

Audit Report

Manushi Laghubita Bittiya Sanstha limited

Banepa Kavre (NFRS)

PAN: 606674766

2078-2079

**H.D.S.D Associates
Chartered Accountants
Naxal Kathmandu**

Independent Auditor's Report

To

The Shareholder of

Manushi Laghubitta Bittiya Sanstha Limited

Banepa, Kavrepalanchowk

Report on the Audit of the Financial Statements for Fiscal Year 2078/79

1. Opinion

We have audited the financial statements of **Manushi Laghubitta Bittiya Sanstha Limited** (*hereinafter referred as the Company*), which comprises Statement of Financial Position as at Ashadh end, 2079 (Corresponding to 16 July 2022), and the Statement of Profit or Loss, Statement of Cash Flows, Statement of Changes in Equity 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 give a true and fair view of the financial position of the Company as at Ashadh end, 2079 (Corresponding to 16 July, 2022), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

2. 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 *Handbook of the Code of Ethics for Professional Accountants* together with the ethical requirements that are relevant to our audit of the financial statements issued by the Institute of Chartered Accountants of Nepal (ICAN) and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of The Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key Audit Matters

Key Audit Matters ('KAM') are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the fiscal year ended Ashadh end, 2079. These matters are addressed in the context of our audit of the consolidated 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 and it's risk	How Key Audit Matters were addressed in our audit
Information Technology (IT) System	
The financial information of the Company is generated through IT system's which changes continuously to meet the operating needs and to upgrade the systems of the Company. The IT security of the Company will have the direct impact on the financial statements and hence, considered as key audit matters for the audit.	We conducted the detail understanding and testing regarding the existing system via enquiry, re performance and inspection to the extent of our knowledge. • Verification of service fee obtained from the members based on test check basis. • Reviewed the reports generated by the systems on the sample basis. • Verified interest income and expenses booking for loan and deposits using Company's system on the test basis. Our result: We considered the information technology systems and their relevant controls to be adequate and not affecting adversely to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with NFRS and for such internal control as management determines is necessary to enable the preparation of the 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 (Board of Directors) are responsible for overseeing the Company's financial reporting process.

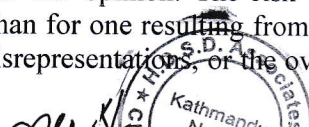
5. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as 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 judgment and maintain professional skepticism throughout the audit. We also report that :

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

6. Report on Other Legal Requirements

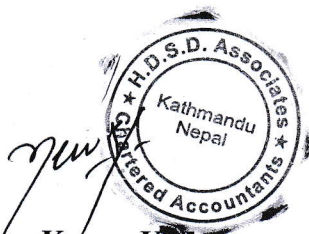
As required Companies Act, 2063 and Bank and Financial Institution Act 2073, we also report:

- a) We have obtained all information and explanations, which to the best of our knowledge and belief, are necessary for the purpose of our audit.
- b) In our Opinion, proper books of account as required by prevailing law have been properly maintained by the Company in a manner to reflect the real affairs of its business.
- c) The Statement of Financial Position, Statement of Profit or Loss and Statement of Cash Flows dealt with by this report are in agreement with the books of account maintained by the Company.
- d) Returns received from branch offices of the Company were adequate for the purpose of our audit though the statements are independently not audited.
- e) The capital fund, risk bearing fund and provision for the possible impairment of assets of the company are adequate considering the Directives issued by Nepal Rastra Bank.
- f) In our opinion and to the best of our information and according to the explanations and from our examination of books of accounts, we have not come across any case where the Board of Directors or any office bearer have acted in contrary to the provision of law, or committed any misappropriation or caused any loss or damage to the Company.
- g) The business of the Company has been conducted satisfactorily and operated within its jurisdiction and has been functioning as per NRB Directives.



7. Other Information

We have separately expressed our opinion on the financial statements prepared for fiscal year 2078/79 as per Generally Accepted Accounting Principal (GAAP) to the shareholders of Manushi Laghubitta Bittiya Santha Limited on 2079 Falgun 18.



CA. Hem Kumar Kafle

Partner

H. D. S. D. Associates; Chartered Accountants

Place: Naxal, Kathmandu

Date: 2079/11/18

UDIN: 230302CA00509E1V3F



नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act, 1997)

UDIN Document

Fiscal Year: 2078/79

Date / Time: 2023-03-02 13:22:06	UDIN Number: 230302CA00509E1V3F
Member Name: HEM KUMAR KAFLE	Date of Signing Document: 2023-03-02
Document Type: Audit	Audit Type: Statutory Audit
Office Type: Listed Public Company	Office Name: Manushi Laghubitta Bittiya Sanstha Limited
Type of Audit Opinion: Unqualified Opinion	Quarter:
PAN No: 606674766	

Financial figures

S.N.	Heading	Amount
1	Total Asset/Liabilities	NRs.1606765940
2	Turnover	NRs.232606210

Status: Active Document

Document Description: First time adoption of Nepal Financial Reporting Standards (NFRS). NFRS Based financial statements.

The UDIN System has been developed by the Institute of Chartered Accountants of Nepal (ICAN) to facilitate its members for verification and certification of the documents and for securing documents and authenticity thereof by Authorities, Regulators and Stakeholders. However, ICAN assumes no responsibility of verification and certification of document(s) carried out by the Members and the concerned member(s) shall alone be responsible therefore.

To verify UDIN, please go to www.udin.ican.org.np

Manushi Laghubitta Bittiya Sanstha Limited
Statement of Financial Position
As on 32 Asar 2079 (As at 16 July 2022)

	Note	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Assets				
Cash and Cash equivalent	4.1	51,920,440	122,854,863	109,245,052
Statutory Balances & Due from Nepal Rastra Bank	4.2	7,001,138	5,001,238	5,001,238
Placement with Bank and Financial Institutions	4.3	-	-	-
Derivative Financial Instruments	4.4	-	-	-
Other Trading Assets	4.5	-	-	-
Loan and Advances to MFIs & Cooperatives	4.6	-	-	-
Loans and Advances to Customers	4.7	1,518,298,280	1,038,203,946	817,186,976
Investment Securities	4.8	-	-	-
Current Tax Assets	4.9	11,700,906	9,514,506	3,214,506
Investment Property	4.10	-	-	-
Property, Plant and Equipment	4.11	5,888,120	5,267,752	5,544,481
Goodwill and Intangible assets	4.12	8,332,634	6,672,892	7,798,818
Deferred Tax Assets	4.13	992,086	673,639	-
Other Assets	4.14	2,632,336	2,204,560	1,880,494
Total Assets		1,606,765,940	1,190,393,396	949,871,565
Liabilities				
Due to Bank and Financial Institutions	4.15	593,066,248	370,903,501	246,303,212
Due to Nepal Rastra Bank	4.16	-	-	-
Derivative Financial Instrument	4.17	-	-	-
Deposits from Customers	4.18	776,778,962	647,767,663	552,309,354
Borrowing	4.19	10,034,430	10,751,055	10,377,350
Current Tax Liabilities	4.9	7,237,359	5,322,303	-
Provisions	4.20	-	-	-
Deferred Tax Liabilities	4.13	-	-	642,272
Other Liabilities	4.21	43,015,540	28,624,049	26,779,386
Debt Securities Issued	4.22	-	-	-
Subordinated Liabilities	4.23	-	-	-
Total liabilities		1,430,132,539	1,063,368,570	836,411,575
Equity				
Share capital	4.24	109,375,000	70,000,000	70,000,000
Share premium		-	-	-
Retained earnings		29,047,134	18,658,758	9,244,644
Reserves	4.25	38,211,267	38,366,068	34,215,347
Total equity		176,633,402	127,024,826	113,459,991
Total Liabilities and Equity		1,606,765,940	1,190,393,396	949,871,565
Contingent Liabilities and Commitment	4.26			
Net assets value per share		161.49	181.46	162.09

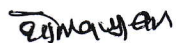


Padmasana Shakya
Chairman



Nabina Dhakwa Shakya
Director

Binod Bajagain
Director



Shobha Bajracharya
Chief Executive Officer

Place: Banepa 13, Kavrepalanchok
Date:



Bina Shrestha
Director



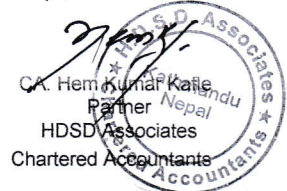
Padam Prasad Ghimire
Director

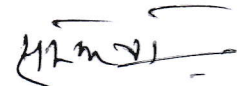


Subarna Kumar Karmacharya
Director



As per our report of even date





Samjhana Pokharel
Director

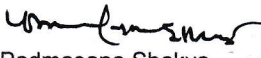


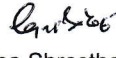
Prabha Bishwokarma
Head, Finance

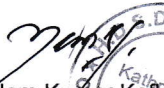
Manushi Laghubitta Bittiya Sanstha Limited
Statement of Profit or Loss
For the year ended 32 Asar 2079 (As at 16 July 2022)

	Note	Current Year	Previous Year
Interest Income	4.27	205,804,008	140,037,318
Interest Expense	4.28	108,011,521	64,845,189
Net Interest Income		97,792,486	75,192,129
Fee and Commission Income	4.29	26,802,202	20,313,303
Fee and Commission Expense	4.30	-	19,064
Net Fee and Commission Income		26,802,202	20,294,239
Net Interest, Fee and Commission Income		124,594,688	95,486,368
Net Trading Income	4.31	716,625	(373,705)
Other Operating Income	4.32	414,306	202,468
Total Operating Income		125,725,619	95,315,131
Impairment charge/(reversal) for loans and other losses	4.33	10,930,495	9,123,627
Net Operating Income		114,795,124	86,191,504
Operating Expense			
Personnel Expenses	4.34	64,884,500	55,447,043
Other Operating Expenses	4.35	17,722,938	9,295,870
Depreciation & Amortization	4.36	8,333,637	7,144,351
Operating Profit		23,854,050	14,304,240
Non Operating Income	4.37	-	-
Non Operating Expense	4.38	-	-
Profit before Income Tax		23,854,050	14,304,240
Income Tax Expense	4.39		
Current Tax		7,237,359	5,322,303
Deferred Tax		(318,447)	(1,315,911)
Profit for the year		16,935,138	10,297,847
Profit attributable to:			
Equity holders of the Financial Institution		16,935,138	10,297,847
Profit for the year		16,935,138	10,297,847
Earnings per share			
Basic earnings per share		16.05	14.71
Diluted earnings per share		16.05	14.71

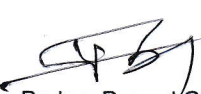
As per our report of even date

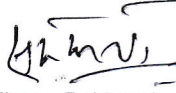

Padmasana Shakya
Chairman


Bina Shrestha
Director


CA Hem Kumar Kafle
Partner
HDSD Associates
Chartered Accountants


Nabina Dhakwa Shakya
Director


Padam Prasad Ghimire
Director


Samjhana Pokharel
Director

Binod Bajagain
Director

Subarna Kumar Karmacharya
Director


Prabha Bishwokarma
Head, Finance


Shobha Bajracharya
Chief Executive Officer

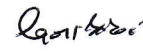
Place: Banepa 13, Kavrepalanchok
Date:

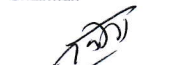


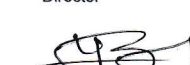
Manushi Laghubitta Bittiya Sanstha Limited
Statement of Cash flows
For the year ended 32 Asar 2079

	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	203,585,662	142,971,039
Fees and other income received	26,802,202	20,313,303
Dividend received	-	-
Receipts from other operating activities	1,130,931	(171,237)
Interest paid	(108,011,521)	(64,845,189)
Commission and fees paid	-	(19,064)
Cash payment to employees	(64,352,473)	(53,517,554)
Other expense paid	(17,722,938)	(9,295,870)
Operating cash flows before changes in operating assets and liabilities	41,431,862	35,435,428
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	-	-
Loans and advances to customers	(488,806,483)	(233,074,318)
Other assets	(2,614,176)	(6,624,066)
	(491,420,659)	(239,698,384)
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposit from customers	129,011,299	95,458,309
Borrowings	-	-
Other liabilities	13,859,465	(84,826)
	142,870,764	95,373,482
Net cash flow from operating activities before tax paid	(307,118,033)	(108,889,474)
Income taxes paid	(5,322,303)	-
Net cash flow from operating activities	(312,440,337)	(108,889,474)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	-
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(2,111,726)	(1,138,060)
Receipt from the sale of property and equipment	-	-
Purchase of intangible assets	(8,502,020)	(4,603,637)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	-
Interest received	-	-
Dividend received	-	-
Net cash used in investing activities	(10,613,746)	(5,741,697)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	221,446,122	124,973,994
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	39,375,000	-
Dividends paid	-	-
Interest paid	-	-
Other receipt/payment	(6,701,562)	3,266,988
Net cash from financing activities	254,119,560	128,240,982
Net increase (decrease) in cash and cash equivalents	(68,934,522)	13,609,811
Opening Balance of Cash and cash equivalents	127,856,101	114,246,290
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Closing Balance of Cash and cash equivalents	58,921,578	127,856,101


Padmasana Shakya
Chairman


Bina Shrestha
Director

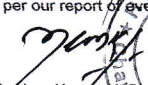

Nabina Chakwa Shakya
Director

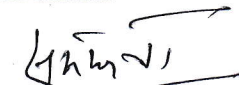

Padam Prasad Ghimire
Director

Binod Bajagain
Director

Subarna Kumar Karmacharya
Director


Shobha Bajracharya
Chief Executive Officer

As per our report of even date

CA Hem Kumar Kalle
Partner
HDSD Associates
Chartered Accountants


Samjhana Pokharel
Director


Prabha Bishwokarma
Head, Finance

Place: Banepa 13, Kavrepalanchok
Date:



Manushi Laghubitta Bittiya Sanstha Limited
Statement of Comprehensive Income
For the year ended 32 Asar 2079 (As at 16 July 2022)

Note	Current Year	Previous Year
Profit for the year	16,935,138	10,297,847
Other comprehensive income, net of income tax		
a) Items that will not be reclassified to profit or loss		
Gains/(losses) from investments in equity instruments measured at fair value	-	-
Gains/(losses) on Revaluation	-	-
Actuarial gain/loss on defined benefit plans	-	-
Income tax relating to above items	-	-
Net other comprehensive income that will not be reclassified to profit or loss	-	-
b) Items that are or may be reclassified to profit or loss		
Gains/(losses) on cash flow hedge	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-
Income tax relating to above items	-	-
Reclassify to profit or loss	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year	16,935,138	10,297,847

As per our report of even date

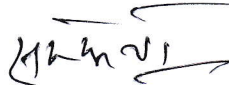

 Padmasana Shakya
 Chairman


 Bina Shrestha
 Director


 CA. Hem Kumar Kafle
 Partner
 HDSD Associates
 Chartered Accountants


 Nabina Dhakwa Shakya
 Director


 Padam Prasad Ghimire
 Director


 Samjhana Pokharel
 Director

Binod Bajagain
 Director


 Subarna Kumar Karmacharya
 Director


 Shobha Bajracharya
 Chief Executive Officer


 Prabha Bishwokarma
 Head, Finance

Place: Banepa 13, Kavrepalanchok
 Date:



Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.1 Cash and Cash Equivalent

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Cash in hand	102,283	2,683	16,906
Balances with BFIs	51,818,158	122,852,180	109,228,146
Money at call and short notice	-	-	-
Other	-	-	-
Total	51,920,440	122,854,863	109,245,052

4.2 Statutory Balances and Due from Nepal Rastra Bank

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Statutory balances with NRB	-	-	-
Statutory balances with BFIs	7,001,138	5,001,238	5,001,238
Securities purchased under resale agreement	-	-	-
Other deposit and receivable from NRB	-	-	-
Total	7,001,138	5,001,238	5,001,238

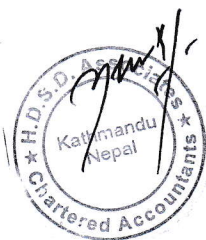
4.3 Placement with Financial Institutions

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Placement with domestic FIs	-	-	-
Less: Allowances for impairment	-	-	-
Total	-	-	-



4.4 Derivative financial instruments

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Held for trading			
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
Held for risk management			
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
Total	-	-	-



Rohit

Rohit

[Signature]

[Signature]



[Signature]

[Signature]

[Signature]

[Signature]

Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.5 Other trading assets

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Tresury bills	-	-	-
Government bonds	-	-	-
NRB Bonds	-	-	-
Domestic Corporate bonds	-	-	-
Equities	-	-	-
Other	-	-	-
Total	-	-	-
Pledged	-	-	-
Non-Pledged	-	-	-

4.6 Loan and advances to MFIs & Cooperatives

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Loans to microfinance institutions	-	-	-
Loans to Fis	-	-	-
Loans to cooperative	-	-	-
Less: Allowances for impairment	-	-	-
Other	-	-	-
Less: Allowances for impairment	-	-	-
Total	-	-	-

4.6.1 Allowances for Impairment

Balance at Shrawan 1	-	-	-
Impairment loss for the year:	-	-	-
Charge for the year	-	-	-
Recoveries/reversal	-	-	-
Amount written off	-	-	-
Balances at Ashad end	-	-	-

Rakhi

Gurdev

2079
unfrozen

6/9

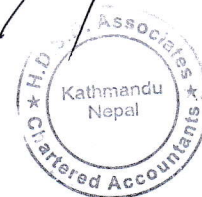


[Signature]

[Signature]

Manu

[Signature]

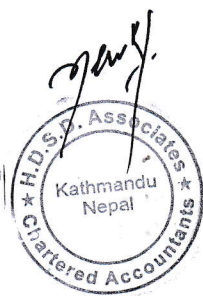


Loans and Advances to Customers

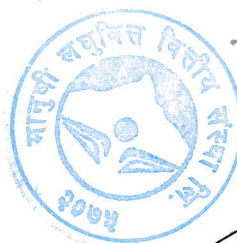
	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Loans and advances to customers at amortised cost	1,568,319,926	1,079,513,443	846,439,126
Less: Impairment allowances	(62,287,705)	(51,357,210)	(42,233,583)
Collective impairment	-	-	-
Individual impairment	(62,287,705)	(51,357,210)	(42,233,583)
Net amount	1,506,032,222	1,028,156,233	804,205,543
Loan and advance measured at FVTPL	-	-	-
Interest Receivable	12,266,059	10,047,713	12,981,434
Total	1,518,298,280	1,038,203,946	817,186,976

Analysis of loan and advances - By Product

Product	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Term loans			
Short term, term loan	1,061,024,132	372,756,335	439,160,932
Long term, term loan	485,252,372	657,196,302	274,558,430
Hire purchase loans	-	-	-
Personal Residential Loans	9,129,492	37,370,678	119,355,816
Staff loans	12,913,930	12,190,128	13,363,948
Other	-	-	-
Sub Total	1,568,319,926	1,079,513,443	846,439,126
Interest Receivable	12,266,059	10,047,713	12,981,434
Grand Total	1,580,585,985	1,089,561,156	859,420,559



Lawrence
Yamunwar
Rah



6/1
CSA
शिवमणि

42421

4.7.2 Analysis of Loan and Advances - By Collateral

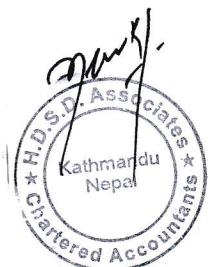
Secured

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Immovable assets	63,846,526	37,282,061	2,180,000
Government guarantee	-	-	-
Collateral of Government securities	-	-	-
Collateral of Fixed Deposit receipt	-	-	-
Collateral Government securities	-	-	-
Group guarantee	1,491,559,470	1,030,041,254	830,895,178
Personal guarantee	12,913,930	12,190,128	13,363,948
Other collateral	-	-	-
Subtotal	1,568,319,926	1,079,513,443	846,439,126
Unsecured			
Grand Total	1,568,319,926	1,079,513,443	846,439,126

4.7.3 Allowances for impairment

Specific allowances for impairment

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Balance at Shrawan 1	51,357,210	42,233,583	17,582,335
Impairment loss for the year:			
Charge for the year	22,788,201	60,212,082	48,033,662
Recoveries/reversal during the year	(11,857,706)	(51,088,455)	(23,382,414)
Write-offs			
Other movement			
Balance at Asar end	62,287,705	51,357,210	42,233,583
Balance at Shrawan 1	-	-	-
Impairment loss for the year:			
Charge/(reversal) for the year	-	-	-
Other movement			
Balance at Ashad end	-	-	-
Total allowances for impairment	62,287,705	51,357,210	42,233,583



Handwritten signatures and initials are present below the stamps, including a large signature on the right and several smaller ones on the left and center.

Additional Disclosures

47.5 Financial Assets classification as per NFRS 7

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Financial Assets at fair value through profit or loss	-	-	-
Financial Assets at amortised cost	1,568,319,926	1,079,513,443	846,439,126
Financial Assets measured at fair value through Other Comprehensive Income	-	-	-
Total	1,568,319,926	1,079,513,443	846,439,126

47.6 Collateral Disclosures (NFRS 7 para 14)

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Pledged	-	-	-
Non-Pledged	1,568,319,926	1,079,513,443	846,439,126
Total	1,568,319,926	1,079,513,443	846,439,126



amaghar

Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.8 Investment Securities

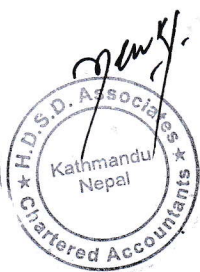
	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Investment securities measured at amortized cost	-	-	-
Investment in equity measured at FVTOCI	-	-	-
Total	-	-	-

4.8.1 Investment Securities measured at Amortized Cost

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Debt securities	-	-	-
Government bonds	-	-	-
Government treasury bills	-	-	-
Nepal Rastra Bank bonds	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-
Other	-	-	-
Less: specific allowances for impairment	-	-	-
Total	-	-	-

4.8.2 Investment in equity measured at fair value through other comprehensive Income

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Equity instruments			
Quoted equity securities	-	-	-
Unquoted equity securities	-	-	-
Total	-	-	-



Roll.

