfinance Development Bank Ltd	3,918,094	2,686,401	-	-
Nabil Bank Ltd. Promoter Share	2,021,709	1,678,958	-	-
National Life Insurance Co. Ltd	15,212,895	14,627,955	6,828,690	5,429,570
Nepal Bangladesh Bank Limited	-	-	1,661,424	1,787,520
Nepal Bank Ltd.	10,519,488	9,350,697	5,775,928	5,489,756
Nepal Doorsanchar Company Limited	-	-	-	-
Nepal Investment Bank Ltd.	19,233,591	10,953,224	14,006,004	9,686,810
Nepal Investment Bank Ltd. Promoter	501,442	240,546	501,442	364,478
Nepal Life Insurance Company Ltd.	15,613,545	14,104,008	10,325,140	8,458,281
Nepal SBI Bank Ltd.	281,581	238,700	-	-
Nepal Telecom	10,316,182	9,104,369	-	-
Nerude Laghubitta Bikash Bank	5,584,492	3,213,648	-	19,360
NIC Asia Bank Ltd.	13,274,759	11,189,405	7,849,527	6,460,272
Nirdhan Utthan Laghubitta Bittiya Sanstha Limited	7,578,249	5,494,230	2,789,520	2,589,244
NMB Bank ltd	11,348,015	8,990,280	9,775,000	8,596,557
NRN Infrastructure and Development Limited	1,672,473	1,662,633	1,602,757	1,493,202
Prabhu Bank Ltd	2,913,958	2,156,564	1,827,844	1,410,408
Prime Commercial Bank	3,147,169	2,480,120	2,260,164	2,110,735
Sanima Bank Ltd.	5,604,840	4,925,534	4,425,910	3,519,828
Shivam Cements Ltd	11,766,860	8,596,542	3,541,983	3,043,800
Shree Investment Finance Co Ltd	-	-	-	-
Siddhartha Bank Ltd	15,431,488	12,418,457	11,892,153	9,492,990
Standard Chartered Bank Ltd.	4,507,414	5,152,572	4,005,979	3,409,010
Sunrise Bank ltd	1,151,085	944,261	1,019,067	899,208
Surya Life Insurance Company Limited	7,138,599	6,894,220	6,375,542	3,693,754
Swabalamban Laghubitta Bitya Sanstha	-	901	-	35,070
Synergy Power Development Limited	2,170,919	1,264,005	1,798,466	1,358,090
Vijaya Laghubitta Bittaya Sanstha Ltd	6,233,139	3,907,240	-	-
Nepal Reinsurance Company Limited	323,833,600	395,884,800	-	-
Total	603,091,116	622,126,572	154,315,390	126,497,089

f. Information relating to investment in mutual funds

Particulars	Current Year		Previous Year	
	Cost	Fair value	Cost	Fair value
NMB Hybrid Fund	1,809,829	1,958,525	1,577,400	1,766,688
Nabil Equity Fund	1,399,193	1,386,540	1,126,490	1,126,490
Siddhartha Equity Fund	9,813,827	9,282,402	9,677,480	9,561,350
Citizens Mutual Fund -1	1,125,815	1,087,142	1,000,000	880,000
NIC Asia Growth Fund	1,056,690	1,090,740	1,000,000	1,115,000
NMB50 Mutual Fund (NMB50)	5,072,723	5,334,000	5,000,000	6,450,000
Sunrise First Mutual Fund (SFMF)	1,000,000	1,108,000	1,000,000	1,150,000
NIBL Sambriddhi Fund	2,602,250	1,824,733	2,000,000	1,734,000
Sanima Large Cap Fund (SLCF)	3,075,936	2,766,092	3,000,000	2,796,000
Mega Mutual Fund-1 (MEGAMF)	6,886,246	5,508,626	4,363,400	3,486,357
Nabil Balance Fund-3 (NBF3)	251,762	214,004	166,700	157,198
NMB Saral Bachat Fund-E (NMBSBFE)	95,000	95,000	95,000	95,000
Siddhartha Investment Growth Scheme 2	14,399,405	10,097,120	-	-
NIC Asia Balance Fund	4,234,548	3,940,787	-	-
Sunrise Focused Equity Fund (SFEF)	2,500,000	2,420,000	-	-
Citizens Super 20	500,000	500,000	-	-
RBB Mutual Fund-2	500,000	500,000	-	-
Global IME Balanced Fund-1	41,268	46,709	-	-
Kumari Dhanbriddhi Yojana	1,000,000	1,004,000	-	-
Nabil Balance Fund-2 (NBF2)	16,852	17,600	-	-
Nmb Sulav Investment Fund -2	2,503,685	2,499,498	-	-
Sanima Growth Fund	31,524	36,014	-	-
Total	59,314,553	52,717,532	30,006,470	30,118,083

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

11. LOANS

Amount in NRs.

Particulars	*Current Year*	*Previous Year*
Loans measured at amortised cost		
Loan to employees	-	-
Others	-	-
Less: Impairment losses	-	-
Total	-	-

a. Expected recovery period within 12 months:

Particulars	*Current Year*	*Previous Year*
Loans measured at amortised cost		
Loan to employees	-	-
Others	-	-
Total	-	-

12. REINSURANCE ASSETS

Particulars	*Current Year*	*Previous Year*
Reinsurance Assets on:		
Unearned premiums reserve	1,006,606,566	836,969,027
Premium deficiency reserve	(813,027)	16,059,699
Outstanding claims	1,691,625,659	913,645,009
IBNR and IBNER Claim	470,183,084	274,080,894
Margin for adverse deviation	23,509,153	13,557,108
Less: Impairment losses	-	-
Total	**3,191,111,435**	**2,054,311,737**

Amount in NRs.

13. INSURANCE RECEIVABLES

Particulars	Current Year	Previous Year
Receivable from reinsurers	412,982,255	162,395,671
Receivable from other insurance companies	910,567,292	222,756,926
Others	-	-
Less: Impairment losses	(169,032,870)	(163,180,010)
Total	**1,154,516,677**	**221,972,587**

a. Expected recovery period within 12 months:

Particulars	Current Year	Previous Year
Receivable from reinsurers	243,949,385	1,092,023
Receivable from other insurance companies	910,567,292	220,880,564
Others	-	-
Total	**1,154,516,677**	**221,972,587**

14. OTHER ASSETS

Particulars	Current Year	Previous Year
Capital advances	-	-
Prepaid expenses	-	-
Claim advance	13,670,424	5,162,704
Advance to suppliers	3,125,479	-
VAT receivable	-	-
Staff advances	2,838,651	-
Printing and stationery stock	-	-
Stamp stock	174,500	200,305
Deferred expenses	-	-
Deferred reinsurance commission expenses	67,691	-
Deferred agent commission expenses	23,730,472	16,691,447
Lease receivable	-	-
Others		
Advance to NMB Capital Ltd.	5,352,336	5,720,316
Other advances	-	861,000
Less: Impairment losses	-	-
Total	**48,959,553**	**28,635,772**

a. Expected to be recovered/ settled within 12 months:

Particulars	Current Year	Previous Year
Capital advances	-	-
Prepaid expenses	-	-
Claim advance	13,670,424	5,162,704
Advance to suppliers	3,125,479	-
VAT receivable	-	-
Staff advances	2,838,651	-
Printing and stationery stock	-	-
Stamp stock	174,500	200,305
Deferred expenses	-	-
Deferred reinsurance commission expenses	67,691	-
Deferred agent commission expenses	23,730,472	16,691,447
Lease receivable	-	-
Others		
Advance to NMB Capital Ltd.	5,352,336	5,720,316
Other advances	-	861,000
Total	**48,959,553**	**28,635,772**

Amount in NRs.

15. OTHER FINANCIAL ASSETS

Particulars	Current Year	Previous Year
Security deposits	-	-
Accrued interest	10,681,034	1,892,471
Other receivables	-	-
Other deposits	40,478,740	3,839,125
Sundry debtors	100,401,618	121,966,293
Other	-	-
Advance for expenses	-	1,387,025
Balance of plan asset with CIT gratuity fund	-	17,856,966
Less: Impairment losses	-	-
Total	**151,561,392**	**146,941,880**

a. Expected maturities within 12 months:

Particulars	Current Year	Previous Year
Security deposits	-	-
Accrued interest	10,681,034	1,892,471
Other receivables	-	-
Other deposits	-	-
Sundry debtors	100,401,618	1,313,252
Other	-	-
Total	**111,082,652**	**3,205,723**

16. CASH AND CASH EQUIVALENTS

Particulars	Current Year	Previous Year
Cash in hand	1,200,000	492,907
Cheques in hand	-	-
Bank balances		
i) Balance with "A" Class financial institutions	33,181,818	74,223,275
ii) Balance with infrastructure banks	-	-
ii) Balance with "B" Class financial institutions	161,772,243	2,617,386
iii) Balance with "C" Class financial institutions	11,302,293	1,048,336
Less: Impairment losses	-	-
Deposit with initial maturity up to 3 months	-	268,946,840
Others	-	-
Less: Impairment losses	-	-
Total	**207,456,354**	**347,328,744**

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

Amount in NRs.

17(A). SHARE CAPITAL

Particulars	*Current Year*	*Previous Year*
Ordinary shares		
As at Ashadh 31, 2079	1,173,509,100	1,100,336,700
Additions during the year		
i) Bonus share issued	61,598,300	73,172,400
ii) Addition through merger	1,066,427,600	-
iii) Share issued	-	-
As at Ashadh 31, 2080	**2,301,535,000**	**1,173,509,100**
Convertible preference shares (equity component only)		
As at Ashadh 31, 2079	-	-
Additions during the year	-	-
As at Ashadh 31, 2080	-	-
Irredeemable Preference Shares (equity component only)		
As at Ashadh 31, 2079	-	-
Additions during the year	-	-
As at Ashadh 31, 2080	-	-
Total	**2,301,535,000**	**1,173,509,100**

i. Ordinary Shares

Particulars	*Current Year*	*Previous Year*
Authorised Capital:		
50,000,000 nos. of ordinary shares of Rs. 100 each	5,000,000,000	2,000,000,000
Issued Capital:		
23,015,350 nos. of ordinary shares of Rs. 100 each	1,173,509,100	1,173,509,100
(2078-79: 11,735,091 nos. of ordinary shares of Rs. 100 each)		
Subscribed and Paid Up Capital:		
23,015,350 nos. of ordinary shares of Rs. 100 each	2,301,535,000	1,173,509,100
(2078-79: 11,735,091 nos. of ordinary shares of Rs. 100 each)		
Total	**2,301,535,000**	**1,173,509,100**

ii. Preference Share Capital

Particulars	*Current Year*	*Previous Year*
Authorised capital		
..... nos. of convertible preference shares of Rs. .... each	-	-
..... nos. irredeemable preference shares of Rs. .... each	-	-
Issued Capital		
..... nos. of convertible preference shares of Rs. .... each	-	-
..... nos. irredeemable preference shares of Rs. .... each	-	-
Subscribed and Paid Up Capital		
..... nos. of convertible preference shares of Rs. .... each	-	-
..... nos. irredeemable preference shares of Rs. .... each	-	-
Total	-	-

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

Amount in NRs.

Shareholding structure of share capital

Particulars	Number of Shares		Percentage	
	Current Year	Previous Year	Current Year	Previous Year
Promoters				
Government of Nepal	-	-	0%	0.00%
Nepalese organized institutions	830,086	-	4%	0.00%
Nepalese citizen	10,930,758	5,984,896	47%	51.00%
Foreigner	-	-	0%	0.00%
Others	-	-	0%	0.00%
Total (A)	**11,760,844**	**5,984,896**	**51%**	**51.00%**
Other than Promotors				
General public	11,254,506	5,750,195	49%	49.00%
Others	-	-	0%	0.00%
Total (B)	**11,254,506**	**5,750,195**	**49%**	**49.00%**
Total (A+B)	**23,015,350**	**11,735,091**	**100%**	**100.00%**

Details of shares held by shareholders holding more than 1% of the aggregate shares in the Company:

Particulars	Number of Shares		Percentage	
	Current Year	Previous Year	Current Year	Previous Year
Shree Mahendra Krishna Shrestha	1,965,617	1,621,203	8.54%	13.82%
Shree Bikram Krishna Shrestha	1,732,924	1,394,737	7.53%	11.89%
Shree Binod Krishna Shrestha	1,525,099	1,190,685	6.63%	10.15%
Shree Shubarna Krishna Shrestha	1,523,260	1,190,685	6.62%	10.15%
Shree Pankaj Jhunjunwala	1,438,500	1,394,737	6.25%	11.89%
Shree Rajendra Kumar Khetan	1,040,606	-	4.52%	0.00%
Laxmi Bank Limited	1,030,905	-	4.48%	0.00%

17(B) SHARE APPLICATION MONEY PENDING ALLOTMENT

Particulars	Current Year	Previous Year
Share application money pending allotment	-	-
Total	-	-

17(C) SHARE PREMIUM

Particulars	Current Year	Previous Year
Balance as at Ashad 32, 2079 (July 16, 2022)	-	-
Increase due to issue of shares at premium	-	-
Decrease due to issue of bonus shares	-	-
Transaction costs on issue of share	-	-
Others	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	-	-

17(D) SPECIAL RESERVES

Particulars	Current Year	Previous Year
Balance as at Ashad 32, 2079 (July 16, 2022)	707,723,176	646,982,169
Acquisition	469,101,333	-
Additions	233,679,146	60,741,007
Utilizations	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	**1,410,503,655**	**707,723,176**

17(E) CATASTROPHE RESERVES

Particulars	Current Year	Previous Year
Balance as at Ashad 32, 2079 (July 16, 2022)	26,049,183	19,009,262
Acquisitions	19,328,047	
Additions	11,683,957	7,039,921
Utilizations	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	**57,061,187**	**26,049,183**

17(F) RETAINED EARNINGS

Amount in NRs.