Lauder

2079
unsubscribed



487

सुमान

सुमान

Information relating to investment in equities

Particulars	As at 32 Asar 2079		As at 31 Asar 2078		As at 31 Asar 2077	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity						
..... Ltd shares of Rs. each	-	-	-	-		
..... Ltd shares of Rs. each						
Ordinary						
Investment in unquoted equity						
..... Ltd shares of Rs. each						
..... Ltd shares of Rs. each						
Total						

Signature

Signature

Signature

Signature

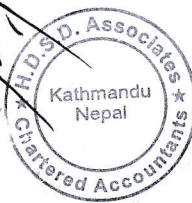
Signature

Signature

Signature

Signature

Signature



Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.9 Current tax assets

Current tax assets

Current year income tax assets

Tax assets of prior periods

Total

As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
7,508,703	6,300,000	3,214,506
4,192,203	3,214,506	-
11,700,906	9,514,506	3,214,506.08

Current tax liabilities

Current year income tax liabilities

Tax liabilities of prior periods

Total

7,237,359	5,322,303	-
-	-	-
7,237,358.93	5,322,303.17	-



Handwritten signature

Handwritten signature

Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.10 Investment properties

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Investment properties measured at fair value			
Opening Balance	-	-	-
Addition/disposal during the year	-	-	-
Net changes in fair value during the year	-	-	-
Adjustment/transfer	-	-	-
Net amount	-	-	-
Investment properties measured at cost			
Opening Balance	-	-	-
Addition/disposal during the year	-	-	-
Adjustment/transfer	-	-	-
Accumulated depreciation	-	-	-
Accumulated impairment loss	-	-	-
Net amount	-	-	-
Total	-	-	-



Roll

Gurdeep

6/1
under



Gurdeep

Manushi

Property and Equipment

	Leasehold Properties	Computer & Office Equipment	Vehicles	Furniture & Fixtures	Machinery	Equipment & Others	Total
Cost							
As on Shrawan, 2077	-	2,340,214	2,240,037	886,247	-	77,983	5,544,481
Additions during the year	-	-	-	-	-	-	-
Acquisition	-	513,788	-	589,785	-	34,487	1,138,060
Capitalization	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-
Adjustment/ Revaluation	-	-	-	-	-	-	-
Balance as on Asar end 2078	-	2,854,002	2,240,037	1,476,032	-	112,470	6,682,541
Additions during the year	-	-	-	-	-	-	-
Acquisition during the year	-	1,175,729	-	935,997	-	-	2,111,726
Capitalization	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Adjustment/ Revaluation	-	-	-	-	-	-	-
Balance as on Asar end 2079	-	4,029,731	2,240,037	2,412,029	-	112,470	8,794,268

Depreciation and Impairment

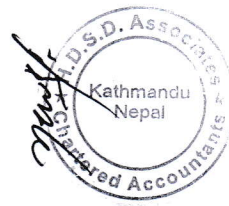
As on Shrawan, 2077	-	-	-	-	-	-	-
Depreciation Charge for the Year	-	633,758	448,007	309,960	-	23,064	1,414,789
Impairment for the year	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
As on Asar end 2078	-	633,758	448,007	309,960	-	23,064	1,414,789
Depreciation charge for the Year	-	689,067	358,406	421,534	-	22,352	1,491,358
Impairment for the year	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-
As on Asar end 2079	-	1,322,825	806,413	731,494	-	45,415	2,906,147

Capital Work in Progress

As on Asar end 2077	-	-	-	-	-	-	-
As on Asar end 2078	-	2,340,214	2,240,037	886,247	-	77,983	5,544,481
As on Asar end 2079	-	2,220,244	1,792,030	1,166,072	-	89,406	5,267,752
	-	2,706,906	1,433,624	1,680,536	-	67,055	5,888,120



Handwritten signatures and initials, including 'Ganesh', 'Santosh', and 'Santosh', along with a date '2079'.



Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.2 Goodwill and Intangible Assets

Particulars	Software			Other	Total
	Goodwill	Purchased	Deveoped		
Cost					
As on Shraawan 1, 2077	-	545,790	-	7,253,028	7,798,818
Addition during the Year	-	-	-	-	-
Acquisition	-	118,650	-	4,484,987	4,603,637.02
Capitalization	-	-	-	-	-
Disposals during the year	-	-	-	(1,335,185)	(1,335,184.83)
Adjustment/Revaluation	-	-	-	-	-
Balance as on Asar end 2078	-	664,440.00	-	10,402,829.87	11,067,269.87
Addition during the Year	-	-	-	-	-
Acquisition	-	276,850.00	-	8,225,170	8,502,019.84
Capitalization	-	-	-	-	-
Disposals during the year	-	-	-	(1,511,140)	(1,511,140)
Adjustment/Revaluation	-	-	-	-	-
Balance as on Asar end 2079	-	941,290	-	17,116,860	18,058,150
Amortization and Impairment					
As on Shrawan 1, 2077	-	-	-	-	-
Amortization charge for the Year	-	216,905	-	5,512,657	5,729,562
Impairment for the year	-	-	-	-	-
Disposals	-	-	-	(1,335,185)	(1,335,185)
Adjustment	-	-	-	-	-
As on Asar end 2078	-	216,905	-	4,177,472	4,394,378
Amortization charge for the Year	-	193,224	-	6,649,055	6,842,279
Disposals	-	-	-	(1,511,140)	(1,511,140)
Adjustment	-	-	-	-	-
As on Asar end 2079	-	410,129	-	9,315,387	9,725,516
Capital Work in Progress					
Net Book Value					
As on Asar end 2077	-	545,790	-	7,253,028	7,798,818
As on Asar end 2078	-	447,535	-	6,225,358	6,672,892
As on Asar end 2079	-	531,161	-	7,801,473	8,332,634



सिमाशिरा

4.13 Deferred tax

Deferred Tax Assets/Liabilities

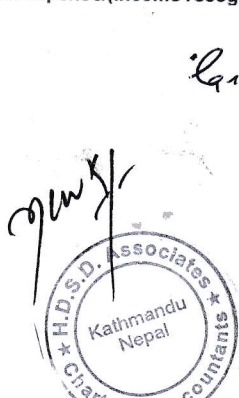
	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Deferred tax assets	992,086	673,639	(642,272)
Deferred tax liabilities	-	-	-
	<u>992,086</u>	<u>673,639</u>	<u>(642,272)</u>

FY 2078-79

	Deferred Tax Assets	Deferred Tax Liabilities	Current Year Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	-	-	-
Loan and advances to customers	-	3,679,818	(3,679,818)
Investment Properties	-	-	-
Investment Securities	-	-	-
Property & Equipment	-	2,404,466	(2,404,466)
Employees' defined benefit plan	176,671	-	176,671
Employee's Leave Provision	4,067,565	-	4,067,565
Other Provisions	-	-	-
Employee Loan	364,632	-	364,632
Lease Liabilities	2,467,501	-	2,467,501
Other temporary differences	-	-	-
Deferred tax on temporary differences	<u>7,076,370</u>	<u>6,084,283</u>	<u>992,086</u>
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred tax asset/(liabilities) as on year end of 31 Asar 2079			992,086
Deferred tax (asset)/liabilities as on Shrawan 1, 2078			(673,639)
Origination/(Reversal) during the year			318,447
Deferred tax expense/(income) recognised in profit or loss			(318,447)
Deferred tax expense/(income) recognised in other comprehensive income			-
Deferred tax expense/(income) recognised in directly in equity			-

FY 2077-78

	Deferred Tax Assets	Deferred Tax Liabilities	Previous Year Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	-	-	-
Loan and advances to customers	-	3,014,314	(3,014,314)
Investment Properties	-	-	-
Investment Securities	-	-	-
Property & Equipment	-	1,898,430	(1,898,430)
Employees' defined benefit plan	164,140	-	164,140
Employee's Leave Provision	3,178,061	-	3,178,061
Other Provisions	-	-	-
Employee Loan	307,521	-	307,521
Lease Liabilities	1,936,661	-	1,936,661
Other temporary differences	-	-	-
Deferred tax on temporary differences	<u>5,586,383</u>	<u>4,912,744</u>	<u>673,639</u>
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred tax asset/(liabilities) as on year end of 31 Asar, 2078 (Closing)			673,639
Deferred tax (asset)/liabilities as on Shrawan 1, 2077 (Opening)			642,272
Origination/(Reversal) during the year			1,315,911
Deferred tax expense/(income) recognised in profit or loss			(1,315,911)
Deferred tax expense/(income) recognised in other comprehensive income			-
Deferred tax expense/(income) recognised in directly in equity			-



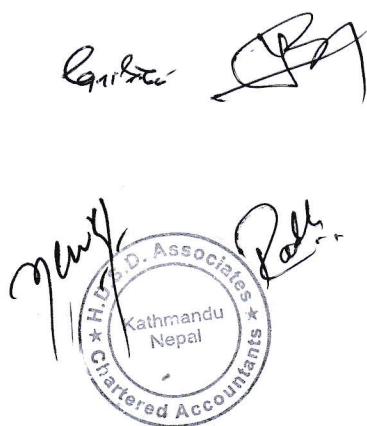
Handwritten signature and initials.

Handwritten signature.

FY 2076-77

Deferred tax on temporary differences on following items

	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Loan and Advance to B/FIs	-	-	-
Loan and advances to customers	-	3,894,430	(3,894,430)
Investment Properties	-	-	-
Investment Securities	-	-	-
Property & Equipment	-	1,802,826	(1,802,826)
Employees' defined benefit plan	105,902	-	105,902
Employee's Leave Provision	2,419,551	-	2,419,551
Other Provisions	-	-	-
Employee Loan	353,623	-	353,623
Lease Liabilities	2,175,908	-	2,175,908
Other temporary differences	-	-	-
Deferred tax on temporary differences	5,054,984	5,697,256	(642,272)
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred tax asset/(liabilities) as on year end of 31 Asar, 2077 (Closing)	-	-	(642,272)
Deferred tax (asset)/liabilities as on Shrawan 1, 2076 (Opening)	-	-	(1,531,264)
Origination/(Reversal) during the year	-	-	(2,173,536)
Deferred tax expense/(income) recognised in profit or loss	-	-	2,173,536
Deferred tax expense/(income) recognised in other comprehensive income	-	-	-
Deferred tax expense/(income) recognised directly in equity	-	-	-



Handwritten signature and initials.



Handwritten signature and the text 'सिमान्त'.

Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.14 Other Assets

Other Assets	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Asset Held for Sale	-	-	-
Other non banking assets	-	-	-
Bills receivable	-	-	-
Accounts receivable	-	-	-
Accrued income	-	-	-
Prepayments and Deposit	860,802	395,823	324,426.00
Deferred employee expenditure	1,215,441	1,025,070	1,178,743
Other	556,093	783,667	377,324
Total	2,632,336	2,204,560	1,880,494

का. वि. वि.