Particulars	*Current Year*	*Previous Year*
Balance as at Ashad 32, 2079 (July 16, 2022)	68,434,242	82,972,081
Retained earning transfered from merger	1,330,505	-
Net profit or loss	445,059,527	150,755,453
Items of OCI recognised directly in retained earnings		
Remeasurement of post-employment benefit obligations	-	-
Transfer (to) / from reserves		
Revaluation reserves		-
Special reserves	(233,679,146)	(60,741,007)
Capital reserves	-	-
Catastrophe reserves	(11,683,957)	(7,039,921)
Corporate social responsibility (CSR) reserves	(4,673,583)	(1,311,402)
Insurance fund including insurance reserves	-	-
Fair value reserves	-	-
Actuarial reserves	-	1,931,617
Deferred tax reserves	(37,983,465)	(1,552,847)
Regulatory reserves	60,282,229	(19,615,240)
Other Reserve	-	-
Excess deferred tax reserve reverted back to retained earnings	4,559,371	
Depreciation on revaluation of property, plant and equipment	-	-
Disposal of revalued property, plant and equipment	-	-
On disposal of equity instruments measured at FVTOCI	(322,532)	84,410
Tax on disposal of equity instruments measured at FVTOCI	-	(25,323)
Issue of bonus shares	(61,598,300)	(73,172,400)
Transaction costs on issue of share	-	-
Dividend paid	-	(3,851,179)
Dividend distribution tax	(3,242,016)	-
Others	-	-
Balance as at Ashad 31, 2080 (July 16, 2023)	**226,482,875**	**68,434,242**

17(G) OTHER EQUITY

Particulars	*Current Year*	*Previous Year*
Revaluation reserves	-	-
Capital adjustment reserves	191,053,635	-
Corporate social responsibility (CSR) reserves	4,673,583	-
Insurance fund including insurance reserves	-	-
Fair value reserves	8,706,900	(19,254,644)
Actuarial reserves	-	-
Deferred tax reserves	90,362,723	-
Regulatory reserves	-	56,268,033
Cash flow hedge reserves	-	-
Other reserves	-	47,128,788
Total	**294,796,841**	**84,142,177**




18. PROVISIONS

Amount in NRs.

Particulars	*Current Year*	*Previous Year*
Provisions for employee benefits		
i) Provision for leave	1,696,353	8,481,680
ii) Provision for gratuity	1,721,180	-
iii) Termination benefits	-	-
iv) Other employee benefit obligation	-	-
Provision for tax related legal cases	-	-
Provision for non-tax legal cases	-	-
Others	-	-
Total	**3,417,533**	**8,481,680**

a. Movement of provisions, contingent liabilities and contingent assets

Description	*Opening balance*	*Additions during the year*	*Utilised during the year*	*Reversed during the year*	*Unwinding of discount*	*Closing balance*
Provisions for employee benefits						
i) Provision for leave	8,481,680	17,314,189	(24,099,516)	-	-	1,696,353
ii) Provision for gratuity	-	1,721,180	-	-	-	1,721,180
iii) Termination benefits	-	-	-	-	-	-
iv) Other employee benefit obligation	-	-	-	-	-	-
Provision for tax related legal cases	-	-	-	-	-	-
Provision for non-tax legal cases	-	-	-	-	-	-
Others	-	-	-	-	-	-

b. Provision with expected payouts within 12 months:

Particulars	*Current Year*	*Previous Year*
Provisions for employee benefits		
i) Provision for leave	5,649,521	2,032,536
ii) Defined benefits plan (gratuity)	-	12,506,562
iii) Termination benefits	-	-
iv) Other employee benefit obligation	-	-
Provision for tax related legal cases	-	-
Provision for non-tax legal cases	-	-
Others	-	-
Total	**5,649,521**	**14,539,098**

19. GROSS INSURANCE CONTRACT LIABILITIES

Particulars	*Current Year*	*Previous Year*
Unearned premiums reserve	1,609,616,800	1,046,208,608
Premium deficiency reserve	-	20,231,643
Outstanding claims	1,962,459,720	1,050,069,482
IBNR and IBNER claims	586,187,444	298,999,992
Margin for adverse deviation	29,309,374	14,780,033
Others	-	-
Total	**4,187,573,338**	**2,430,289,758**

19.1 GROSS INSURANCE CONTRACT LIABILITIES

Amount in NRs.

a. Gross insurance contract liability

Particulars	Line of business								Total
	Fire	Motor	Marine	Engineering	Micro	Aviation	Cattle and crop	Miscellaneous	
Balance as at Shrawan 1, 2079 (July 17, 2022)									
Unearned premiums	206,796,074	399,998,291	56,670,985	212,398,199	4,441	239,231,370	92,496,975	419,775,833	**1,627,372,168**
Premium deficiency	-	24,044,306	-	8,326,423	-	-	20,231,643	7,249,195	**59,851,567**
IBNR and IBNER	79,208,241	135,205,539	13,509,416	88,128,643	15,364,153	115,599,405	16,258,720	109,420,267	**572,694,384**
Outstanding claims	301,285,685	414,202,434	43,642,884	348,272,687	559,800,000	377,171,013	80,066,276	57,243,113	**2,181,684,092**
Margin for adverse deviation	3,960,412	6,760,277	675,471	4,406,432	768,208	5,779,971	642,970	5,471,013	**28,466,754**
Total	**591,250,412**	**980,210,847**	**114,498,756**	**661,532,384**	**575,936,802**	**737,781,759**	**209,696,584**	**599,159,421**	**4,470,066,965**
Changes during the year									
Unearned premiums	(62,106,584)	66,855,164	59,260,883	53,199,769	(3,241)	(99,191,033)	(46,542,982)	10,772,654	**(17,755,370)**
Premium deficiency	-	(24,044,306)	-	(8,326,423)	-	-	(20,231,643)	(7,249,195)	**(59,851,567)**
IBNR and IBNER	(11,892,368)	1,472,572	313,392	847,772	(5,232,174)	29,875,014	(4,577,138)	2,685,995	**13,493,065**
Outstanding claims	255,249,014	(195,266,694)	(1,666,431)	(96,243,005)	(53,325,000)	(99,083,742)	(52,431,908)	23,543,394	**(219,224,372)**
Margin for adverse deviation	(594,618)	73,629	15,669	42,389	(261,609)	1,493,790	(58,891)	134,300	**844,619**
Others									**-**
Total changes during the year	**180,655,444**	**(150,909,635)**	**57,923,513**	**(50,479,498)**	**(58,822,024)**	**(166,906,011)**	**(123,842,562)**	**29,887,148**	**(282,493,625)**
Balance as at Ashad 31, 2080 (July 16, 2023)									
Unearned premiums	144,689,490	466,853,455	115,931,868	265,597,968	1,200	140,040,337	45,953,993	430,548,487	**1,609,616,798**
Premium deficiency	-	-	-	-	-	-	-	-	**-**
IBNR and IBNER	67,315,873	136,678,111	13,822,808	88,976,415	10,131,979	145,474,419	11,681,582	112,106,262	**586,187,449**
Outstanding claims	556,534,699	218,935,740	41,976,453	252,029,682	506,475,000	278,087,271	27,634,368	80,786,507	**1,962,459,720**
Margin for adverse deviation	3,365,794	6,833,906	691,140	4,448,871	506,599	7,273,721	584,079	5,605,312	**29,309,372**
Total	**771,905,856**	**829,301,212**	**172,422,269**	**611,052,886**	**517,114,778**	**570,875,748**	**85,854,022**	**629,046,568**	**4,187,573,339**

** The opening balance of gross contract liabilities in this note includes liabilities taken over from former Everest Insurance Limited on merger.*

b. Reinsurance assets

Amount in NRs.

Particulars	Line of business								Total
	Fire	Motor	Marine	Engineering	Micro	Aviation	Cattle and crop	Miscellaneous	
Balance as at Shrawan 1, 2079 (July 17, 2022)									
Unearned premiums	171,002,013	92,527,611	94,554,217	142,809,346	109,399,304	253,725,048	59,436,459	275,057,108	1,198,511,106
Premium deficiency	-	13,182,034	-	8,326,423	-	-	16,059,699	801,046	38,369,202
IBNR and IBNER	71,464,854	57,708,191	11,392,576	68,184,745	15,357,441	115,492,082	12,925,371	102,469,117	454,994,377
Outstanding claims	250,905,926	150,901,520	35,576,508	322,545,848	559,800,000	376,793,842	64,241,806	32,212,258	1,792,977,708
Margin for adverse deviation	3,700,573	2,885,410	569,628	3,409,237	767,873	5,774,605	499,332	5,123,455	22,730,113
Total	**497,073,366**	**317,204,766**	**142,092,929**	**545,275,599**	**685,324,618**	**751,785,577**	**153,162,667**	**415,662,984**	**3,507,582,506**
Changes during the year									
Unearned premiums	(328,279,329)	71,678,647	(14,956,569)	102,006,111	(109,399,064)	(113,829,156)	(18,091,496)	16,966,316	(191,904,540)
Premium deficiency	-	(13,182,034)	-	(9,139,450)	-	-	(16,059,699)	(801,046)	(39,182,229)
IBNR and IBNER	(12,836,512)	576,072	(1,006,665)	5,785,879	(5,227,686)	29,810,664	(3,769,412)	1,856,367	15,188,707
Outstanding claims	269,509,241	(87,147,766)	(2,911,369)	(111,364,179)	(53,325,000)	(98,984,658)	(41,290,176)	24,161,858	(101,352,049)
Margin for adverse deviation	(769,156)	28,804	(50,333)	289,294	(261,385)	1,490,532	(41,534)	92,817	779,039
Others									
Total changes during the year	**129,624,244**	**(28,046,277)**	**(18,924,936)**	**(12,422,345)**	**(168,213,135)**	**(181,512,618)**	**(79,252,317)**	**42,276,312**	**(316,471,072)**
Balance as at Ashad 31, 2080 (July 16, 2023)									
Unearned premiums	44,722,684	164,206,258	79,597,648	244,815,457	240	139,895,892	41,344,963	292,023,424	1,006,606,566
Premium deficiency	-	-	-	(813,027)	-	-	-	-	(813,027)
IBNR and IBNER	58,628,342	58,284,263	10,385,911	73,970,624	10,129,755	145,302,746	9,155,959	104,325,484	470,183,084
Outstanding claims	520,415,167	63,753,754	32,665,139	211,181,669	506,475,000	277,809,184	22,951,630	56,374,116	1,691,625,659
Margin for adverse deviation	2,931,417	2,914,214	519,295	3,698,531	506,488	7,265,137	457,798	5,216,273	23,509,153
Total	**626,697,610**	**289,158,489**	**123,167,993**	**532,853,254**	**517,111,483**	**570,272,959**	**73,910,350**	**457,939,297**	**3,191,111,435**

** The opening balance of reinsurance assets in this note includes assets taken over from former Everest Insurance Limited on merger.*

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

19.2 DISCLOSURE OF OUTSTANDING CLAIM

Amount in NRs.

Particulars	Outstanding claims for claims intimated durng the year	Unclaimed funds				Gross outstanding claims	Reinsurance share	Net oustanding claims
		Outstanding claim for claims intimated during the previous 1 year	Outstanding claim for claims intimated during the previous 2 years	Outstanding claim for claims intimated during the previous 3 years	Total unclaimed funds			
	(A)				(B)	(A+B)	(C)	(A+B-C)
Fire	376,209,128	123,197,516	4,919,595	52,208,460	180,325,571	556,534,699	520,415,167	36,119,532
Motor	154,587,820	26,592,125	16,865,014	20,890,781	64,347,920	218,935,740	63,753,754	155,181,986
Marine	21,750,640	8,230,830	2,357,254	9,637,729	20,225,813	41,976,453	32,665,139	9,311,314
Engineering	145,150,711	33,851,128	36,704,854	36,322,989	106,878,971	252,029,682	211,181,669	40,848,013
Micro	-	346,250,000	160,225,000	-	506,475,000	506,475,000	506,475,000	-
Aviation	278,087,271	-	-	-	-	278,087,271	277,809,184	278,087
Cattle and crop	24,386,908	3,109,260	63,500	74,700	3,247,460	27,634,368	22,951,630	4,682,738
Miscellaneous	33,875,607	27,184,913	8,490,000	11,235,987	46,910,900	80,786,507	56,374,116	24,412,391
Total	**1,034,048,085**	**568,415,771**	**229,625,218**	**130,370,645**	**928,411,635**	**1,962,459,720**	**1,691,625,658**	**270,834,062**

Amount in NRs.