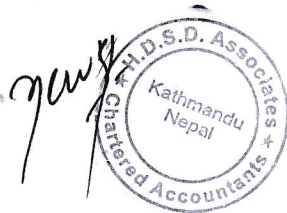
मानुषी

१९८७

१९८७



६१



५१५५५

मानुषी

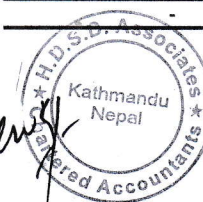
Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.15 Due to Banks and Financial Institutions

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Borrowing from National BFIs	593,066,248	370,903,501	246,303,212.27
Settlement and clearing accounts	-	-	-
Other	-	-	-
Total	593,066,248	370,903,501	246,303,212

4.16 Due to Nepal Rastra Bank

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Refinance from NRB	-	-	-
Standing Liquidity Facility	-	-	-
Lender of last resort facility from NRB	-	-	-
Securities sold under repurchase agreement	-	-	-
Other payable to NRB	-	-	-
Total	-	-	-



Handwritten signatures and initials:
Rajendra
S. P. S.

Handwritten signature: S. P. S.

Handwritten signature: Rajendra

Handwritten signature: S. P. S.

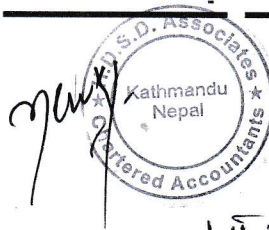
Handwritten signature: Rajendra

Handwritten signature: Rajendra

Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.17 Derivative financial instruments

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Held for trading			
Interest rate swap	-	-	-
Currency Swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
Held for risk management			
Interest rate swap	-	-	-
Currency Swap	-	-	-
Forward exchange contract	-	-	-
Other	-	-	-
Total	-	-	-



Handwritten signature

Handwritten signature

Handwritten signature

Handwritten signature

Handwritten signature

Handwritten signature

Handwritten signature

Handwritten signature

4.18 Deposits from customers

4.12.1 Currency Wise Analysis of Deposit from Customer

[Handwritten signatures and stamps]

Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.19 Borrowing

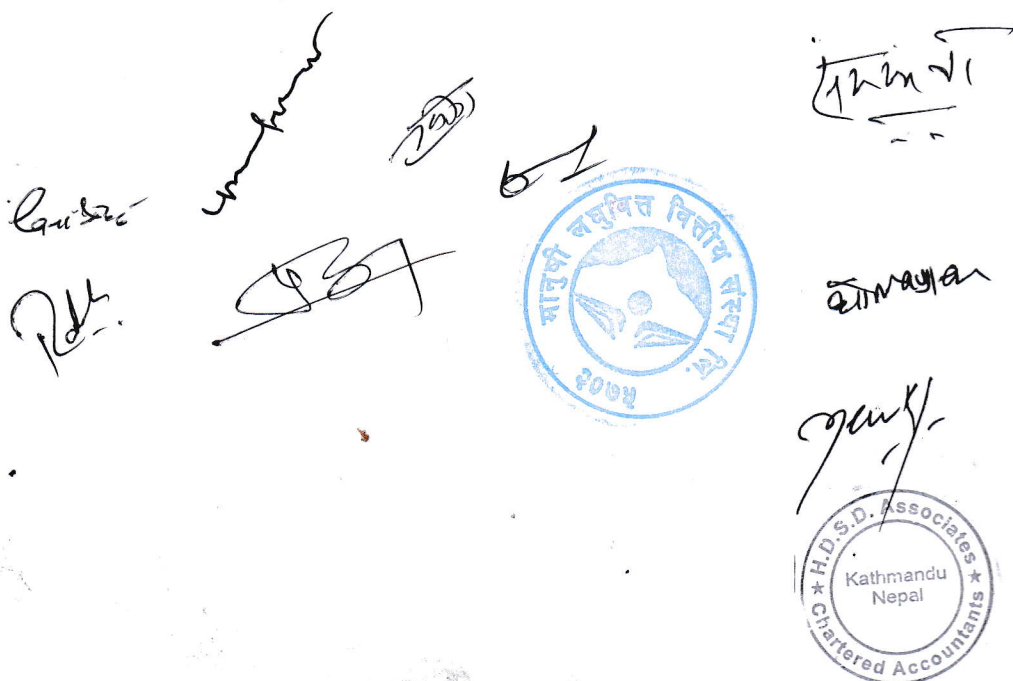
Particulars	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Domestic Borrowing			
Nepal Government	-	-	-
Other Licensed Institution	-	-	-
Other	-	-	-
Subtotal	-	-	-
Foreign Borrowing			
Foreign Bank and Financial Institutions	-	-	-
Multilateral Development Banks	-	-	-
Other Institutions	10,034,430	10,751,055	10,377,350
Sub total	10,034,430	10,751,055	10,377,350
Total	10,034,430.00	10,751,055	10,377,350.00

4.20 Provisions

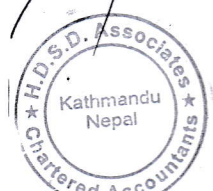
Particulars	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Provisions for redundancy	-	-	-
Provision for restructuring	-	-	-
Pending legal issues and tax litigation	-	-	-
Onerous contracts	-	-	-
Other	-	-	-
Total	-	-	-

4.20.1 Movement in provision

Particulars	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Balance at Shrawan 1	12,872,830	9,968,401	18,438,385
Provisions made during the year	-	3,901,296	-
Provisions used/reversed during the year	(5,538,444)	(996,867)	(8,469,984)
Unwind of discount	-	-	-
Balance at Asar end	7,334,386	12,872,830	9,968,401







Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

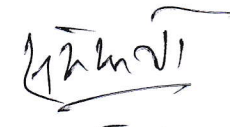
4.21

Other Liabilities

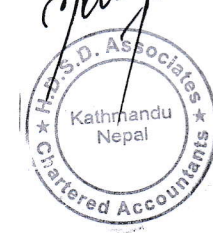
Particulars	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Liability for employees defined benefit obligations	588,904	547,133	353,005
Liability for long-service leave	13,558,549	10,593,536	8,065,171
Short-term employee benefits	-	-	-
Bills payable	309,421	242,922	739,392
Creditors and Accruals	188,919	-	202,468
Interest payable on deposit	-	-	12,494
Interest payable on borrowing	-	-	-
Liabilities on deferred grant income	-	-	-
Unpaid Dividend	-	-	-
Liabilities under Finance Lease	-	-	-
Employee bonus payable	2,461,515	1,929,489	-
Others	-	-	-
Liability for Defined Benefit Obligation	2,452,213	3,281,253	3,451,870
Insurance Premium Payable	2,624,829	-	-
Lease Liability	8,225,005	6,455,536	7,253,028
Audit Fee Payable	223,000	223,000	251,000
TDS Payable	1,582,068	1,044,685	1,224,518
Service Fee Refundable	8,546,851	-	-
Others	2,254,267	4,306,494	5,226,440
Total	43,015,540	28,624,049	26,779,386











Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.22 Debt securities issued

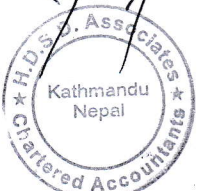
Particulars	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Debt securities issued designated at fair value through profit or loss	-	-	-
Debt securities issued at amortized cost	-	-	-
Total	-	-	-

4.23 Subordinated Liabilities

Particulars	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Redeemable preference shares	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-
Other	-	-	-
Total	-	-	-







Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.24 Share Capital

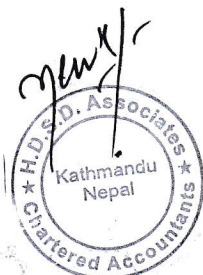
	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Ordinary Shares	109,375,000	70,000,000	70,000,000
Convertible preference shares (equity component only)	-	-	-
Irredeemable preference shares (equity component only)	-	-	-
Perpetual debt (equity component only)	-	-	-
Total	109,375,000	70,000,000	70,000,000

4.24.1 Ordinary Shares

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Authorised capital			
2,000,000 Ordinary Shares @ Rs. 100 each	200,000,000	200,000,000	200,000,000
Issued capital			
1,09,37,50 Ordinary Shares @ Rs. 100 each	109,375,000	109,375,000	100,000,000
Subscribed and paid up capital			
1,09,37,50 Ordinary Shares @ Rs. 100 each	109,375,000	7,000,000	7,000,000
Total	109,375,000	7,000,000	7,000,000

4.24.2 Ordinary share ownership

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Domestic ownership (Promoter)	109,375,000	70,000,000	70,000,000
Nepal Government	-	-	-
"A" class licensed institutions	-	-	-
Other licensed institutions	-	-	-
Other institutions	44,300,000	44,300,000	44,300,000
Other	25,700,000	25,700,000	25,700,000
Domestic ownership (Public)			
Nepal Government	-	-	-
"A" class licensed institutions	-	-	-
Other licensed institutions	-	-	-
Other institutions	-	-	-
Other	39,375,000	-	-
Foreign ownership promoter			
Foreign ownership public	-	-	-
Total	109,375,000	70,000,000	70,000,000



मानुषी

Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

425 Reserves

Particulars	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Statutory general reserve	8,541,271	5,093,849	2,423,543
Capital reserve	-	-	-
Exchange equalization reserve	179,156	-	-
Investment adjustment reserve	-	-	-
Corporate social responsibility reserve	262,616	133,515	-
Client Protection Fund	8,709,152	10,092,288	10,588,080
Capital redemption reserve	-	-	-
Regulatory reserve	8,586,241	7,033,399	9,087,004
Assets revaluation reserve	-	-	-
Fair value reserve	-	-	-
Dividend equalization reserve	-	-	-
Actuarial gain	-	-	-
Special reserve	-	-	-
Employee Training Reserve	1,022,600	-	-
Other Assets Management Expense Fund	280,247	5,383,032	1,486,736
Institution Building Fund	6,959,646	6,959,646	6,959,646
Organizational Development Fund	3,670,338	3,670,338	3,670,338
Total	38,211,267	38,366,068	34,215,347



Handwritten signature in blue ink.

Handwritten signature in blue ink.

Handwritten signature in blue ink.

Handwritten signature in blue ink.

Handwritten signature in blue ink.

Handwritten signature in blue ink.

Handwritten signature in blue ink.

Handwritten signature in blue ink.

Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

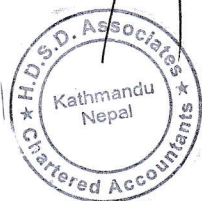
4.26 Contingent liabilities and commitments

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Contingent liabilities	-	-	-
Undrawn and undisbursed facilities	-	-	-
Capital commitment	-	-	-
Lease Commitment	-	-	-
Litigation	-	-	-
Others	-	-	-
Total	-	-	-

4.26.1 Capital commitments

Capital expenditure approved by relevant authority of the institution but provision has not been made in financial statements

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Capital commitments in relation to Property and Equipment			
Approved and contracted for	-	-	-
Approved but not contracted for	-	-	-
Sub total	-	-	-
Capital commitments in relation to Intangible assets			
Approved and contracted for	-	-	-
Approved but not contracted for	-	-	-
Sub total	-	-	-
Total	-	-	-



Handwritten signature
Handwritten signature

426.2 Lease commitments

	As at 32 Asar 2079	As at 31 Asar 2078	As at 31 Asar 2077
Operating lease commitments	-	-	-
Future minimum lease payments under non cancellable operating lease, where the institution is lessee	-	-	-
Not later than 1 year	-	-	-
Later than 1 year but not later than 5 years	-	-	-
Later than 5 years	-	-	-
Sub total	-	-	-
Finance lease commitments			
Future minimum lease payments under non cancellable operating lease, where the institution is lessee	-	-	-
Not later than 1 year	-	-	-
Later than 1 year but not later than 5 years	-	-	-
Later than 5 years	-	-	-
Sub total	-	-	-
Grand total	-	-	-

426.3 Litigation

The institution has no litigation pending in any courts of law.