20. INSURANCE PAYABLES

Particulars	Current Year	Previous Year
Payable to reinsurers	285,857,925	180,799,919
Payable to other insurance companies	572,703,688	19,505,176
Portfolio withdrawal premium	-	-
Outstanding withdrawal claims	-	-
Others	-	-
Total	**858,561,613**	**200,305,095**

Payable within 12 months:

Particulars	Current Year	Previous Year
Payable to reinsurers	285,857,925	180,799,919
Payable to other insurance companies	572,703,688	19,505,176
Portfolio withdrawal premium	-	-
Outstanding withdrawal claims	-	-
Others	-	-
Total	**858,561,613**	**200,305,095**

21. CURRENT TAX (ASSETS)/ LIABILITIES (NET)

Particulars	Current Year	Previous Year
Income tax liabilities	227,988,369	65,279,201
Income tax assets	(210,060,699)	(124,828,785)
Total	**17,927,670**	**(59,549,584)**

22. BORROWINGS

Particulars	Current Year	Previous Year
Bond	-	-
Debenture	-	-
Term loan - bank and financial institution	-	-
Bank overdraft	-	-
Others	-	-
Total	-	-

Payable within 12 months:

Particulars	Current Year	Previous Year
Bond	-	-
Debenture	-	-
Term loan - bank and financial institution	-	-
Bank overdraft	-	-
Others	-	-
Total	-	-

23. OTHER LIABILITIES

Amount in NRs.

Particulars	*Current Year*	*Previous Year*
TDS payable	7,676,882	8,302,235
VAT payable	31,104,185	17,493,750
Unidentified deposits	-	-
Advance premium	29,082,327	-
Insurance service fee payable	27,364,966	20,753,438
Lease liability	16,242,062	846,426
Deferred reinsurance commission income	136,642,729	89,855,346
Deferred income	-	-
Prior period tax liabilities	-	
Others		
i) Staff vehicle deposit	1,660,468	1,427,255
Total	**249,773,619**	**138,678,450**

Payable within 12 months:

Particulars	*Current Year*	*Previous Year*
TDS payable	7,676,882	8,302,235
VAT payable	31,104,185	17,493,750
Unidentified deposits	-	-
Advance premium	29,082,327	-
Insurance service fee payable	27,364,966	20,753,438
Lease liability	5,686,957	846,426
Deferred reinsurance commission income	136,642,729	89,855,346
Deferred income	-	-
Others		
i) Staff vehicle deposit	-	-
Total	**237,558,046**	**137,251,195**

Amount in NRs.

24. OTHER FINANCIAL LIABILITIES

Particulars	*Current Year*	*Previous Year*
Redeemable preference shares	-	-
Irredemable cumulative preference shares	-	-
Refundable share application money	-	-
Payable to insured	85,734,933	-
Payable to agents	28,539,399	11,517,975
Payable to surveyor	1,463,978	-
Sundry creditors	27,449,884	61,689,347
Retention and deposits	-	221,654
Short-term employee benefits payable		
i) Salary payable	-	-
ii) Bonus payable	71,350,634	20,751,246
iii) Other employee benefit payable	7,872,315	1,573,336
Audit fee payable	591,000	482,650
Actuarial Fees Payable	376,471	-
Dividend payable	5,352,336	5,720,316
Others		
i) Refund premium payable	-	343,634
Total	**228,730,950**	**102,300,158**

Payable within 12 months:

Particulars	*Current Year*	*Previous Year*
Redeemable preference shares	-	-
Irredemable cumulative preference shares	-	-
Refundable share application money	-	-
Payable to insured	85,734,933	-
Payable to agents	28,539,399	11,517,975
Payable to surveyor	1,463,978	-
Sundry creditors	27,449,884	61,689,347
Retention and deposits	-	-
Short-term employee benefits payable		
i) Salary payable	-	-
ii) Bonus payable	71,350,634	20,751,246
iii) Other employee benefit payable	7,872,315	1,573,336
Audit fee payable	591,000	482,650
Actuarial Fees Payable	376,471	-
Dividend payable	5,352,336	5,720,316
Others		
i) Refund premium payable	-	343,634
Total	**228,730,950**	**102,078,504**

25. GROSS EARNED PREMIUMS

Amount in NRs.

Particulars	Direct premiums		Premiums on reinsurance accepted		Gross change in unearned premiums		Gross earned premiums	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	538,706,116	236,331,127	-	93,675	62,106,584	(23,682,528)	600,812,700	212,742,274
Motor	758,761,375	279,085,680	174,945,529	110,883,977	(66,855,164)	(51,976,829)	866,851,740	337,992,829
Marine	66,670,097	24,246,128	2,779	360,734	(59,260,884)	5,093,897	7,411,992	29,700,759
Engineering	529,937,432	176,905,896	1,258,504	247,500	(53,199,769)	(55,726,864)	477,996,167	121,426,532
Micro	2,400	5,223	-	-	3,241	26,032,677	5,641	26,037,900
Aviation	354,605,187	473,324,756	-	-	99,191,033	(89,787,972)	453,796,220	383,536,785
Cattle and crop	90,360,564	131,662,736	-	-	46,542,981	(16,897,364)	136,903,545	114,765,372
Miscellaneous	835,180,899	634,936,158	25,916,076	7,248,279	(10,772,650)	(133,814,272)	850,324,325	508,370,165
Total	**3,174,224,070**	**1,956,497,704**	**202,122,888**	**118,834,165**	**17,755,372**	**(340,759,254)**	**3,394,102,330**	**1,734,572,615**

25.1 DIRECT PREMIUMS

Particulars	New business premiums		Renewal premiums		Co-insurance premiums		Total direct premiums	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	293,703,409	216,556,363	216,852,241	19,774,764	28,150,466	-	538,706,116	236,331,127
Motor	632,773,742	265,048,013	125,774,888	14,037,667	212,745	-	758,761,375	279,085,680
Marine	63,344,405	24,246,128	-	-	3,325,692	-	66,670,097	24,246,128
Engineering	433,164,154	170,250,037	92,841,142	6,655,859	3,932,136	-	529,937,432	176,905,896
Micro	1,500	5,223	900	-	-	-	2,400	5,223
Aviation	348,087,565	472,529,959	3,994,392	794,797	2,523,230	-	354,605,187	473,324,756
Cattle and crop	83,354,063	131,275,424	7,006,501	387,312	-	-	90,360,564	131,662,736
Miscellaneous	477,973,255	552,775,024	352,973,068	82,161,134	4,234,576	-	835,180,899	634,936,158
Total	**2,332,402,093**	**1,832,686,171**	**799,443,132**	**123,811,533**	**42,378,845**	**-**	**3,174,224,070**	**1,956,497,704**

26. PREMIUMS CEDED

Particulars	Premiums ceded to reinsurers		Reinsurer's share of change in unearned premiums		Premium ceded	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	347,367,643	189,897,592	126,279,329	(14,536,876)	473,646,972	175,360,716
Motor	328,412,515	17,980,972	(71,678,648)	(10,591,085)	256,733,867	7,389,887
Marine	38,746,624	169,045,581	14,956,569	5,278,203	53,703,193	174,323,784
Engineering	489,630,915	168,366,974	(102,006,112)	(53,205,425)	387,624,803	115,161,549
Micro	480	473,192,438	109,399,064	12,208,074	109,399,544	485,400,512
Aviation	354,386,194	550,114,216	113,829,156	(89,917,725)	468,215,350	460,196,491
Cattle and crop	81,287,338	105,330,189	18,091,496	(13,517,892)	99,378,834	91,812,297
Miscellaneous	584,046,846	540	(16,966,314)	(113,788,989)	567,080,532	(113,788,449)
Total	**2,223,878,555**	**1,673,928,502**	**191,904,540**	**(278,071,715)**	**2,415,783,095**	**1,395,856,787**

26.1 PORTFOLIO-WISE DETAIL OF NET EARNED PREMIUMS

Particulars	Gross earned premiums		Premiums ceded		Net earned premiums	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	600,812,700	212,742,274	473,646,972	175,360,716	127,165,728	37,381,558
Motor	866,851,740	337,992,829	256,733,867	7,389,887	610,117,873	330,602,942
Marine	7,411,992	29,700,759	53,703,193	174,323,784	(46,291,201)	(144,623,025)
Engineering	477,996,167	121,426,532	387,624,803	115,161,549	90,371,364	6,264,983
Micro	5,641	26,037,900	109,399,544	485,400,512	(109,393,903)	(459,362,612)
Aviation	453,796,220	383,536,785	468,215,350	460,196,491	(14,419,130)	(76,659,707)
Cattle and crop	136,903,545	114,765,372	99,378,834	91,812,297	37,524,711	22,953,075
Miscellaneous	850,324,325	508,370,165	567,080,532	(113,788,449)	283,243,793	622,158,614
Total	**3,394,102,330**	**1,734,572,615**	**2,415,783,095**	**1,395,856,787**	**978,319,235**	**338,715,828**

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

27. COMMISSION INCOME

Amount in NRs.

Particulars	Reinsurance commission income		Deferred commission income		Profit commission		Commission income	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	73,806,729	36,434,833	22,143,623	(4,389,331)	13,806,287	13,324,152	109,756,639	45,369,654
Motor	42,203,611	4,399,654	17,389,185	(2,607,751)	-	58,390	59,592,796	1,850,293
Marine	9,613,256	23,393,754	2,626,496	(146,147)	(1,282,677)	337,531	10,957,075	23,585,138
Engineering	69,983,826	15,206,570	(13,332,849)	(8,081,026)	13,864,858	3,420,966	70,515,835	10,546,510
Micro	82	17,452,369	621	(614)	-	-	703	17,451,755
Aviation	18,849,984	57,529,115	(7,414,915)	-	-	8,524,119	11,435,069	66,053,234
Cattle and Crop	16,438,180	17,906,132	4,219,773	(1,931,608)	-	-	20,657,903	15,974,524
Miscellaneous	81,172,993	1,010	19,204,910	(15,553,405)	7,265,057	-	107,642,960	(15,552,395)
Total	**312,068,611**	**172,323,437**	**44,836,844**	**(32,709,882)**	**33,653,525**	**25,665,158**	**390,558,980**	**165,278,713**

28. OTHER DIRECT INCOME

Particulars	Direct income		Others		Total direct income	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	-	-	-	-	-	-
Motor	-	-	-	-	-	-
Marine	-	-	-	-	-	-
Engineering	-	-	-	-	-	-
Micro	-	-	-	-	-	-
Aviation	-	-	-	-	-	-
Cattle and crop	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total	-	-	-	-	-	-

Amount in NRs.

29. INVESTMENT INCOME

Particulars	Current Year	Previous Year
Interest income from financial assets measured at amortised costs		
i) Fixed deposit with "A" class financial institutions	245,854,227	118,549,657
ii) Fixed deposit with Infrastructure Bank	-	-
iii) Fixed deposit with "B" class financial institutions	51,451,258	8,981,246
iv) Fixed deposit with "C" class financial institutions	8,932,904	1,293,181
v) Debentures	16,117,525	2,479,210
vi) Bonds (Nepal Government / NRB / Guaranteed by Nepal Government)	-	-
vii) Bank deposits other than fixed deposit	9,629,092	2,874,226
viii) Employee loan	-	-
ix) Other interest income	3,750,927	4,814,886
Financial assets measured at FVTOCI		
i) Interest income on debentures	-	-
ii) Dividend income	3,034,161	9,708,487
iii) Other interest income	-	-
Financial assets measured at FVTPL		
i) Interest income on debentures	-	-
ii) Dividend income	-	-
ii) Other interest income	-	-
Rental income	-	-
Others	-	-
Total	**338,770,094**	**148,700,893**

30. NET GAINS/ (LOSSES) ON FAIR VALUE CHANGES

Particulars	Current Year	Previous Year
Changes in fair value of financial assets measured at FVTPL		
i) Equity instruments	-	-
ii) Mutual fund	-	-
iii) Others	-	-
Changes in fair value on investment properties	-	-
Changes in fair value on hedged items in fair value hedges	-	-
Changes in fair value on hedging instruments in fair value hedges	-	-
Others	-	-
Total	-	-

Amount in NRs.

31. NET REALISED GAINS/ (LOSSES)

Particulars	Current Year	Previous Year
Realised gains/(losses) on derecognition of financial assets measured at FVTPL		
i) Equity instruments	(1,263,914)	1,020,612
ii) Mutual fund	-	-
iii) Debentures	-	-
iv) Others	-	-
Realised gains/(losses) on derecognition of financial assets at amortised costs		
i) Debentures	-	-
ii) Bonds	-	-
iii) Others	-	-
Total	**(1,263,914)**	**1,020,612**

32.OTHER INCOME

Particulars	Current Year	Previous Year
Unwinding of discount on financial assets at amortised cost		
i) Employee loan	-	-
ii) Bonds	-	-
iii) Others	-	-
Foreign exchange income	2,778,786	-
Interest income from finance lease	-	-
Amortization of deferred income		-
Profit from disposal of property, plant and equipment	(80,211)	1,184,955
Stamp income	3,375,720	2,009,031
Allowances written back	-	-
Others		
Liabilities written back	-	-
Others	2,985,392	617,465
Total	**9,059,687**	**3,811,451**

33. GROSS CLAIMS PAID

Amount in NRs.

Particulars	Gross claims paid		Claims ceded		Net claims paid	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	139,089,942	146,800,515	102,244,517	139,590,477	36,845,425	7,210,038
Motor	481,130,629	12,586,393	150,914,022	9,617,151	330,216,607	2,969,242
Marine	40,186,253	131,618,817	24,386,828	42,786,715	15,799,425	88,832,102
Engineering	196,593,054	4,303,973	180,006,437	3,295,631	16,586,617	1,008,342
Micro	53,325,000	241,515,588	53,325,000	241,272,236	-	243,352
Aviation	1,169,582,848	121,484,992	1,168,424,441	70,169,518	1,158,407	51,315,474
Cattle and crop	143,705,134	94,559,202	117,717,726	75,647,362	25,987,408	18,911,840
Miscellaneous	297,094,864	11,941,571	117,652,708	11,900,409	179,442,156	41,162
Total	**2,520,707,724**	**764,811,051**	**1,914,671,679**	**594,279,499**	**606,036,045**	**170,531,552**

33.1 DETAILS OF GROSS CLAIM PAID

Particulars	Claims paid		Survey fees		Total claims paid	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	129,979,165	142,972,308	9,110,777	3,828,207	139,089,942	146,800,515
Motor	471,709,888	6,838,037	9,420,741	5,748,356	481,130,629	12,586,393
Marine	37,064,249	130,603,793	3,122,004	1,015,024	40,186,253	131,618,817
Engineering	182,704,601	3,193,566	13,888,453	1,110,407	196,593,054	4,303,973
Micro	53,325,000	241,515,588	-	-	53,325,000	241,515,588
Aviation	1,169,582,848	121,484,992	-	-	1,169,582,848	121,484,992
Cattle and crop	141,968,508	94,412,956	1,736,626	146,246	143,705,134	94,559,202
Miscellaneous	296,358,487	11,163,619	736,377	777,952	297,094,864	11,941,571
Total	**2,482,692,746**	**752,184,859**	**38,014,978**	**12,626,192**	**2,520,707,724**	**764,811,051**

34. CHANGE IN INSURANCE CONTRACT LIABILITIES

Particulars	Gross change in contract liabilities		Change in reinsurance assets		Net change in contract liabilities	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	242,762,028	109,148,140	(255,903,573)	114,889,851	(13,141,545)	224,037,991
Motor	(217,764,799)	(20,037,584)	99,724,924	(6,135,804)	(118,039,875)	(26,173,388)
Marine	(1,337,370)	2,258,177	3,968,367	316,374	2,630,997	2,574,551
Engineering	(103,679,267)	(70,266,569)	114,428,456	(67,736,401)	10,749,189	(138,002,970)
Micro	(58,818,783)	(110,344,932)	58,814,071	(111,952,577)	(4,712)	(222,297,509)
Aviation	(67,714,978)	(432,545,567)	67,683,462	(432,655,872)	(31,516)	(865,201,439)
Cattle and crop	(77,299,581)	(54,576,205)	61,160,821	(43,293,168)	(16,138,760)	(97,869,373)
Miscellaneous	19,114,495	53,066,476	(25,309,996)	55,245,397	(6,195,501)	108,311,873
Total	**(264,738,255)**	**(523,298,064)**	**124,566,532**	**(491,322,200)**	**(140,171,723)**	**(1,014,620,264)**

35. COMMISSION EXPENSES

Amount in NRs.

Particulars	Commission expenses on direct premiums		Commission expenses on premium on reinsurance accepted		Changes in deferred commission expenses		Total commission expenses	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	8,836,474	1,810,115	-	22,397	108,686	19,416	8,945,160	1,851,928
Motor	4,044,466	1,451,503	-	3,128,092	3,204,753	(1,464,509)	7,249,219	3,115,086
Marine	778,353	94,610	556.00	72,147	87,235	(29,497)	866,144	137,260
Engineering	8,729,938	480,041	116,412	42,075	(2,299,570)	(231,528)	6,546,780	290,588
Micro	120	135	-	-	62	(85)	182	50
Aviation	6,719,926	3,236,124	-	-	(2,653,827)	-	4,066,099	3,236,124
Cattle and crop	13,045,399	19,213,014	-	-	6,950,539	(2,761,053)	19,995,938	16,451,961
Miscellaneous	10,636,121	5,768,487	-	-	868,887	(2,169,785)	11,505,008	3,598,702
Total	**52,790,797**	**32,054,029**	**116,968**	**3,264,711**	**6,266,765**	**(6,637,041)**	**59,174,530**	**28,681,699**

36. SERVICE FEES

Particulars	Service fees		Reinsurer's share of service fees		Net service fees	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	4,386,032	2,364,248	2,810,685	1,897,619	1,575,347	466,629
Motor	7,604,766	3,899,697	1,140,589	528,652	6,464,177	3,371,045
Marine	565,775	246,069	333,333	176,204	232,442	69,865
Engineering	4,334,992	1,771,534	4,040,463	1,681,195	294,529	90,339
Micro	23	52	5	8	18	44
Aviation	2,948,910	4,733,248	2,972,033	4,731,924	(23,123)	1,324
Cattle and crop	750,859	1,316,627	676,359	1,053,302	74,500	263,325
Miscellaneous	6,773,593	6,421,844	4,505,562	5,501,563	2,268,031	920,281
Total	**27,364,950**	**20,753,319**	**16,479,029**	**15,570,467**	**10,885,921**	**5,182,852**

37. OTHER DIRECT EXPENSES

Particulars	Direct expesnes		Others		Total direct expenses	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Fire	549,060	-	-	-	549,060	-
Motor	2,103,870	-	-	-	2,103,870	-
Marine	187,600	-	-	-	187,600	-
Engineering	44,760	-	-	-	44,760	-
Micro	229,873	-	-	-	229,873	-
Aviation	120	-	-	-	120	-
Cattle and crop	561,010	-	-	-	561,010	-
Miscellaneous	294,340	-	-	-	294,340	-
Total	**3,970,633**	-	-	-	**3,970,633**	-

Amount in NRs.

38. EMPLOYEE BENEFITS EXPENSES

Particulars	*Current Year*	*Previous Year*
Salaries	121,647,355	58,041,633
Allowance	94,814,493	32,803,692
Festival allowance	16,262,620	4,552,157
Defined benefit plans		
i) Gratuity	-	(15,111,785)
ii) Others	-	-
Defined contribution plans		
i) Provident fund / social security fund	23,481,420	6,578,730
ii) Others	-	-
Leave encashments	10,219,992	2,352,737
Termination benefits	-	-
Training expenses	4,493,710	2,818,117
Uniform expenses	-	-
Medical expenses	-	-
Insurance expenses	3,201,263	2,181,808
Staff welfare expenses	4,859,657	-
Others (gift and novelties)	-	188,284
Sub total	**278,980,510**	**94,405,373**
Bonus	71,350,634	20,751,246
Total	**350,331,144**	**115,156,619**

39. DEPRECIATION AND AMORTIZATION EXPENSES

Particulars	Current Year	Previous Year
Amortization of goodwill and intangible assets (Refer Note 4)	1,996,314	2,319,396
Depreciation on property, plant and equipment (Refer Note 5)	17,197,747	8,064,356
Depreciation on investment properties (Refer Note 6)	-	-
Total	**19,194,061**	**10,383,752**

40. IMPAIRMENT LOSSES

Particulars	Current Year	Previous Year
Impairment losses on property and equipment, investment properties and goodwill & intangible assets		
i) Property, plant and equipment	-	-
ii) Investment properties	-	-
iii) Goodwill and intangible assets	-	-
Impairment losses on financial assets		
i) Investment	-	-
ii) Loans	-	-
iii) Other financial assets	-	-
iv) Cash and cash equivalent	-	-
v) Others	-	-
Impairment losses on other assets		
i) Reinsurance assets	-	-
ii) Insurance receivables	-	-
iii) Lease receivables	-	-
iv) Others	-	-
Total	-	-

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

41. OTHER OPERATING EXPENSES

Amount in NRs.

Particulars	Current Year	Previous Year
Rent expenses	32,823,813	20,030,971
Electricity and water	4,030,308	2,258,881
Repair and maintenance		
i) Building	-	-
ii) Vehicle	1,433,974	841,402
iii) Office equipment	1,150,434	1,708,522
iv) Others	569,498	879,446
Telephone and communication	6,449,031	4,322,415
Printing and stationary	12,392,745	4,075,114
Office consumable expenses	9,254,703	3,061,056
Travelling expenses		
i) Domestic	1,115,147	1,278,621
ii) Foreign	4,062,769	82,590
Transportation and fuel	12,454,120	2,918,879
Agent training	59,220	570,546
Other agent expenses	-	-
Insurance premium	1,740,502	618,250
Security and outsourcing expenses	7,726,966	5,785,253
Legal and consulting expenses	17,915,850	5,016,093
Newspapers, books and periodicals	72,359	55,765
Advertisement and promotion expenses	7,930,697	3,090,855
Business promotion	3,835,908	-
Guest entertainment	5,367,600	3,627,789
Gift and donations	-	-
Board meeting fees and expenses		
i) Meeting allowances	1,303,000	1,018,500
ii) Other allowances	584,511	19,837
Other committee/ sub-committee expenses		
i) Meeting allowances	815,000	560,000
ii) Other allowances	20,888	-
Annual general meeting expenses	1,222,576	881,187
Actuarial service fee	301,177	-
Other actuarial expenses	75,294	-
Audit related expenses		
i) Statutory audit	600,000	375,000
ii) Tax audit	-	-
iii) Long form audit report	-	40,000
iv) Other fees	-	100,000
v) Internal audit	1,171,825	400,000
vi) Others	105,000	-
Bank charges	1,223,156	470,177
Fee and charges	9,861,031	2,227,346
Postage charges	2,807,410	1,193,647
Foreign exchange losses	-	-
Fines and penalties	-	-
Others		
CSR activities	148,702	566,070
Merger expenses	11,523,485	1,184,905
Direct expenses	-	2,728,578
Software development expenses	-	-
Share related expenses	-	451,040
Foreign exchange loss	-	4,179,550
Crop and live stock expenses	-	-
Micro expenses other direct expenses	-	21,432
VAT expenses on propotional VAT claim	-	3,454,879
Total	**162,148,699**	**80,094,596**

42. FINANCE COST

Amount in NRs.

Particulars	Current Year	Previous Year
Unwinding of discount on provisions	-	-
Unwinding of discount on financial liabilities at amortised costs	-	-
Interest Expenses - Bonds	-	-
Interest Expenses - debentures	-	-
Interest expenses - on term loans	-	-
Interest Expenses - lease	-	-
Interest expenses - on overdraft loans	1,719,066	-
Others	-	737,577
Total	-	-
	1,719,066	**737,577**

43. INCOME TAX EXPENSE

A. INCOME TAX EXPENSE

Particulars	*Current Year*	*Previous Year*
Current tax		
i) Income tax expenses for the year	187,272,548	65,253,878
ii) Income tax relating to prior periods	47,807,096	326,502
Deferred tax for the year		
i) Originating and reversal of temporary differences	(37,983,465)	(1,552,847)
ii) Changes in tax rate	-	-
iii) Recognition of previously unrecognised tax losses	-	-
iv) Write-down or reversal	-	-
v) Others	-	-
Income tax expense	**197,096,179**	**64,027,533**

B. RECONCILIATION OF TAXABLE PROFIT & ACCOUNTING PROFIT

Particulars	*Current Year*	*Previous Year*
Accounting profit before tax	642,155,706	214,782,986
Applicable tax rate	30.00%	30.00%
Tax at the applicable rate on accounting profit	192,646,712	64,434,896
Add: Tax effect of expenses that are not deductible / (included) for tax purpose		
i) Provision for unrealized cheque written back		-
ii) Provision for investment written back		-
iii) CSR expenses		-
iv) Fines and penalties	44,611	-
v) Tax effect of realised gain/loss on disposal of equity instruments	321,803	135,312
Less: Tax effect on exempt income and additional deduction	(96,760)	
i) Bonus on income from dividend		
ii) Dividend	18,331	96,573
iii) Capital gain tax on diposal of investment after acquisition	(183,331)	(965,750)
Less: Adjustments to current tax for prior periods		-
i) Taxes pertaining to prior period		
ii)	47,807,096	326,502
Add / (less): others		-
i) Opening deferred tax adj on net contract liabilities of EIC	(18,402,409)	-
ii) Opening deferred tax adj on deferred commission income & expenses of EIC	(23,475,219)	-
iii) Opening unexpired risk reserve for HGI	(1,584,655)	
Income tax expense	**197,096,179**	**64,027,533**
Effective tax rate	**30.69%**	**29.81%**

44. EMPLOYEE RETIREMENT BENEFITS

The Company provides defined contribution plan, defined benefit plan and other long-term employee benefit plan to its employees. Under contribution plan the Company pays pre-determined amounts to publicly administered funds as per the local regulation and does not have any legal or informal obligations to pay additional amounts. These comprise of contribution to social security fund on account of provident fund and gratuity. The Company's long-term benefit plan comprise of earned leave.