Handwritten signature

Handwritten signature

Handwritten signature



Handwritten signature

Handwritten signature

Handwritten signature

Manushi Laghubitta Bittiya Sanstha Limited
Notes forming part of the financial statements

4.27 Interest Income

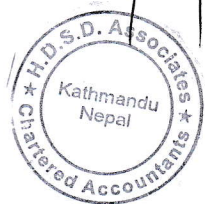
	Current Year	Previous Year
Cash and cash equivalent	744,354	1,390,977
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	-	-
Loans and advances to customers	203,018,012	136,910,931
Investment securities	-	-
Loan and advances to staff	2,041,642	1,735,410
Other	-	-
Total interest income	205,804,008	140,037,318

4.28 Interest Expense

	Current Year	Previous Year
Due to bank and financial institutions	58,012,856	23,956,216
Due to Nepal Rastra Bank	-	-
Deposits from customers	48,528,430	39,555,554
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	1,470,236	1,333,419
Total interest expense	108,011,521.44	64,845,188.82

4.29 Fees and Commission Income

	Current Year	Previous Year
Loan administration fees	-	-
Service fees	26,003,326	19,943,074
Commitment fees	-	-
Credit issuance fees	-	-
Prepayment and swap fees	-	-
Remittance fees	-	-
Brokerage fees	-	-
Other fees and commission income	798,876	370,229
Total fees and Commission Income	26,802,202	20,313,303



4.30 Fees and Commission Expense

	Current Year	Previous Year
Brokerage	-	-
ATM management fees	-	-
VISA Master card fees	-	-
Guarantee commission fees	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other fees and commission expense	-	19,064
Total fees and Commission Expense	-	19,064

4.31 Net Trading Income

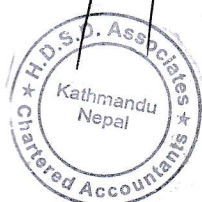
	Current Year	Previous Year
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/loss foreign exchange transaction	716,625	(373,705)
Other	-	-
Net trading income	716,625	(373,705)

4.32 Other Operating Income

	Current Year	Previous Year
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	-	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	-	-
Gain/loss on sale of property and equipment	-	-
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	414,306	202,468
Total	414,306	202,468

4.33 Impairment charge/(reversal) for loans and other losses

	Current Year	Previous Year
Impairment charge/(reversal) on loan and advances to B/FIs	-	-
Impairment charge/(reversal) on loan and advances to customer	10,930,495	9,123,627
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Total	10,930,495	9,123,627.19



Handwritten signature and text: "Himani" and "Kamayani".

4.34 Personnel Expenses

	Current Year	Previous Year
Salary	41,047,512	37,134,588
Allowances	6,358,492	2,909,452
Gratuity expense	3,067,974	2,818,744
Provident fund	3,423,637	3,134,983
Uniform	552,025	500,045
Training & development expense	561,699	4,662
Leave encashment	3,601,825	2,659,326
Medical	-	1,130,474
Insurance	-	-
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	1,080,171	707,588
Other expenses related to staff	2,773,990	2,517,693
Subtotal	62,467,324	53,517,554
Employees bonus	2,417,175	1,929,489
Grand total	64,884,500	55,447,043

4.35 Other Operating Expenses

	Current Year	Previous Year
Directors' fee	215,000	163,875
Directors' expense	57,665	20,000
Auditors' remuneration	226,000	226,000
Other audit related expense	21,340	-
Professional and legal expense	873,158	-
Office administration expense	12,387,892	6,663,673
Operating lease expense	-	-
Operating expense of investment properties	-	-
Corporate social responsibility expense	-	-
Client Protection expenses	-	-
Onerous lease provisions	-	-
Other	3,941,883	2,222,322
Total	17,722,938	9,295,870

4.35.1 Office Administration Expense

	Current Year	Previous Year
Water and electricity	365,661	318,483
Repair and maintenance	-	-
a. Building	-	-
b. Vehicle	143,130	101,942
c. Computer & Accessories	-	-
d. Office Equipment & Furniture	121,345	115,574
e. Other Repairs	435,709	265,547
Insurance	203,316	137,848
Postage, telex, telephone, fax	869,354	792,625
Printing and stationery	1,913,664	1,188,396
News paper, books and journals	16,700	15,140
Advertisement	256,555	167,667
Donations	-	-
Security expense	-	-
Deposit and loan guarantee premium	-	-
Travelling allowance and expenses	3,787,277	1,691,507
Entertainment	-	-
Annual/special general meeting expense	130,373	52,206
Other	-	-
Non-Durable Goods	1,058,534	567,281
Registration & Renewal	273,260	67,800
Other	2,813,015	1,181,657
Total	12,387,892	6,663,673



Ranbir



ST

AD

Yash

4.36 Depreciation & Amortization

	Current Year	Previous Year
Depreciation on property and equipment	1,491,358	1,414,789
Depreciation on investment property	-	-
Amortization of intangible assets	6,842,279	5,729,562
Total	8,333,637	7,144,351

4.37 Non Operating Income

	Current Year	Previous Year
Recovery of loan written off	-	-
Other income	-	-
Total	-	-

4.38 Non Operating Expense

	Current Year	Previous Year
Loan written off	-	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
Total	-	-

4.39 Income tax expense

	Current Year	Previous Year
Current tax expense	7,237,359	5,322,303
Current year	7,237,359	5,322,303
Adjustments for prior years	-	-
Deferred tax expense	(318,447)	(1,315,911)
Origination and reversal of temporary differences	(318,447)	(1,315,911)
Changes in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Total income tax expense	7,237,359	5,322,303

Lawyer
6 I
2072
under
Rall



H. H. H.
Emmanuel



Profit before tax
Tax amount at tax rate of 30%
Add: Tax effect of expenses that are not deductible for tax purpose
Less: Tax effect on exempt income
Add/less: Tax effect on other items
Total income tax expense
Effective tax rate

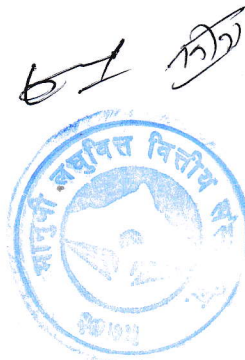
Current Year	Previous Year
23,854,050	14,304,240
7,156,215	4,291,272
(912,671)	(112,684)
-	-
981,940	1,033,208
7,225,484	5,211,796
30%	36%

[Handwritten signatures and stamps are present on this page.]

Statement of distributable profit or loss
For the year ended 31 Asar 2079
(As per NRB Regulation)

	Current Year	Previous Year
Net profit or (loss) as per statement of profit or loss	16,935,138	10,297,847
<u>Appropriations:</u>		
a. General reserve	(3,447,421.14)	(2,670,307)
b. Foreign exchange fluctuation fund	(179,156)	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(172,371.06)	(133,515)
e. Employees' training fund	(1,022,600.50)	-
f. Client Protection Fund	(172,371.06)	(133,515.33)
g. Other	-	-
Profit or (loss) before regulatory adjustment	11,941,218	7,360,510
<u>Regulatory adjustment :</u>		
a. Interest receivable (-)/previous accrued interest received (+)	(1,552,842)	2,053,605
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	-	-
e. Deferred tax assets recognised (-)/ reversal (+)	(318,447)	(1,315,911)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Distributable profit or (loss)	10,069,929	8,098,204

Lawyer
[Signature]
[Signature]



[Signature]
[Signature]
[Signature]

[Signature]

STATEMENT SHOWING COMPUTATION OF TAX		
Particulars	As per P/L A/C	As per I.T
Interest income from loan and advance	200,799,666.00	200,799,666.00
Interest income from investment in govt bond and others	-	-
Interest income from inter bank investment	-	-
Other interest income at money and short call	744,354.48	744,354.48
Commission and discount Income	-	-
Other		-
Comission	798,875.76	798,875.76
Other	-	-
Other operating income		-
Service charge	26,003,326.00	26,003,326.00
Renewal	-	-
Other	1,375,776.73	1,375,776.73
Non operating income		-
Dividend	-	-
Loan/ Investment Loss Provision written back	-	-
Profit on sale of investment	-	-
TOTAL INCOME	229,721,998.97	229,721,998.97
Interest Expenses u/s 14	107,136,403.84	107,136,403.84
Repair & Maintenance u/s 16	280,934.64	253,568.07
Depreciation & Amortization u/s 19	1,759,059.93	1,759,059.93
Loan Loss Provision u/s 59.1.	10,930,494.69	10,930,494.69
Other Deduction u/s 13	88,577,151.48	88,577,151.48
Expenses not deductible		
Fines & Penalties		(8,085.49)
Provison for Gratuity		(41,771.00)
Provision for Sick Leave		(2,965,012.60)
Bonus of previous year unpaid		(44,339.71)
Forex		
TOTAL EXPENSES	208,684,044.58	205,597,469.21
Income from business		24,124,529.76
Loss set up u/s 20.1.kha		-
Assessable Income		24,124,529.76
Donation U/S 12		-
Taxable Income		24,124,529.76
Loss carried forward to be set off from next year profit		-
Income Tax @ 30 %		7,237,358.93
Add: Interest u/s		-
118		-
117		-
119		-
Total Tax		7,237,358.93

Signature
Rabhi

Signature



Signature
61
255
Himali



Manushi Laghubitta Bittiya Sanstha Limited

Notes to the Financial Statements

for the year ended 32 Asar 2079

1. Reporting Entity

Manushi Laghubitta Bittiya Sanstha Limited (MLBS or "the Institution") is a public limited company, established under the Companies Act, 2063 (Registration No. 192310/074/075 dated 2075/03/10). It has obtained license from Nepal Rastra Bank (NRB) as a "D" Class Financial institution (License No. "D"/74/075/076 dated 2075/06/25) and has been operating microfinance services from 2075/08/01.

Head office of the Institution is located at Banepa-13, Kavrepalanchok, Nepal. Its ordinary shares are listed with Nepal Stock Exchange Ltd. and its stock symbol is "MLBS".

The Institution provides microfinance services such as loans and deposits to group members of low-income families in Nepal.

2. Basis of Preparation

The financial statements of the Institution have been prepared on accrual basis of accounting, except the cash flow information which is prepared on cash basis under direct method, in accordance with Nepal Financial Reporting Standards (NFRSs) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank (NRB).

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

2.1 Statement of Compliance

The Financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRSs) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format as per Nepal Rastra Bank Directives for Micro-Finance Institutions.

2.2 Reporting period and approval of financial statements

The Institution has, for the preparation of financial statements, adopted the NFRSs with effect from fiscal year 2078/79. To comply the NFRS provisions following dates have been considered, in terms of first time adoption.

Relevant Financial Statement	Nepalese Calendar	English Calendar
Opening NFRS SFP* date	1 Shrawan 2077	16 July 2020
Comparative SFP* Date	31 Ashadh 2078	15 July 2021
Comparative reporting period	1 Shrawan 2077-31 Ashadh 2078	16 July 2020 -15 July 2021
First NFRS SFP* Date	32 Ashadh 2079	16 July 2022
First NFRS reporting period	1 Shrawan 2078- 32 Ashadh 2079	16 July 2021-15 July 2022

*SFP- Statement of Financial Position

Handwritten signatures and stamps are present at the bottom of the page, including a circular stamp of the Manushi Laghubitta Bittiya Sanstha Limited and a circular stamp of the H.D.S.D. Association.