From the financial year commencing from Srawan 1, 2079, the company started contribution of its overall employees with the social security fund. The contribution so made consists of 10% of provident fund, 8.33% of gratuity and 1.67% of medical insurance. The liability on account of gratuity as per the previous gratuity policy up to Ashad 32, 2079 (July 16, 2022) has been computed and paid to the fund with Citizen Investment Trust. The liability so computed has been funded with Citizen Investment Trust.

The earned leave plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's salary and number of unused accumulated leaves balances of annual leave and sick leave. Earned leave is funded with Citizen Investment Trust.

The value of the long-term employee benefit plan on account of earned leave is determined by external independent actuary as at the reporting dated, using the projected unit credit method. The actuarial valuation involves making assumptions about the discount rates, salary increment rate, employees' attrition rate and balance service period of employees. Due to long term nature of the plans, such estimates are subject to significant uncertainties.

a. Post employment benefit - Defined contribution plan

For the year ended Ashad 31, 2080 (July 16, 2023) the company has recognised Rs. 6,107,909 (2078-79: Rs. 6,578,730) as an expenses under the defined contribution plans in the statement of profit or loss.

b. Post employment benefit - Defined benefit plan and long-term benefit plan

For long-term benefit plan, the cost of providing benefits is determined using the projected unit credit method, based on the actuarial valuations.

c. Total expenses recognised in the statement of profit or loss

Particulars	*Amount in NRs.*	
	Earned leave	
	Current Year	*Previous Year*
Current service cost	928,942	999,381
Past service cost	-	-
Net interest cost		
a. Interest expense on defined benefit obligation (DBO)	713,689	450,810
b. Interest (income) on plan assets	-	-
c. Total net interest cost	**713,689**	**450,810**
Net Actuarial losses/(gains) recognized during the period	4,465,279	902,546
Defined benefit cost included in statement of profit or loss	**6,107,910**	**2,352,737**

d. Remeasurement effects recognised in statement of other comprehensive income (OCI)

Particulars	*Amount in NRs.*	
	Earned leave	
	Current Year	*Previous Year*
a. Actuarial (gain)/ loss due to financial assumption changes in DBO	-	-
b. Actuarial (Gain) / Loss – demographic assumptions	-	-
c. Actuarial (gain)/ loss due to experience on DBO	-	-
d. Return on plan assets (greater)/ less than discount rate	-	-
Total actuarial (gain)/ loss included in OCI	-	-

e. Total cost recognised in Comprehensive Income

Particulars	*Amount in NRs.*	
	Earned leave	
	Current Year	*Previous Year*
Cost recognised in statement of profit or loss	6,107,910	2,352,737
Remeasurements effects recognised in OCI	-	-
Total cost recognised in comprehensive income	**6,107,910**	**2,352,737**

44. EMPLOYEE RETIREMENT BENEFITS (CONTD)

f. Change in defined benefit obligation

Particulars	Amount in NRs.	
	Earned leave	
	Current Year	Previous Year
Defined benefit obligation as at the beginning of the year	8,481,680	9,124,818
Service cost	928,942	999,381
Interest cost	713,689	450,810
Acquisition	11,206,279	-
Benefits paid by the employer	(2,338,070)	(2,995,875)
Benefit payments from plan assets	-	-
Actuarial (gain)/ loss - financial assumptions	4,465,279	902,546
Actuarial (gain)/ loss - demographic financial assumptions	-	-
Actuarial (gain)/ Loss - experience	-	-
Defined benefit obligation as at the end of the year	**23,457,799**	**8,481,680**

g. Change in fair value of plan assets

Particulars	Amount in NRs.	
	Earned leave	
	Current Year	Previous Year
Fair value of plan assets at end of prior year	-	-
Expected return on plan assets	-	-
Employer contributions	21,761,446	-
Participant contributions	-	-
Benefit payments from plan assets	-	-
Transfer in/ transfer out	-	-
Actuarial gain/ (loss) on plan assets	-	-
Fair value of Plan Assets At End of Year	**21,761,446**	**-**

h. Net defined benefit asset/(liability)

Particulars	Amount in NRs.	
	Earned leave	
	Current Year	Previous Year
Defined benefit obligation	23,457,799	8,481,680
Fair value of plan assets	(21,761,446)	-
(Surplus)/deficit recognised in statement of financial position	**1,696,353**	**8,481,680**

i. Expected company contributions for the next year

Particulars	Amount in NRs.	
	Earned leave	
	Current Year	Previous Year
Expected company contributions for the next year	-	-

j. Reconciliation of amounts in statement of financial position

Particulars	Amount in NRs.	
	Earned leave	
	Current Year	Previous Year
Net defined benefit liability/(asset) at prior year end	8,481,680	9,124,818
Defined benefit cost included in Statement of Profit or Loss	6,107,910	2,352,737
Total remeasurements included in OCI	-	-
Acquisition/ divestment	11,206,279	-
Employer contributions	(21,761,446)	-
Benefits Payouts	(2,338,070)	(2,995,875)
Net defined benefit liability/(asset)	**1,696,353**	**8,481,680**

k. Reconciliation of statement of other comprehensive income

Particulars	Amount in NRs.	
	Earned leave	
	Current Year	Previous Year
Cumulative OCI - (Income)/Loss, beginning of period	-	-
Total remeasurements included in OCI	-	-
Cumulative OCI - (Income)/Loss	-	-

44. EMPLOYEE RETIREMENT BENEFITS (CONTD)

l. Current / Non-current liability

Particulars	Amount in NRs.	
	Earned leave	
	Current Year	Previous Year
Current Liability	5,649,521	2,032,536
Non - Current Liability	17,808,277	6,449,144
Total	23,457,798	8,481,680

m. Expected future benefit payments

Particulars	Amount in NRs.	
	Earned leave	
	Current Year	Previous Year
Within 1 year	-	-
Between 1-2 years	-	-
Between 2-5 years	-	-
From 6 to 10	-	-
Total	-	-

n. Plan assets

Particulars	Earned leave	
	Current Year (% Invested)	Previous Year (% Invested)
Government securities	0%	0%
Corporate bonds (including public sector bonds)	0%	0%
Mutual funds	0%	0%
Deposits	0%	0%
Cash and bank balances	0%	0%
Retirement fund	0%	0%
Others	100%	100%
Total	0%	0%
	100%	100%

o. Sensitivity analysis

Particulars	Earned leave	
	Current Year	Previous Year
Effect in defined benefit obligation due to 1% increase in discount rate	-	-
Effect in defined benefit obligation due to 1% decrease in discount rate	-	-
Effect in defined benefit obligation due to 1% increase in salary escalation rate	-	-
Effect in defined benefit obligation due to 1% decrease in salary escalation rate	-	-
Effect in defined benefit obligation due to 1% increase in attrition rate	-	-
Effect in defined benefit obligation due to 1% decrease in attrition rate	-	-

p. Assumptions

Particulars	Earned leave
Discount rate	9.00%
Escalation rate (rate of increase in compensation levels)	5.00%
Attrition rate (employee turnover)	10.00%
Mortality rate during employment	Nepali Assured Lives Mortality (2009)

45. Fair value measurement

45.1 Financial instruments by category and hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into three levels as prescribed by the applicable NFRS.

Amount in NRs.

Particulars	Level	Current Year			Previous Year		
		FVTPL	FVOCI	Amortised Cost	FVTPL	FVOCI	Amortised Cost
Investments							
Investment in equity instruments	1	-	622,126,572	-	-	290,508,889	-
Investment in mutual funds	1	-	52,717,532	-	-	30,318,083	-
Investment in debentures	3	-	-	184,101,630	-	-	26,898,000
Fixed deposits	3	-	-	3,681,702,500	-	-	1,496,012,000
Advance for investment in equity instruments	3	-	-	-	-	-	-
Other financial assets	3	-	-	150,987,152	-	-	146,941,880
Cash and cash equivalents	1	-	-	207,456,355	-	-	347,328,744
Total financial assets		**-**	**674,844,104**	**4,224,247,637**	**-**	**320,826,972**	**2,017,180,624**
Other financial liabilities	3	-	-	229,452,996	-	-	102,300,158
Total financial liabilities		**-**	**-**	**229,452,996**	**-**	**-**	**102,300,158**

An explanation of each level is provided below:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments and units of mutual funds that have quoted price. The fair value of all equity instruments and units of mutual fund which are traded on the stock exchanges is valued using the closing price as at the reporting date.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There is no transfer of financial instruments between different levels as mentioned above during the year.

45.2 Valuation technique used to determine fair value

In respect of investment in equity instruments that are listed in the Nepal Stock Exchange Ltd. the quoted price of the instrument has as at the date of statement of financial position has been used. In respect investment in unquoted equity instruments, the cost of such instrument has been deemed to be fair value.

The fair value of remaining financial instruments is determined using discounted cash flow analysis.

45.3 Valuation process

The finance and accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes. Discussions on valuation processes and results are held at least once in a year.

The main level 3 inputs are derived and evaluated as follows:

- A discount rate is arrived at considering the internal and external factors.
- Discounting has been applied where assets and liabilities are non-current, and the impact of the discounting is material.

45.4 Fair value of financial assets and liabilities measured at amortised cost

Amount in NRs.

Particulars	*Current Year*		*Previous Year*	
	Carrying Amount	*Fair Value*	*Carrying Amount*	*Fair Value*
Investments				
Investment in preference shares of banks and financial institutions				
Investment in debentures	184,101,630	184,101,630	24,898,000	24,898,000
Investment in bonds	-	-	-	-
Fixed Deposit	3,681,702,500	3,681,702,500	1,601,000,000	1,601,000,000
Others	-	-	-	-
Loans				
Loans to employees and others	-	-	-	-
Others	-	-	-	-
Other Financial Assets	150,987,152	150,987,152	92,393,337	92,393,337
Total Financial Assets at Amortised Cost	**4,016,791,282**	**4,016,791,282**	**1,975,927,337**	**1,975,927,337**
Borrowings				
Bonds	-	-	-	-
Debentures	-	-	-	-
Term loans - Bank and financial institutions	-	-	-	-
Bank overdrafts	-	-	-	-
Others	-	-	-	-
Other Financial Liabilities	229,452,996	229,452,996	46,883,444	46,883,444
Total Financial Liabilities at Amortised Cost	**229,452,996**	**229,452,996**	**46,883,444**	**46,883,444**

The carrying amounts of other financial assets, insurance receivables, cash and cash equivalents, insurance payables and other financial liabilities are the same as their fair values, due to their short-term nature.

46. Risk management framework

46.1 Governance framework

The primary objective of the Company's risk and financial management framework is to ensure that it will be above to continue as a going concern so that can continue to provide returns to the shareholders through sustainable achievement of financial performance objective. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The board of directors and senior management manages the risks through various committees and delegated authorities. As part of the important activity within the Company, the risks are reviewed on a regular basis and strategies are timely adopted to manage these risks. The risks are identified with clear understanding of the market environment, regulatory environment and economic changes.

46.2 Insurance risks

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

The risk exposure is mitigated by diversification across portfolio of insurance contracts. The risk is also mitigated by careful selection and implementation of underwriting guidelines as well as use of reinsurance arrangements.

The Company considers insurance risk to be a combination of the following components:

- Product design risk
- Product pricing
- Underwriting risk
- Claim risk
- Reinsurance risk
- Reserving

a. Product design risk

The Company issues general insurance contracts such as fire, marine, motor, marine, engineering, micro, aviation, cattle and crop and miscellaneous. The significant risks arising under the general insurance portfolio are from changes in the climate leading to natural disasters, behavioral trends of peoples due the change in their lifestyles and steady escalation of costs in respect of motor industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. Variability of risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in the term of type of risk.

The Company's insurance risk based on the line of business concentration is as follows:

Line of business	*For the year ended Ashad 31, 2080 (July 16, 2023)*		*For the year ended Ashad 32, 2079 (July 16, 2022)*	
	Gross written premium	*Concentration Percentage*	*Gross written premium*	*Concentration Percentage*
Fire	538,706,116	16%	236,424,802	11%
Motor	933,706,904	28%	389,969,657	21%
Marine	66,672,876	2%	24,606,862	2%
Engineering	531,195,936	16%	177,153,396	5%
Micro	2,400	0%	5,223	4%
Aviation	354,605,187	11%	473,324,756	22%
Cattle and crop	90,360,564	3%	131,662,736	7%
Miscellaneous	861,096,975	26%	642,184,437	28%
Total	**3,376,346,958**		**2,075,331,869**	

b. Pricing risk

The pricing of an insurance product involves the estimation of claims, operational and financing costs and the income arising from investing the premium received. The pricing process typically comprises collecting data on the underlying risks to be covered, determining the pricing assumptions and the base rate, setting the final premium rate, and monitoring the review of the appropriateness of pricing.

The Company collects adequate data to validate the reasonableness of the underlying assumptions used for pricing. The base rate represents the amount required to meet the value of anticipated benefits, expenses, and margins for risks and profit. Data primarily relates to the company's own historical experience and that of the industry where relevant. These may be supplemented by other internal and external data and could include trends observed in claims costs and expenses.

Pricing is done by modelling all identified risks, using appropriate methodologies depending on the complexity of the risks and available data. Adequate buffers are kept in the premiums to cushion against the risk that actual experience may turn out to be worse than expected.

c. Underwriting risk

Underwriting involves measuring risk exposure and determining the premium that needs to be charged to undertake the insurance risk. Underwriting risks generally arise either from an inaccurate assessment of the risks entailed in writing and insurance policy or from factors wholly out of the underwriter's control.

The majority of the underwriting risk to which the Company is exposed is of a short-term nature, and generally does not exceed 12 months. The company's underwriting strategy aims to ensure that the underwritten risks are well diversified in terms of the type, amount of risk, and geography in order to ensure that the Company minimises the volatility of its insurance result.

The above risk exposure is mitigated by improving the knowledge and skills of the underwriting staff. Further, a statistical database is maintained to enable proper decisions to be taken during underwriting of insurance risks undertaken. Also, financial authority limits are in place for underwriting, clearly prescribing the limits to underwrite based on the sum insured and risk undertaken. Pricing is done by modelling all identified risks, using appropriate methodologies depending on the complexity of the risks and available data. Adequate buffers are kept in the premiums to cushion against the risk that actual experience may turn out to be worse than expected.

d. Reinsurance risk

Reinsurance risk refers to the inability of the Company to obtain insurance from reinsurers at the right time and at the appropriate cost.

The above risk exposure is mitigated by choosing globally highly trusted reinsurance companies for reinsurance placements. The company has reinsurance treaty with the following reinsurance companies:

Name of reinsurers	*Rating*	*Issuing agency*
General Insurance Corporation of India, India	B ++	AM Best
Oman Re	B+	AM Best
Zep Re (PTA Reinsurance Company) Nairobi, Kenya	B ++	AM Best
East Africa Reinsurance Corporation Ltd., Nairobi, Kenya	B	AM Best
AdNIC reinsurance	A	AM Best
Cica Re	B +	AM Best
The New India Assurance Company Limited	B ++	AM Best
Asian Reinsurance Company Limited	B +	AM Best

e. Claim risk

Claim risk refers to the risk that the actual claims or the timing thereof may differ from expectation and sufficient reserves may not be available to cover these liabilities.

The above risk exposure is mitigated by implementing strict claim review policies to assess all new and ongoing claims. Regular detailed review of claims handling procedure and frequent investigation of possible fraudulent claims are put in place 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 may negatively impact the business.

The Company seeks to reduce its claim risk through the use of experience actuaries who estimates actuarial indication of the required reserves to be made based on claims experience, business volume, anticipated change in the claim environment and claims cost.

i. *Sensitivities*

The Company's claim liabilities are sensitive to key assumptions as mentioned in the table below. The following analysis is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and profit after tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

For the year ended on Ashad 31, 2080 (2079-80)

Amount in NRs.

Particulars	*Changes in Assumptions*	*Increase/ (Decrease) on Gross Liabilities*	*Increase/ (Decrease) on Net Liabilities*	*Increase/ (Decrease) - Profit Before Tax*	*Increase/ (Decrease) - Profit After Tax*
Average claim cost	+10%	257,795,654	3,934,517	(291,415,939)	(203,991,158)
Average number of claims	+10%	26,473,826	(14,017,173)	14,017,173	9,812,021
Average claim cost	-10%	(257,795,654)	(3,934,517)	291,415,939	203,991,158
Average number of claims	-10%	(26,473,826)	14,017,173	(14,017,173)	(9,812,021)

For the year ended on Ashad 32, 2079 (2078-79)

Amount in NRs.

Particulars	*Changes in Assumptions*	*Increase/ (Decrease) on Gross Liabilities*	*Increase/ (Decrease) on Net Liabilities*	*Increase/ (Decrease) - Profit Before Tax*	*Increase/ (Decrease) - Profit After Tax*
Average claim cost	+10%	86,078,309	1,347,626	(188,908,683)	(132,236,078)
Average number of claims	+10%	81,040,190	1,642,136	(1,642,136)	(1,149,495)
Average claim cost	-10%	(86,078,309)	(1,347,626)	188,908,683	132,236,078
Average number of claims	-10%	(81,040,190)	(1,642,136)	1,642,136	1,149,495

ii. *Claim development table*

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

Gross outstanding claim provision

Amount in NRs.

Year of Incident	> PY 4	PY 4	PY 3	PY 2	PY 1	Current Year	Total
At end of incident year						3,036,202,212	3,036,202,212
One year later					933,584,991		933,584,991
Two year later				363,780,816			363,780,816
Three year later			141,413,839				141,413,839
Four year later		8,185,586					8,185,586
More than Four years	-						-
Current estimate of cumulative claims	**-**	**8,185,586**	**141,413,839**	**363,780,816**	**933,584,991**	**3,036,202,212**	**4,483,167,444**
At end of incident year						2,002,154,127	2,002,154,127
One year later					365,169,219		365,169,219
Two year later				134,155,598			134,155,598
Three year later			11,043,194				11,043,194
Four year later		8,185,586					8,185,586
More than Four years	-						-
Cumulative payments to date	**-**	**8,185,586**	**11,043,194**	**134,155,598**	**365,169,219**	**2,002,154,127**	**2,520,707,724**
Gross insurance contract outstanding claim provision	**-**	**-**	**130,370,645**	**229,625,218**	**568,415,771**	**1,034,048,085**	**1,962,459,720**

Net outstanding claim provision

Amount in NRs.

Year of Incident	> PY 4	PY 4	PY 3	PY 2	PY 1	Current Year	Total
At end of incident year						589,939,251	589,939,251
One year later					206,886,678		206,886,678
Two year later				41,345,500			41,345,500
Three year later			34,227,517				34,227,517
Four year later		4,471,159					4,471,159
More than four years	-						-
Current estimate of cumulative claims	**-**	**4,471,159**	**34,227,517**	**41,345,500**	**206,886,678**	**589,939,251**	**876,870,105**
At end of incident year						412,953,454	412,953,454
One year later					163,988,560		163,988,560
Two year later				20,024,089			20,024,089
Three year later			4,598,781				4,598,781
Four year later		4,471,159					4,471,159
More than four years	-						-
Cumulative payments to date	**-**	**4,471,159**	**4,598,781**	**20,024,089**	**163,988,560**	**412,953,454**	**606,036,044**
Gross insurance contract outstanding claim provision	**-**	**-**	**29,628,736**	**21,321,411**	**42,898,117**	**176,985,797**	**270,834,061**

f. Reserving

Insurance contract liabilities are created to cover this risk based on the actuarial valuation report.

The table below sets out the concentration of risk associated with above mentioned products. Risk as at year end has been measured as insurance contract liabilities and disclosed as below:

Amount in NRs.

Particulars	Current Year			Previous Year		
	Gross insurance liabilities	Reinsurance assets	Net liabilities	Gross insurance liabilities	Reinsurance assets	Net liabilities
Fire	771,905,856	626,697,610	145,208,246	195,701,794	156,390,021	39,311,773
Motor	829,301,212	289,158,489	540,142,723	362,045,967	140,179,024	221,866,943
Marine	172,422,269	123,167,993	49,254,276	46,500,295	34,263,926	12,236,369
Engineering	611,052,886	532,853,254	78,199,632	178,419,399	168,717,847	9,701,552
Micro	517,114,778	517,111,483	3,295	305,564,499	305,555,036	9,463
Aviation	570,875,748	570,272,959	602,789	734,647,478	734,094,078	553,400
Cattle and Crop	85,854,022	73,910,350	11,943,672	175,447,779	140,221,645	35,226,134
Miscellaneous	629,046,568	457,939,297	171,107,271	431,962,547	374,890,160	57,072,387
Total	**4,187,573,339**	**3,191,111,435**	**996,461,904**	**2,430,289,758**	**2,054,311,737**	**375,978,021**

47. Financial risk management

47.1 Credit risk

Credit risk is counter-party default risk and includes the risk of failure of financial institutions with which the Company have placed deposits / investment to meet its contractual obligations, and the failure of reinsurers to meet claims when they fall due. It also includes the risk of default by policyholders on premium receivables.

The Company's placement in debt instruments is primarily in fixed deposits with commercial banks, development banks and other financial institutions that are held at amortised cost of Rs. 3,681,702,500 (2078-79: Rs. 1,496,815,734) and in debentures issued by listed companies Rs. 184,101,630 (2078-79: Rs. 27,986,737) which are managed and monitored by the investment committee of the Company. The Company carries other financial assets, such as balances with banks, advance to employees and other receivables. Bank deposits in fixed and other short-term deposit accounts are held with commercial banks, development banks and other financial institutions having a strong financial position and considering the experience of the Company over time, the counter party risk attached to such assets is considered insignificant.

Advance to employees and other receivables are monitored on regular basis and is recovered on timely basis. Allowance for impairment is made for loss incurred assets if any.

Credit risk to external reinsurers appears when insurance exposures are transferred by the Company to external reinsurance companies to mitigate insurance risks. Potential losses can arise due to non-recoverability of reinsurance receivables that are under reinsurance treaties in force. The Company has selected its reinsurers with a high credit rating and reviews their rating periodically. The information on the reinsurers is provided in 46.2 (d) above. The Company's exposures to reinsurance risk are placed with highly rated reinsurers and considering the experience of the Company over time, the counter party risk attached to insurance receivables is minimal except for receivable of Rs. 161,303,648 (2078-79: Rs. 161,303,648) due from Aviation Assets Management Ltd, which has since been liquidated and has not been recovered. The company also has receivable of Rs. 7,154,982 (2078-79: Rs. 1,876,362) recoverable from local insurance company and Rs. 574,240 recoverable from foreign reinsurance company under facultative arrangement which has not been recovered. Allowance for impairment for these amounts has been made in the financial statements.

The Company does not have a policy of providing credit facilities against issued policy document as per regulatory restrictions. However, in respect of agriculture insurance, 20% of the premium amount is recovered at the time of issue of the policy and balance 80% is guaranteed by the Government of Nepal as subsidy to the farmers which it paid to the Company through the Nepal Insurance Authority of Nepal. Similarly, in respect of insurance for COVID-19 and certain property insurance, 50% of the

premium amount is recovered at the time of issue of the policy and balance 50% if guaranteed by the Government of Nepal, which is paid to the Company through the Nepal Insurance Authority of Nepal. Accordingly, the counter party risk attached to the amount due from policyholders is minimal.

The Company uses the incurred loss model for impairment of financial assets. The detail of allowance for financial assets recognised is as follows:

Amount in NRs.

Particulars	*Current Year*	*Previous year*
Balance of loss allowance as at Ashad 31, 2079	**163,180,010**	**163,180,010**
Add: Transferred from business acquisition	5,852,860	-
Add: Loss allowance recognised during the year	-	-
Less: Loss allowance written back during the year	-	-
Balance of loss allowance as at Ashad 31, 2080	**169,032,870**	**163,180,010**

Loss allowance has been recognised for receivable from reinsurance Company and local insurance company.

47.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments as they fall due.

The Company maintains investment in accordance with the investment policy issued by the Nepal Insurance Authority of Nepal. The Company has also invested in highly marketable securities that can be liquidated in the event of unforeseen contingencies. Further, the investment committee reviews the liquidity level of investments and takes appropriate actions to improve the liquidity position.

Insurance receivables includes amount receivables from local insurance businesses under local facultative arrangement and from reinsurers under reinsurance arrangement for paid losses. These are recognised and measured at fair value of the considerations to be received.

Insurance receivables also includes sundry debtors which are recognised when due and are initially measured at fair value on the consideration receivable. This receivable represents agriculture insurance policy, insurance for COVID-19 and certain property insurance which are subsidized by the government of Nepal to the extent of 50% to 80% of the premium invoiced amount. Collectability of premiums is reviewed on an ongoing basis.

The following table represents the maturity profiles of financial liabilities:

Amount in Rs.

Particulars	*Notes*	*Current Year*			*Previous Year*		
		Upto 1 year	*1 to 5 years*	*More than 5 years*	*Upto 1 year*	*1 to 5 years*	*More than 5 years*
Financial liabilities							
Borrowing	22	-	-	-	-	-	-
Other financial liabilities	24	-	229,452,988	-	102,300,158	-	-
Total financial liabilities		**-**	**229,452,988**	**-**	**102,300,158**	**-**	**-**

47.3 Market risk

Market risk is the risk of possible adverse movements in the value of financial instrument due to change in market factors, such as interest rates, foreign exchange rates, and equity prices, and will affect the Company's income or the value of its holdings of financial instruments. Market risk is the aggregation of:

- Interest rate risk
- Foreign currency risk
- Price risk

i. *Interest rate risk*

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

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's fixed deposits and short-term deposits with banks and financial institutions and investment in debentures issued by listed companies. The company monitors its interest rate risk on a periodic basis by analyzing the movement in interest rates and manages its cash flows.

ii. *Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The company does not maintain foreign currency denominated assets in its investment portfolio and as such is not exposed to foreign exchange risk related to investment.

iii. *Equity price risk*

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in the price of the securities or portfolio of securities.