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates, Assumptions and Judgements

The Institution, under NFRSs, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, it is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements.

The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

The NFRSs require the Institution to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Institution applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised, and are applied prospectively.

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

2.4.1 Going Concern

The financial statements are prepared on a going concern basis, as the Board of the Institution is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.5 Changes in Accounting Policies

The Institution has prepared the opening statement of financial position as per Nepal Financial Reporting Standards (NFRSs) as at 16 July 2020 (the transition date) by recognizing all assets and liabilities whose recognition is required by NFRSs, not recognizing the items of assets or liabilities which are not permitted by NFRSs, by reclassifying items from previous GAAP to NFRSs as required by NFRSs, and applying NFRSs in measurement of recognized assets and liabilities.

2.6 New Standards in issue but not yet effective

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB- after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS. The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Institution's financial statements are disclosed below. The Financial Institution intends to adopt these standards, if applicable, when they become effective.

2.7 New standards and interpretations not adopted

The updates on IFRS subsequent to 2018 become applicable when the ASB incorporates them within the NFRS. The Financial Institution has not adopted those standards.

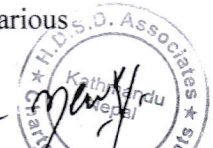
2.8 Discounting

When the realization of asset and settlement of obligation is for more than one year, the financial institution considers discounting of such assets and liabilities where the impact is material. Various

[Handwritten signature]



[Handwritten signature]



internal and external factors have been considered for determining the discount rate to be applied to the cash flows of the entity.

2.9 Limitation of NFRS Implementation

Wherever the information is not adequately available and/or it is impracticable to develop the information, such exception to NFRS implementation has been noted and disclosed in respective sections.

अभिमान

२०७६

२०७६

२०७६

२०७६

२०७६

२०७६



विभाग



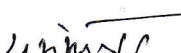
3.1 Basis of Measurement

- derivative financial instruments are measured at fair value
- financial instruments through fair value through profit or loss are measured at fair value
- financial instruments through fair value through Other Comprehensive Income are measured at fair value.
- investment property is measured at fair value
- the liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call & short notice and highly liquid financial assets with original maturities of three months or less from the acquisition dates that are subject to an insignificant risk of changes in their fair value and are used by the Finance in the management of its short-term commitments.

A. Recognition

The Institution initially recognizes a financial asset or a financial liability in its Statement of Financial Position when, and only when, it becomes party to the contractual provisions of the instrument. It initially recognizes loans and advances, deposits and debt securities/subordinated liabilities issued on the date that they are originated, which is the date that the Institution becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Institution commits to purchase/ acquire the financial assets. Generally, purchase and sale of financial assets are recognized on trade date at which the Institution commits to purchase or sell the asset.








B. Classification

I. Financial Assets

The financial assets are subsequently measured at amortized cost or fair value on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The financial assets are classified under three categories as required under NFRS 9, as follows;

- **Financial assets measured at amortized cost**

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the effective interest rate ('EIR') method less impairment, if any. The amortisation of EIR and loss arising from impairment, if any is recognised in Statement of Profit or Loss.

- **Financial asset measured at fair value through Profit or loss (FVTPL)**

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

- **Financial assets at fair value through other comprehensive income (FVTOCI)**

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in Statement of Other Comprehensive Income (SOI).

II. Financial Liabilities

The Financial Institution classifies its financial liabilities, other than financial guarantees and loan commitments, as follows;

- **Financial Liabilities at Fair Value through Profit or Loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Upon initial recognition, transaction cost directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

- **Financial Liabilities measured at amortized cost**

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

C. Measurement

i. Initial Measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Handwritten signatures and stamps are present at the bottom of the page. A blue circular stamp of the Nepal Rafti Bank is visible, along with several handwritten signatures and a circular stamp of 'Associates Nepal'.

Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

ii. Subsequent Measurement

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

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

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

3.3.1 De-recognition

De-recognition of Financial Assets

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

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

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

De-recognition of Financial Liabilities

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

3.3.2 Determination of Fair Value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

Handwritten signatures and stamps at the bottom of the page, including a circular stamp of the Nepal Raastri Bank and several handwritten initials and names.

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

The principal or the most advantageous market must be accessible by the Institution. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Institution uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At each reporting date, the Management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Institution's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Institution has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.3.3 Impairment

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

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

- Whether the counter party is in default of principal or interest payments.
- When a counter party files for bankruptcy and this would avoid or delay discharge of its obligation.
- Where the Institution initiates legal recourse of recovery in respect of a credit obligation of the counterpart.
- Where the Institution consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

Handwritten signature and stamp



Handwritten signature and stamp

3.4 Trading Assets

Trading assets and liabilities are those assets and liabilities that the Institution acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized at fair value and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss.

The Institution does not have any trading asset as on reporting date.

3.5 Derivatives Assets and Derivative Liabilities

Derivative instruments include transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date.

The Institution does not have any derivative instrument during the reporting period.

3.6 Loan to staffs

The Financial Institution has a policy of providing loans to its employees at below-market interest rate. This asset is bifurcated and recognized as two different elements viz. a prepaid employee benefit and a loan asset. Initially fair value of employee loan is determined by discounting the future loan repayments using a market rate of interest. This fair value is recognized as loan asset and any excess of the principal loan amount over the fair value is recognized as deferred employee expenditure. Deferred employee expenditure is amortized over the loan tenor with the amortization amount recognized as interest income and a corresponding finance expense within the personnel expense.

3.7 Property, Plant and Equipment

a. Recognition and Measurement

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

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Institution has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

Handwritten signatures and initials:
Himant
Rajendra
Raju



Handwritten signatures:
B. L.
B. B.
B. B.



The Institution adopts cost model for entire class of property and equipment. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the institution. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

Property, plant and equipment costing up to Rs. 5,000 are depreciated fully in the year of acquisition.

b. Transition to NFRS

The Institution has elected to fair value its property, plant and equipment recognized as at 15 July 2020 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

c. Capital Work in Progress

Fixed assets under construction and cost of assets not ready for use are shown as capital work in progress.

d. Depreciation

Depreciation is calculated using Diminishing Balance Method as per management judgement as follows:

Group	% depreciation
Building	5
Office Equipment and Computers	25
Vehicle	20
Office Machinery	15
Leasehold	Lease Period

e. De-recognition

The carrying amount of Property and Equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property and equipment shall be included in profit or loss when the item is derecognized (unless on a sale & lease back).

Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

3.8 Intangible Assets

Acquired Intangible Assets

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Institution, and are amortized on the basis of their expected useful lives.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are

(Handwritten signatures and initials)



(Handwritten signatures and initials)

amortized on the basis of expected useful life. Costs associated with maintaining software are recognized as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.9 Investment Property/Non-Current Assets Held for Sale

Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Institution as non-banking assets but not sold as on the reporting date.

The Institution holds investment property that has been acquired through enforcement of security over the loans and advances.

Non-Current Assets Held for Sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available-for-sale in their present condition; and (iii) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in a disposal group) are measured in accordance with the applicable accounting policies described above.

The Institution does not have any Non-Current Assets Held for Sale as on reporting date.

3.10 Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

a. Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

b. Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is determined using tax rate applicable to the Financial Institution as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

[Handwritten signatures and initials]



[Handwritten signature]
B.D. Associates
Kathmandu
Nepal

3.11 Deposits, debts securities issued and subordinated liabilities

a. Deposits

The Institution accepts deposits from its customers under account, current and term deposit accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the Institution's books, and the resulting balance is recorded as a liability for the Institution and represents the amount owed by the Institution to the customer.

b. Debt Securities Issued

It includes debentures, bonds or other debt securities issued by the Institution. Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Institution designates liabilities at fair value through profit or loss. The Institution has not issued any debt securities.

c. Subordinated Liabilities

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The Institution does not have any of such subordinated liabilities.

3.12 Provisions

The Institution recognizes a provision if, as a result of past event, it has a present constructive or legal obligation that can be reliably measured and it is probable that an outflow of economic benefit will be required to settle the obligation.

A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A provision for onerous contract is recognized when the expected benefits to be derived by the Institution from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

3.13 Revenue Recognition

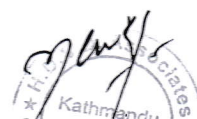
Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Institution and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Institution's revenue comprises of interest income, fees and commission, and the bases of incomes recognition are as follows:

Handwritten signatures and initials:
H. K. ...
...
...
...



Handwritten signature: ...

Handwritten signature: ...



a. Interest Income

Interest income on available-for-sale assets and financial assets held at amortized cost shall be recognized using the Institution's normal interest rate which is very close to effective interest rate.

For income from loans and advances to customers, initial charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Institution considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Further, Interest income on Loans and Advances is recognized as per the guideline on recognition of interest income, 2019 issued by NRB.

b. Fees & Commission Income

Fees and commissions income comprise fees and services collected on diverse ranges of services provided by the Institution such as loan administrative, remittance and brokerage and other services.

c. Dividend Income

Dividend income is recognized when right to receive such dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

d. Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

e. Net Income from other financial instrument at fair value through Profit or Loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

3.14 Interest expense

Interest expense is recognized in Profit or Loss using the effective interest method. The effective interest rate is the rates that exactly discount estimated future cash payment through expected life of the financial instrument or where appropriate a shorter period, to the net carrying amount of the financial liability. While calculating the effective interest rate, the Institution estimates cash flows considering all contractual terms of the financial instrument but excluding future credit gains. The calculation includes all amount paid by the institution that are an integral part of the effective interest rate of the financial instrument, including the transaction costs and other premium or discounts.

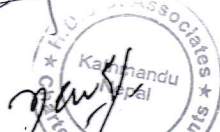
3.15 Fees & Commission Expenses

It includes payouts on account of fee and commission for services obtained by the Institution such as card

Handwritten signatures and initials at the bottom left of the page.



Handwritten signatures and initials at the bottom right of the page.



related fees, guarantee commission, brokerage expenses etc. The fees and commission expense that are integral to the effective interest rate on the financial liability are included in the measurement of the effective interest rate and are not recognized as expense under this head.

3.16 Employees Benefits/Personnel Expenses

a. Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 2030 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

- wages, salaries and social security contributions,
- paid annual leave and paid sick leave,
- profit-sharing and bonuses and
- non-monetary benefits

b. Post-Employment Benefits

Post-employment benefit plan includes the followings:

i. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the Institution pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as personnel expenses in profit or loss in the periods during which related services are rendered.

Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

All employees of the Institution are entitled to receive benefits under the provident fund, a defined contribution plan, in which both the employee and the Institution contribute monthly at a pre-determined rate of 10% of the basic salary. The Institution does not assume any future liability for provident fund benefits other than its annual contribution.

ii. Defined Benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Institution's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets all actuarial are deducted.

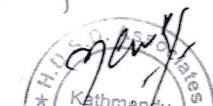
The Institution recognizes gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Institution recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting

Handwritten signatures and initials at the bottom left of the page.