The Company classifies its investment portfolio into debt securities, equity instruments and units of mutual fund. The debts securities are predominantly held in fixed deposits with commercial banks and other financial institutions and debentures issued by listed companies. Fixed deposits and debentures are not traded in the market and the price risk on these securities is negligible. In respect of investment in equity instrument and units of mutual funds, which are listed and traded in the market through Nepal Stock Exchange Ltd., the management follows the guidelines as mentioned in the investment policy and monitors the price of these securities on a regular basis.

The Company holds investment in quoted equity instruments of Rs. 622,126,572 (2078-79: Rs. 126,497,089) and in units of mutual fund of Rs. 52,717,532 (2078-79: Rs. 30,318,083). Changes in the fair value of these instruments are recognised through OCI.

The table below summarizes the increase/decrease in the prices of these securities by 100 basis points assuming the change in equity index with all other variables held constant, and that all the equity instruments move in line with the index.

Particulars	*Current Year*	*Previous year*
Interest rate – Increase by 1%	67,484,41	1,568,152
Interest rate – Decrease by 1%	(6,748,441)	(1,568,152)

48. Operational risk

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standard of corporate governance. Operational failures could result in producing

misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Company.

The Company has controls of effective segregation of duties, access controls, authorisations, training and assessments procedures. Corporate governance standards are strictly implemented by the board of directors. Risks from change in regulatory environment, technology are monitored in its strategic planning and processes.

49. Climate Risk

The Company acknowledges the increasing significance of climate change and its potential impacts on the insurance industry. Climate risk encompasses a spectrum of challenges, including physical risks arising from extreme weather events, as well as transition risks associated with the global shift towards a low-carbon economy.

a. Physical Risks:

The Company recognizes the potential for increased frequency and severity of extreme weather events, such as floods, storms, and other climatic disruptions. These events may pose a threat to the insured assets and impact on the overall claims experience. The Company has implemented active risk assessment and management practices to identify, assess, and mitigate the physical risks associated with climate change.

b. Transition Risks:

In response to the global transition towards a low-carbon economy, the Company is cognizant of the evolving regulatory landscape and market dynamics. Changes in regulations, policies, and market preferences related to climate change could affect the valuation of certain assets and liabilities, impact the Company's financial performance. The Company remains committed to staying informed about emerging developments and adapting business strategies accordingly.

c. Risk Mitigation Strategies:

As part of the Company's commitment to sustainable business practices, the Company is actively integrating climate risk considerations into its underwriting, investment, and risk management processes.

d. Disclosure of Financial Impact:

At present, the Company does not anticipate a material financial impact directly resulting from climate risk. However, the Company recognizes the dynamic nature of climate-related challenges and continues to assess and disclose any material changes that may arise in the future.

50. Capital management

The Company manages its capital with the following management objectives and approaches:

- To maintain the minimum paid up capital as required by its regulator, Nepal Insurance Authority of Nepal.
- To maintain the required level of stability for providing a degree of security to the policyholders.
- To allocate capital efficiently that supports the development of the Company's business so that it can continue to provide returns to the shareholders.

- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

a. Regulatory minimum paid up capital

Operation of the Company are also subject to regulatory requirements of the Nepal Insurance Authority of Nepal. The Nepal Insurance Authority has prescribed minimum paid up capital of Rs. 2.5 billion to be maintained by non-life insurance companies by Ashad end 2081. The company's current paid up capital after the merger with Everest Insurance Company Limited is Rs. 2,301,535,000.

Further, Nepal Insurance Authority has prescribed solvency margin and investment policy to minimise risk of insolvency on the part of the insurance companies to meet unforeseen liabilities that may arise.

The Company maintains solvency and investment as per the regulations prescribed. It maintains a solvency ratio of as per the regulatory requirement.

a. Dividend

Amount in NRs.

Particulars	*Current Year*	*Previous Year*
(i) Dividends recognized		
Final cash dividend for the year ended Ashad 31, 2079 of Rs. 0.14 per fully paid share	3,242,016	3,851,179
Bonus share for the year ended Ashad 31, 2079 of Rs. 2.75 per fully paid share	61,598,300	73,172,400
(ii) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, for the year ended the directors have recommended the payment of a final cash dividend of Rs 6.37 per fully paid equity share (2078-79: Rs 0.14 per fully paid share).	146,607,780	3,242,016
In addition to the above dividends, for the year ended the directors have recommended the payment of a bonus share of Rs 8.63 per fully paid equity share (2078-79: Rs 2.75 per fully paid share).	198,622,400	61,598,300
This proposed dividend & bonus share is subject to the approval of shareholders in the ensuing annual general meeting.		

51. Earnings per share (EPS)

Amount in NRs.

Particulars	*Current Year*	*Previous Year*
Profit for the year	485,268,712	150,755,453
Add: Interest saving on convertible bonds		
Profit for the year used for calculating diluted earnings per share	485,268,712	150,755,453
Weighted average number of equity shares outstanding during the year for basic earnings per share	23,015,350	11,735,091
Adjustments for calculation of diluted earnings per share:		
i) Dilutive shares	-	-
ii) Options	-	-
iii) Convertible bonds	-	-
Weighted average number of equity shares outstanding during the year for diluted earnings per share	23,015,350	11,735,091
Nominal value of equity shares	100.00	100.00
Basic earnings per share	**21.08**	**12.85**
Diluted earnings per share	**21.08**	**12.85**
Restated earnings per share		**6.55**

52. Segment reporting

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

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

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

Business segments of the company are:

i. *Fire*
ii. *Motor*
iii. *Marine*
iv. *Engineering*
v. *Micro*
vi. *Aviation*
vii. *Cattle and Crop*
viii. *Miscellaneous*

HIMALAYAN EVEREST INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended on Ashad 31, 2080 (July 16, 2023)

a. Segmental Information for the year ended Ashad 31, 2080 (July 16, 2023)

Amount in Rs.

Particulars	Fire	Motor	Marine	Engineering	Micro	Aviation	Cattle and Crop	Miscellaneous	Inter segment elimination	Total
Income										
Gross earned premiums	600,812,700	866,851,740	7,411,992	477,996,167	5,641	453,796,220	136,903,545	850,324,325	-	3,394,102,330
Premiums ceded	(473,646,972)	(256,733,867)	(53,703,193)	(387,624,803)	(109,399,544)	(468,215,350)	(99,378,834)	(567,080,532)	-	(2,415,783,095)
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Net earned premiums	**127,165,728**	**610,117,873**	**(46,291,201)**	**90,371,364**	**(109,393,903)**	**(14,419,130)**	**37,524,711**	**283,243,793**	**-**	**978,319,235**
Commission income	109,756,639	59,592,796	10,957,075	70,515,835	703	11,435,069	20,657,903	107,642,960	-	390,558,980
Investment income	19,700,785	51,471,528	2,181,833	8,241,383	324	705,612	1,311,188	17,253,136	-	100,865,789
Net gains/ (losses) on fair value changes	-	-	-	-	-	-	-	-	-	-
Net realised gains/ (losses)	(73,501)	(192,035)	(8,140)	(30,748)	(1)	(2,633)	(4,892)	(64,370)	-	(376,319)
Other income	879,606	2,967,472	224,207	183,036	165	11,959	217,809	583,817	-	5,068,071
Total segmental income	**257,429,255**	**723,957,634**	**(32,936,226)**	**169,280,870**	**(109,392,712)**	**(2,269,122)**	**59,706,720**	**408,659,337**	**-**	**1,474,435,756**
Expenses										
Gross claims paid	139,089,942	481,130,629	40,186,253	196,593,054	53,325,000	1,169,582,848	143,705,134	297,094,864	-	2,520,707,724
Claims ceded	(102,244,517)	(150,914,022)	(24,386,828)	(180,006,437)	(53,325,000)	(1,168,424,441)	(117,717,726)	(117,652,708)	-	(1,914,671,679)
Gross change in contract liabilities	242,762,028	(217,764,799)	(1,337,370)	(103,679,267)	(58,818,783)	(67,714,978)	(77,299,581)	19,114,495	-	(264,738,255)
Change in contract liabilities ceded to reinsurers	(255,903,573)	99,724,924	3,968,367	114,428,456	58,814,071	67,683,462	61,160,821	(25,309,996)	-	124,566,532
Net claims paid	23,703,880	212,176,732	18,430,422	27,335,806	(4,712)	1,126,891	9,848,648	173,246,655	-	465,864,322
Commission expenses	8,945,160	7,249,219	866,144	6,546,780	182	4,066,099	19,995,938	11,505,008		59,174,530
Service fees	1,575,347	6,464,177	232,442	294,529	18	(23,123)	74,500	2,268,031	-	10,885,921
Other direct expenses	549,060	2,103,870	187,600	44,760	229,873	120	561,010	294,340		3,970,633
Employee benefits expenses	50,267,498	88,194,910	6,251,260	49,565,132	216	33,003,064	7,334,710	80,681,740	-	315,298,030
Depreciation and amortization expenses	2,754,073	4,832,052	342,496	2,715,591	12	1,808,183	401,857	4,420,391	-	17,274,655
Other expenses	23,266,014	40,820,493	2,893,359	22,940,928	100	15,275,273	3,394,827	37,342,835	-	145,933,829
Finance cost	246,661	432,770	30,675	243,215	1	161,945	35,991	395,901	-	1,547,159
Total segmental expenses	**111,307,694**	**362,274,223**	**29,234,397**	**109,686,741**	**225,690**	**55,418,453**	**41,647,480**	**310,154,400**	**-**	**1,019,949,079**
Total segmental results	**146,121,561**	**361,683,411**	**(62,170,623)**	**59,594,129**	**(109,618,402)**	**(57,687,575)**	**18,059,239**	**98,504,936**	**-**	**454,486,677**
Segment assets	**629,070,973**	**291,067,245**	**123,509,737**	**537,978,667**	**517,111,506**	**572,926,786**	**80,544,751**	**462,699,933**	**-**	**3,214,909,598**
Segment liabilities	**791,729,388**	**849,218,895**	**176,640,060**	**651,600,232**	**517,114,794**	**578,319,965**	**94,213,838**	**665,378,896**	**-**	**4,324,216,068**

b. Segmental Information for the year ended Ashad 31, 2079 (July 16, 2022)

Amount in Rs.

Particulars	*Fire*	*Motor*	*Marine*	*Engineering*	*Micro*	*Aviation*	*Cattle and Crop*	*Miscellaneous*	*Inter segment elimination*	*Total*
Income										
Gross earned premiums	212,742,274	337,992,829	29,700,759	121,426,532	26,037,900	383,536,785	114,765,372	508,370,165	-	1,734,572,615
Premiums ceded	(175,360,716)	(7,389,887)	(174,323,784)	(115,161,549)	(485,400,512)	(460,196,491)	(91,812,297)	113,788,449	-	(1,395,856,787)
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Net earned premiums	**37,381,558**	**330,602,942**	**(144,623,025)**	**6,264,983**	**(459,362,612)**	**(76,659,707)**	**22,953,075**	**622,158,614**	**-**	**338,715,828**
Commission income	45,369,655	21,123,534	4,311,897	10,546,510	396	17,452,369	15,974,524	50,499,828	-	165,278,713
Investment income	6,234,426	17,772,488	1,246,289	1,700,455	-	813,093	1,420,043	7,700,151	-	36,886,945
Net gains/ (losses) on fair value changes	-	-	-	-	-	-	-	-	-	-
Net realised gains/ (losses)	-	-	-	-	-	-	-	-	-	-
Other income	280,458	1,364,562	57,856	31,861	180	9,896	293,812	417,515	-	2,456,142
Total segmental income	**89,266,097**	**370,863,526**	**(139,006,983)**	**18,543,810**	**(459,362,036)**	**(58,384,349)**	**40,641,454**	**680,776,108**	**-**	**543,337,628**
Expenses										
Gross claims paid	146,800,515	12,586,393	131,618,817	4,303,973	241,515,588	121,484,992	94,559,202	11,941,571	-	764,811,051
Claims ceded	(139,590,477)	(9,617,151)	(42,786,715)	(3,295,631)	(241,272,236)	(70,169,518)	(75,647,362)	(11,900,409)	-	(594,279,499)
Gross change in contract liabilities	(109,148,140)	20,037,584	(2,258,177)	70,266,569	110,344,932	432,545,567	54,576,205	(53,066,476)		523,298,064
Change in contract liabilities ceded to reinsurers	114,889,851	(6,135,804)	316,374	(67,736,401)	(111,952,577)	(432,655,872)	(43,293,168)	55,245,397		(491,322,200)
Net claims paid	**12,951,749**	**16,871,022**	**86,890,299**	**3,538,510**	**(1,364,293)**	**51,205,169**	**30,194,877**	**2,220,083**	**-**	**202,507,416**
Commission expenses	1,851,928	3,115,086	137,260	290,588	50	3,236,124	16,451,961	3,598,702		28,681,699
Service fees	466,629	3,371,045	69,865	90,339	44	1,324	263,325	920,281	-	5,182,852
Employee benefits expenses	12,630,134	14,951,995	1,300,681	9,501,418	274	25,316,634	6,055,982	33,883,839	-	103,640,957
Depreciation and amortization expenses	1,138,868	1,348,232	117,283	856,749	25	2,282,818	546,072	3,055,329	-	9,345,377
Impairment losses	-	-	-	-	-	-	-	-	-	-
Other expenses	8,782,255	10,396,741	904,417	6,606,729	21,623	17,603,703	4,210,975	23,560,836	-	72,087,280
Finance cost	80,896	95,767	8,331	60,856	2	162,153	38,789	217,026	-	663,819
Total segmental expenses	**37,902,459**	**50,149,888**	**89,428,136**	**20,945,191**	**(1,342,276)**	**99,807,925**	**57,761,981**	**67,456,096**	**-**	**422,109,400**
Total segmental results	**51,363,638**	**320,713,638**	**(228,435,118)**	**(2,401,381)**	**(458,019,760)**	**(158,192,274)**	**(17,120,527)**	**613,320,013**	**-**	**121,228,228**
Segment assets	**157,218,300**	**142,182,463**	**34,343,378**	**168,972,906**	**305,555,121**	**734,094,078**	**150,594,930**	**378,042,005**	**-**	**2,071,003,181**
Segment liabilities	**218,192,419**	**372,427,711**	**48,624,342**	**187,519,157**	**305,565,136**	**734,647,478**	**185,115,467**	**468,053,395**	**-**	**2,520,145,104**

c. Reconciliation of segmental profit with statement of profit or loss

Particulars	Current Year	Amount in NRs. Previous Year
Segmental profit	**454,486,677**	**121,228,228**
Less: Depreciation and amortization	(1,919,406)	(1,038,375)
Less: Non-cash expenses other than depreciation and amortization	-	-
Less: Un-allocable corporate expenditures	(51,247,984)	(19,522,978)
Add: Un-allocable other income	241,008,326	114,189,869
Less: Finance cost	(171,907)	(73,758)
Profit before tax	**642,155,706**	**214,782,986**

d. Reconciliation of assets

Particulars	Current Year	Amount in NRs. Previous Year
Segment assets	**3,214,909,598**	**2,071,003,181**
Intangible assets	20,992,187	9,090,559
Property, plant and equipment	316,695,727	175,103,649
Investment properties	-	-
Deferred tax assets	90,362,723	53,241,535
Investments	4,654,708,234	1,843,568,152
Loans	-	-
Current tax assets (Net)	-	59,549,584
Other assets	1,538,695,813	728,187,539
Total assets	**9,836,364,282**	**4,939,744,199**

e. Reconciliation of liabilities

Particulars	Current Year	Amount in NRs. Previous Year
Segment liabilities	**4,324,216,068**	**2,520,145,104**
Provisions	3,417,533	8,481,680
Deferred tax liabilities	-	-
Current tax liabilities (Net)	-	-
Insurance payables	858,561,613	200,305,095
Other financial liabilities	228,730,950	102,300,158
Other liabilities	113,130,890	48,823,104
Total liabilities	**5,545,984,724**	**2,880,055,141**

53. Related party disclosure

The Company does not have any holding, subsidiary and associate companies.

a. Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the board of directors and chief executive officer of the Company as follows:

Name of key management personnel	Designation
Mr. Mahendra Krishna Shrestha	Chairman (From Chaitra 29, 2079)
Mr. Vijit Krishna Shrestha	Director (From Chaitra 29, 2079)
Mr. Avilasha Panth Sharma	Director (from Jestha 10, 2080)
Mr. Hem Raj Thapa	Director (From Chaitra 29, 2079)
Mr. Ajaya Ratna Sthapit	Public Director (From Chaitra 29, 2079)
Mr. Bijaya Kumar Pant	Independent Director (From Baisakh 6, 2080)
Mr. Vijay Bahadur Shah	Chief Executive Officer

b. Key management personnel compensation

Particulars	Current Year	Amount in NRs. Previous Year
Short-term employment benefit	-	6,826,647
Post-employment benefit	-	3,940,613
Board meeting allowance	2,118,000	1,578,500
Total	**2,118,000**	**12,345,759**

c. Payment to chief executive officer

Particulars	Current Year	Amount in NRs. Previous Year
Annual salary and allowances	10,410,000	4,503,2101
Performance based allowances	1,573,336	-
i) Employee bonus	-	734,707
ii) Benefits as per prevailing provisions	-	15,393
iii) Incentives	-	1,573,336
Insurance related benefits		
i) Life Insurance	-	-
ii) Accident insurance	-	-
iii) Health insurance (including family members)	25,785	38,736
Total	**12,009,121**	**6,865,383**

54. Leases

The Company's significant leasing arrangements are in respect of leases for building premises. These arrangements generally range between one year and ten years. The lease arrangements have extension / termination options exercisable by either party which may make the assessment of lease term uncertain. While determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option are considered.

Lease expenses on account of short-term leases recognized on straight line basis amounts to Rs. 32,823,813 (2078-79: 20,030,971), and Rs. 849,506 (2078-79: 846,426) has been booked for lease equalization.

Right of use assets have been recognized in accordance with NFRS – 16 Leases with respect to non-cancellable period of leases. The movement in lease liability is as follows:

Particulars	Current Year
Opening lease liabilities	-
New leases recognised	18,061,891
Interest expense on lease liabilities	1,719,066
Payment of lease liabilities	4,388,400
Closing lease liabilities	**15,392,557**

The undiscounted maturities of lease liabilities over the remaining lease term are as follows:

Particulars	Current Year
Not later than one year	5,686,957
Later than one year and not later than five years	10,142,394
Later than five years	2,232,540

55. Capital commitment

The amount of capital commitments and as on the date of statement of financial position is Nil (2078-79: Rs. 62,182,685).

56. Contingent liability

The Company has contingent liability against the following:

Particulars	*Current Year*	*Previous Year*
Claims against the Company not acknowledged as debts		
a) Income tax	157,389,290	102,036,544
b) Indirect taxes	-	19,337,869
Total	**157,389,290**	**121,374,407**

57. Events occurring after balance sheet

There were no events occurring after the reporting period that needs to be adjusted or disclosed in the financial statements.

58. Assets pledged as security

We have not pledged any of our assets as security.

59. Corporate social responsibility

As per the regulatory requirement, 1% of profit after tax before considering deferred tax charge for the year has been apportioned. The total CSR expenses incurred during the year amount to Rs. 1,516,746.

60. Liability adequacy test

The Company has engaged TransValue Consultants of Mumbai, India, an external independent actuary, to actuarially determine the amount of outstanding claims reserves (OCR), incurred but not reported (IBNR) claims, unexpired risk reserve (URR) as part of liability adequacy test (LAT). This test is done by the Company annually and the required reserves are recognised as per the amount determined under liability adequacy test and regulatory requirements of the Nepal Insurance Authority of Nepal. IBNR is calculated using Basic Chain Ladder Method. Liability is recognized at higher of the two estimated liabilities.

HIMALAYAN EVEREST INSURANCE LIMITED
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

Annexure III

Major Financial Indicator

Particular	Indicators	Fiscal Year				
		Year 1	Year 2	Year 3	Year 4	Year 5
Net worth	NRs.	4,191,309,935.00	2,080,665,369.00	1,934,531,921.00	1,826,013,626.00	1,694,305,142.00
Number of Shares	Number	23,015,350.00	11,735,091.00	11,003,367.00	10,682,880.00	10,272,000.00
Book value per shares	NRs.	182.11	177.30	175.81	170.93	164.94
Net Profit	NRs.	445,059,527.00	150,755,453.00	99,091,506.00	171,779,777.00	236,011,382.00
Earning per Shares (EPS)	NRs.	19.34	12.85	9.01	16.08	22.98
Dividend per Shares (DPS)	NRs.	15.00	2.89	7.00	7.75	-
Market Price per Shares (MPPS)	NRs.	600.00	520.00	768.00	419.00	350.00
Price Earning Ratio	Ratio	31.03	40.48	85.28	26.06	15.23
Return on Equity	%	6.84	4.00	1.91	1.65	6.54
Return on Investment	%	10.43	8.03	7.78	8.02	9.22
Loss Ratio ((Claim Paid + change in reserve)/ (Net Written Premium))	%	49.90	59.73	85.09	45.47	49.47
Expense Ratio (Underwriting Expense including Commission/Net Written Premium)	%	22.02	11.99	33.14	34.18	18.26
Combined Ratio (Loss Ratio + Expense Ratio)'	%	71.91	71.72	118.23	79.66	67.73
Net Insurance Premium/ Gross Insurance Premium	%	34.13	19.34	20.81	18.70	19.14
Net Profit/ Gross Insurance Premium	%	13.18	7.26	7.42	12.29	16.18
Gross Insurance Premium/ Total Assets	%	34.33	42.01	35.77	25.31	30.92
Investment & loan income/ Total investment & loan amount	%	7.28	8.07	8.14	6.96	9.13
Reinsurance commission/ Gross Reinsurance Premium	%	15.55	11.83	10.81	10.97	12.80
Management expenses/ Gross Insurance Premium	%	15.75	9.78	13.62	13.85	12.55
Agent Related Expenses/ Gross Insurance Premium	%	1.56	1.54	1.35	1.06	0.97
Number of Agents	Numbers	160.00	212.00	192.00	148.00	171.00
Number of Branch and Sub-Branch	Numbers	79.00	38.00	27.00	27.00	27.00
Employee expenses/ Management expenses	%	65.89	56.75	65.52	60.65	59.32
Employee expenses/ Employee numbers	NRs.	865,015.17	540,641.40	611,334.84	656,028.28	635,091.51
Outstanding Claim Expenses/ Claim Paid	%	44.69	92.00	62.95	70.36	62.00
Outstanding Claim Expenses/ Number of Claim Paid	NRs.	22,839.78	26,048.17	17,898.63	21,482.10	18,633.35
Total Number of Existing Insurance Policies	Numbers	238,474.00	94,603.00	91,722.00	59,584.00	61,333.00
Renewed Insurance Policy/ Total Insurance Policies last year	%	19.33	26.74	26.91	25.91	47.70
Number of Claim Insurance Policies/ Total Number of Policy Outstanding	%	4.97	6.37	7.62	9.50	8.15
Technical Provisions/ Total Equity	%	-	-	-	15.50	25.80
Gross Premium/ Owner Equity	%	78.70	100.75	68.69	83.41	79.21
Net Premium/ Equity	%	26.86	19.49	14.30	15.96	21.87
Insurable Debt/ Total Equity	%	30.85	18.70	18.50	20.14	42.43
Net Premium Growth Rate	%	157.11	44.38	6.40	(15.09)	17.97
Change in Gross Written Premium	%	62.09	55.38	(4.42)	22.51	(9.72)
Cession Ratio	%	65.87	80.66	79.19	80.86	72.39
Net Technical Reserve/ Average of Net Claim Paid for Last 3 Years	%	83.31	93.27	73.70	102.51	97.21
Liquidity Ratio	%	15.48	76.47	38.05	53.60	28.81
Affiliate Ratio	%	-	-	-	-	-
(Unquoted Equities + Debtors)/ Net Total Assets	%	-	-	-	16.35	9.74
Solvency Margin	%	3.24	4.14	3.76	3.06	1.67
Change in Equity	%	108.29	5.93	(16.41)	16.33	96.54

HIMALAYAN EVEREST INSURANCE LIMITED
FOR THE YEAR ENDED ASHAD 31, 2080 (JULY 16, 2023)

Annexure IV

Details of Insured Amount

Insurance Types	*Existing Insurance Policies Numbers*		*Insured Amount against Existing Insurance Policies*		*Insured Risk Ceded to Re-Insurer*		*Net Insured Risk Retained by Insurer*	
	Current Year	*Previous Year*	*Current Year*	*Previous Year*	*Current Year*	*Previous Year*	*Current Year*	*Previous Year*
Fire	27,534	10,271	259,991,203	111,541,253	135,098,692	76,406,065	124,892,511	35,135,188
Motor	174,127	2,158	39,209,152	13,245,928	8,677,515	10,110,058	30,531,637	3,135,870
Marine	9,526	2	48,667,546	56,800	32,131,356	14,985	16,536,190	41,815
Engineering	2,263	60,190	98,995,145	15,759,345	83,041,209	3,281,063	15,953,936	12,478,282
Micro	8	698	2,400	24,277,466	480	22,788,338	1,920	1,489,128
Aviation	6	7,441	6,730,908	109,334,591	6,664,341	96,958,436	66,567	12,376,156
Cattle and Crop	9,798	13,831	1,932,638	2,766,732	1,546,110	2,213,386	386,528	553,346
Miscellaneous	15,212	12	323,324,338	2,779	184,452,685	540	138,871,653	2,239
Total	**238,474**	**94,603**	**778,853,330**	**276,984,894**	**451,612,388**	**211,772,869**	**327,240,942**	**65,212,024**