Handwritten signatures and initials at the bottom right of the page.



change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognized.

The calculation of defined benefit obligation is to be performed by a qualified actuary using the projected unit credit method. However, as the Financial Institution considers the possibility of its merger in near future and the employees liability existing at the time are to be settled for a fresh start in the new organization, no actuarial valuation has been performed for time being as it is more beneficial for the institution.

iii. Termination Benefits

Termination benefits are recognized as an expense when the Institution is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.17 Leases

NFRS 16 requires lessees to recognize a right to use asset and a liability for future payments arising from a lease contract.

Complying with the standard, the institution has recognized the future payments arising from its rental lease contracts as a 'right-of-use-asset' and an associated liability at the commencement date of the lease. The lease liability has been initially measured at the present value of the lease payments that are not paid at the commencement date. The discount rate used to determine present value is the rate of interest implicit in the lease.

- The right-of-use-asset includes the following amounts:
- the amount of the initial measurement of the lease liability.
- any payments made to the lessor at, or before, the commencement date of the lease, less any lease incentives received
- any initial direct costs incurred by the lessee
- an estimate of any costs to be incurred by the lessee in dismantling and removing the underlying asset, or restoring the site on which it is located.

The right-of-use-asset is subsequently depreciated. Depreciation is over the shorter of the useful life of the asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case depreciation is over the useful life.

The lease liability is effectively treated as a financial liability which is measured at amortized cost, using the rate of interest implicit in the lease as the effective interest rate.

3.18 Foreign Currency Translation

The financial statements are presented in Nepalese Rupees (NPR).

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the

[Handwritten signature]



[Handwritten signature]
[Handwritten signature]
[Circular stamp of K.D.S.D. Associates, Kathmandu, Nepal]

translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognized in either the statement of profit or loss or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

3.19 Financial guarantee and loan commitment

Financial guarantees are contracts that require the Institution to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Loan commitment is the commitment where the Institution has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Institution has not made payments at the reporting date, those instruments are included in this financial statement as commitments.

3.20 Share Capital and Reserves

The Institution classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the institution after deducting all its liabilities. Common shares are classified as equity of the institution and distributions thereon are presented in statement of changes in equity.

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

The reserves include retained earnings and other statutory reserves such as general reserve, foreign exchange equalization reserve, regulatory reserve, investment adjustment reserve, staff training and development fund, CSR reserve etc.

3.21 Earnings per share including diluted

The Institution presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Institution by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.22 Segment Reporting

The Institution has not identified any key segments of the business on the basis of nature of operations that assist the Institution in decision process and to allocate the resources. Therefore, segment reporting is not done by the Institution.

4. Schedules forming part of Financial Statements

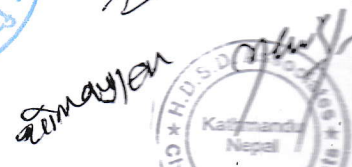
Schedules are attached with financial statements.

[Handwritten signatures and initials]



[Handwritten signature]

[Handwritten signature]



5. Disclosures & Additional Information

5.1 Risk Management

Risk is inherent in the Institution's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Institution is mainly exposed to;

- Liquidity Risk
- Interest Rate Risk
- Credit Risk
- Operational Risk

The Board of Directors has overall responsibility for the establishment and oversight of the Institution's risk management framework. Risk management committee has been established to facilitate focused oversight of various risks. The committee reviews the risk management policies as well as the Institution's compliance with NRB Directives.

Liquidity Risk

Liquidity risk is defined as the risk that the Institution will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Institution might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances.

Liquidity has been actively monitored at an appropriate frequency. Routine reporting, trend analysis, budget variance analysis was in place to the Board of Directors through Assets Liabilities Management Committee (ALCO) and Risk Management Committee. Daily MIS, daily liquidity sheet, CRR report and monthly liquidity gap report have been used for the insight of liquidity risk information to the management.

Interest Rate Risk

Interest rate risk includes risk arising due to adverse movements in the interest rates and equity price. Our exposure to interest rate risk arises predominantly from customer driven transactions. The Institution focuses on risk management in compliance with Risk Management Guidelines prescribed by NRB, also by addressing interest rate risk in regular interval to strengthen the risk management. The interest rate risk is managed within the risk tolerances and market rate risk set by ALCO.

Credit Risk

The risk of potential loss because of counterparty failure to meet its obligations to pay the credit obtained from Institution as per the agreed terms is known as credit risk. A loan application form which has been used by Institution, includes all the relevant data and information required for assessment of borrowers' background, business and experience, financial statement of borrower, credibility, sector wise analysis etc.

[Handwritten signature]

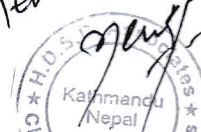
[Handwritten signature]

[Handwritten signature]



[Handwritten signature]

[Handwritten signature]



Operational risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss.

Effective operational risk management system aims to minimize losses and customer dissatisfaction due to failure in processes, focusing on flows in products and their design that can expose the Institution to losses due to fraud, analyzing the impact of failures in technology/system, developing plans to meet external shocks that can adversely impact continuity in the Institution's operations. The Institution needs "a comprehensive operational risk monitoring and reporting framework" as well as "output checking" at all branches covering all transactions on daily basis to minimize operational risk.

One of the growing risks among others these days is Operation Risk that arises out of inefficient processes and people inside and outside the Institution. Asset Liability Management Committee (ALCO) is the management committee where operation risk, market risk and other risks are discussed, in line with ALM Policy. IT Department in the Institution reviews and checks the security aspects in line with IT Policy of the Institution. The Institution needs to conduct an IS Audit to ensure the effectiveness of implemented controls framework and adequacy of the adopted security plan and procedures.

The Institution has separate department to oversee operation risk including compliance of KYC and AML. This department is headed by senior level staff with adequate access to the daily report, operational processes and right to recommend the changes in the system and procedures.

Fair Value of Financial Assets and Financial Liabilities

Fair value is a market-based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). Fair values are determined according to the following hierarchy:

Level-1 inputs

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Held for trading investments and quoted securities classified as financial assets at fair value through OCI have been recorded using Level 1 inputs.

Level-2 inputs

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. Such observable inputs include:

- Quoted price for similar instruments in active market
- Quoted price for identical or similar instruments in inactive market
- Financial instruments are valued using models where all significant inputs are observable

[Handwritten signatures and initials]



[Handwritten signatures and initials]



Level-3 inputs

Level 3 inputs are unobservable inputs for the asset or liability. Fair value measurements are derived using valuation techniques in which current market transactions or observable market data are not available. Under this, instruments are fair valued using valuation models which have been tested against prices or inputs to actual market transactions and make use of the best estimates of the most appropriate model assumptions. The institution has used latest audited financial statements to arrive at book value for investment in unquoted shares.

5.2 Capital Management

5.2.1 Qualitative disclosures

Capital is very crucial component in a business. In case of Financial Institutions, sufficient capital needs to be maintained for business growth. Capital management approach is driven by its desire to maintain a strong capital base to support the business growth and to meet the regulatory capital requirements. Capital planning is an integral part of the Institution's strategic plan. The Financial Institution has robust capital planning and management to meet its projected growth over the upcoming years during the normal as well as stressed situations. The Institution ensures that adequate level of capital is maintained at all times. It is well capitalized and is able to maintain required capital through internal generation and also through other sources, if required.

5.2.2 Quantitative disclosures

a) Capital Structure and Capital Adequacy

i. Tier 1 capital and a breakdown of its components

S.N.	Particulars	Amount (NPR '000)
A	Paid up Capital	1,09,375.00
B	Share Premium / Capital Reserve	-
C	Proposed Bonus Shares	-
D	Statutory General Reserve	8,541.27
E	Retained Earnings	29,047.13
F	Current Year Cumulative Profit	-
G	Capital Redemption Reserve	-
H	Other Free Reserves	-
I	Less: Intangible Assets	(8,332.63)
J	Less: Deferred Tax Assets	(980.21)
K	Less: Investment in equity of institutions with financial interests	-
L	Less: Purchase of land & building in excess of limit and unutilized	-
M	Less: Loans & Facilities extended to related parties and restricted lending	-
	Core (Tier-1) Capital	1,37,638.69

Handwritten signature

Handwritten signature



Handwritten signature

Handwritten signature



ii. **Tier 2 capital and a breakdown of its components**

S.N.	Particulars	Amount (NPR in '000)
A	General Loan Loss Provision	1,94,84.64
B	Additional Loan Loss Provision	335.62
C	Exchange Equalization Reserve	-
D	Investment Adjustment Reserve	-
E	Other Reserves	-
	Supplementary (Tier-2) Capital	19,820.26

iii. **Deductions from capital**

Only deferred tax asset has been deducted from capital.

iv. **Total qualifying capital**

S. N.	Particulars	Amount (NPR '000)
A	Core Capital	137,638.69
B	Supplementary Capital	19,820.26
	Total Qualifying Capital (Total Capital Fund)	157,458.95

v. **Capital Adequacy Ratio**

Capital Adequacy Ratio of the Institution as at 16 July 2022 stood as:

S. N.	Particulars	Current Year
A	Total Tier 1 Capital to Total Risk Weighted Exposures	8.39%
B	Total Capital Fund to Total Risk Weighted Exposure	9.60%

vi. **Summary of Financial Institution's internal approach to assess the adequacy of capital to support current and future activities, if applicable**

The Institution does not have any internal approach to assess the adequacy of capital to support current and future activities.

vii. **Summary of the terms, conditions and main features of capital instruments**

Ordinary share capital: The Institution has only one class of equity shares having a par value of NPR. 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Institution, holder of equity shares will be entitled to receive remaining assets of the Institution after distribution of preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.

[Handwritten signature]

[Handwritten signature]

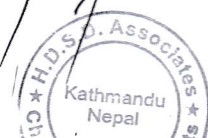


[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]



b) **Risk Exposures**

Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

S.N.	Risk Weighted Exposure	Amount (NPR '000)
A	Risk Weighted Exposure for Credit Risk	16,07,802.61
B	Risk Weighted Exposure for Operational Risk	32,987.19
C	Risk Weighted Exposure for Market Risk	-
	Adjustments under Pillar II	
	Add 3% of the total RWE due to non-compliance to disclosure requirement	-
	Add ...% of the total deposit due to insufficient liquid assets	-
	Total Risk Weighted Exposure	16,40,789.96

5.2.3 **Compliance with external requirement**

The Institution is required by the Directive to Microfinance Institutions issued by NRB to attain a stipulated minimum paid up capital of NPR 10 Crore. As on the reporting date, the Institution's paid up capital stands at 10.9375 Crore.

5.3 **Classification of financial assets and financial liabilities**

5.3.1 **Classification-Financial Assets**

<u>Financial Assets</u>	Amortized Cost	Fair Value Through OCI (FVTOCI)	Fair Value Through Profit/Loss (FVTPL)	Total
Cash and Cash equivalent	5,19,20,440	-	-	5,19,20,440
Statutory Balances & Due from Nepal Rastra Bank	70,01,138	-	-	70,01,138
Placement with Bank and Financial Institutions	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Other Trading Assets	-	-	-	-
Loan and Advances to MFIs & Cooperatives	-	-	-	-
Loans and Advances to Customers	1,51,82,98,280	-	-	1,51,82,98,280
Investment Securities	-	-	-	-
Current Tax Assets	1,17,00,906	-	-	1,17,00,906
Other Assets	26,32,336	-	-	26,32,336
Total Assets	1,59,15,53,100	-	-	1,59,15,53,100
				-
<u>Financial Liabilities</u>				-
Due to Bank and Financial Institutions	59,30,66,248	-	-	59,30,66,248
Due to Nepal Rastra Bank	-	-	-	-
Derivative Financial Instrument	-	-	-	-
Deposits from Customers	77,67,78,962	-	-	77,67,78,962

Handwritten signature and initials.



Handwritten signatures and initials, including a circular stamp for H.D.S.D. Associates.

Financial Assets	Amortized Cost	Fair Value Through OCI (FVTOCI)	Fair Value Through Profit/Loss (FVTPL)	Total
Borrowing	1,00,34,430	-	-	1,00,34,430
Current Tax Liabilities	72,37,359	-	-	72,37,359
Other Liabilities	4,30,15,540	-	-	
Debt Securities Issued	-	-	-	
Total Financial Liabilities	1,43,01,32,539	-	-	1,38,71,16,999

5.4 Segment Analysis

The Institution has not identified any key segments of the business on the basis of nature of operations that assist the Institution in decision process and to allocate the resources. Therefore, segment reporting is not done by the Institution.

5.5 Contingent Liabilities and Commitment

5.5.1 Contingent liabilities

Where the Institution undertakes to make a payment on behalf of its customers for guarantees issued, such as for performance bonds or as irrevocable letters of credit as part of the Institution's transaction banking business for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs, for bids or offers.

The Institution does not have any Contingent Liability as on the reporting date.

5.5.2 Commitments

Where the Institution has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Institution has not made payments at the reporting date, those instruments are included in these financial statements as commitments.

The Institution does not have any Commitments as on the reporting date.

Explanatory Notes

The Institution seeks to comply with all applicable laws and regulations, but may be subject to regulatory actions and investigations, the outcome of which are generally difficult to predict and can be material to the Institution.

In addition to these matters, the Institution may receive legal claims against it in the normal course of business. The Institution considers none of these claims as material. Where appropriate, the Institution recognizes a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation(s).

[Handwritten signatures and stamps at the bottom of the page]

5.6 Related Party Disclosures

5.6.1 Key Management Personnel

Key Management Personnel of the Institution including members of the Board of Directors, Chief Executive Officer and other executive level staffs, as follows:

Name	Designation
Padmasana Shakya	Chairman
Dibya Tara Tuladhar	Director
Nabina Dhakwa Shakya	Director
Pramila Rijal (Acharya)	Director
Chandra Prasad Kachhipati	Director
Subarna Kumar Karmacharya	Director
Bina Shrestha	Director
Binod Bajagain	Director
Padam Prasad Ghimire	Director
Samjhana Pokharel	Director
Shobha Bajracharya	Chief Executive Officer

5.6.2 Loans and Facilities extended to Related Parties and Restricted Lending

The Institution has not extended any loans to Related Parties during the year.

5.6.3 Loans and Advances extended to Promoters:

The Institution has not extended any loans to promoters during the year.

5.6.4 Transaction with Board of Director of the Financial Institution

Nature of Transaction	Amount in NPR.
	Current Year
Meeting Allowances (including committee meeting fee)	215,000.00
Meeting Expenses, Telephone, Mobile & Newspapers/Magazines	57,665.00

5.6.5 Remuneration and facilities to Chief Executive Officer of the Financial Institution

Categories

Chief Executive Officer

a) Salary & Allowances	16,77,500.00
b) Annual Leaves including sick leave	Yes
c) Bonus as per Bonus Act	Yes
d) Gratuity, Provident Fund, Medical Benefit	Yes

5.6.6 Transactions with substantial shareholder

The Institution doesn't have any transactions with substantial shareholder.

Handwritten signatures and stamps are present at the bottom of the page, including a circular stamp of the institution and a rectangular stamp of H.D.S.D. Associates.

5.6.7 Management and Technical Service Agreement (TSA)

The Institution does not have any Management and Technical Service Agreement (TSA).

5.7 Merger and Acquisition

There are no merger or acquisitions transaction during the year.

5.8 Additional Disclosures of non-consolidated entities

The Institution doesn't have any Subsidiary(s) as on the reporting date. Hence, there are no such entities which are required to be consolidated but not done during the year.

5.9 Events after reporting date

The Institution monitors and assesses events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

There are no material events that have occurred subsequent to 16 July 2022 till the signing of this financial statement.

5.10 First Time Adoption reconciliations and disclosures

NFRS 1 (First-time Adoption of Nepal Financials Reporting Standards) provides a suitable starting point for accounting in accordance with NFRS and is required to be mandatorily followed by first-time adopters.

The Institution has prepared the opening Statement of Financial Position as per NFRS as of 1st Shrawan, 2077 (17 July 2020) (the transition date) by:

- recognizing all assets and liabilities whose recognition is required by NFRS,
- not recognizing items of assets or liabilities which are not permitted by NFRS,
- reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to NFRS as required under NFRS, and
- applying NFRS in measurement of recognized assets and liabilities.

5.10.1 Significant changes from the policies adopted in the past

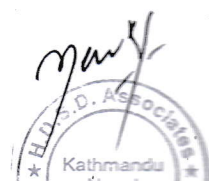
Significant changes from the accounting policies adopted under previous GAAP (erstwhile Nepal Accounting Standards and directives issued by Nepal Rastra Bank) and the adoption of NFRS has been disclosed in the respective segments, including the impact.

Handwritten signature



Handwritten signature

Handwritten signature



5.10.2 Reconciliation of total equity as at 16 July 2020 and 16 July 2022

Amounts in NPR

Particulars	Explanatory Note	As at 01 Shrawan 2077 (Date of Transition)	As at 31 Ashadh 2078 (End of last period presented under previous GAAP)	As at 31 Ashadh 2079
Total equity under Previous GAAP		10,13,25,884	11,79,44,405	16,78,54,948
Adjustments under NFRSs:				
Impairment on loan and advances		-	-	-
Fair value & employees benefit accounting of staff loan		-	-	-
Lease accounting	1	-	(2,30,179)	(4,23,532)
Measurement of investment securities at fair value		-	-	-
Revaluation of property & equipment	2	-	1,02,741	1,77,218
Recognition of investment property		-	-	-
Amortization of debt securities issued		-	-	-
Deferred tax	3	(8,47,327)	(8,39,854)	(32,41,292)
Defined benefit obligation of employees		-	-	-
Goodwill/Bargain purchase gain		-	-	-
Interest income	4	1,29,81,434	1,00,47,713	1,22,66,059
Total Adjustment to equity		1,21,34,107	90,80,421	87,78,453
Total Equity under NFRSs		11,34,59,991	12,70,24,826	17,66,33,401

Explanatory note:

1. Lease Accounting

Under previous GAAP, contractual payments under lease rental agreements were expensed to Statement of Comprehensive Income. Under NFRS 16, the financial institution has recognized a right to use asset and a liability for future payments arising from a lease contract. The impact on equity has been explained below:

Particulars	01/04/2077	31/03/2078	32/03/2079
Lease Liability as on Year End	(72,53,028)	(64,55,536)	(82,25,005)

[Signature]

[Signature]



[Signature]

[Signature]



Right to Use Asset as on Year end		72,53,028		62,25,358		78,01,473
Net Increase in Equity		-		(2,30,179)		(4,23,532)

2. Revaluation of property and equipment

Under previous GAAP, plant and machinery were depreciated using certain rate. Under NFRS, the financial institution assesses the useful life of the plant and machinery and depreciating the same on Diminishing Balance Method. The impact on equity has been explained below:

Particulars	01/04/2077	31/03/2078	32/03/2079
Transferred to retained earnings	-	-	-
Excess depreciation charged under previous GAAP now reversed	-	1,02,741	1,77,218
Revaluation of fixed assets	-	-	-
Net Increase in Equity	-	1,02,741	1,77,218

3. Deferred tax

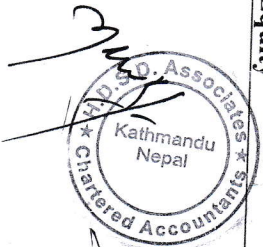
Under NFRS, deferred tax are mainly created due to accrual interest income booking, change in valuation of fixed assets, amortization of loans and employee loans, reversal of loan loss provision, reversal of investment and actuarial valuation impact of defined benefit obligation. Below are the impact on equities.

Particulars	01/04/2077	31/03/2078	32/03/2079
Addition on DTA as per NFRS	(8,47,327)	(8,39,854)	(32,41,292)
Net decrease in Equity	(8,47,327)	(8,39,854)	(32,41,292)

4. Accrued Interest

Under GAAP, the Financial Institution recognized interest income on Cash basis as per requirement of NRB directives. However, under NFRS interest income is recognized on accrual basis. Thus, arises the Accrued Interest with necessary recognition of income. However, accrued interest on some restricted loans which is assumed to be irrecoverable in the foreseeable future has not been recognized as income.

Particulars	01/04/2077	31/03/2078	32/03/2079
Accrued Interest	1,29,81,434	1,00,47,713	1,22,66,059
Net increase in Equity	1,29,81,434	1,00,47,713	1,22,66,059



Signature

Signature

Signature



Signature

Signature

5.10.3 Reconciliation of profit or loss

Particulars	Explanatory Note	For the year ended 31 Ashadh 2078 (End of last period presented under previous GAAP)	For the year ended 32 Ashadh 2079
Profit/(Loss) for the year per previous GAAP		1,33,51,533	1,72,37,106
Adjustments under NFRSs:			
Interest Income	1	(22,26,133)	32,98,516
Impairment of loan and advances		-	-
Employees benefit amortization under staff loan	2	(7,07,588)	(10,80,171)
Defined benefit obligation of employee		-	-
Operating lease expense	3	60,03,366	73,30,819
Amortization expense of debt securities		-	-
Interest expense	4	(7,20,888)	(8,75,118)
Depreciation & Amortization	5	(54,09,916)	(65,74,577)
Other		-	-
Deferred tax (expense) / income	6	7,473	(24,01,438)
Total Adjustment to profit or loss		(30,53,686)	(3,01,968)
Profit or loss under NFRSs		1,02,97,847	1,69,35,138
Other Comprehensive Income		-	-
Total Comprehensive income under NFRSs		1,02,97,847	1,69,35,138

Explanatory Notes

1. Interest Income

Under previous GAAP, Interest income on Loans and Advances was recognized on cash basis as per Directive of Nepal Rastra Bank (NRB). Under NFRS, Interest income is recognized on accrual basis using Effective Interest Rate (EIR) Method. Accordingly accrued interest on loans and advances is recognized as income which subsequently increases profit.

Also, Under NFRS the amortization of prepaid staff cost is recognized as finance cost of staff under NFRS and subsequently the same amount is booked as interest income on loans and advances to staff thereby increasing interest income and profit.

Particulars	31/03/2078	32/03/2079
Accrued interest on loans recognized as income	(29,33,721)	22,18,346
Interest income on Loans & advances to staff	7,07,588	10,80,171
Net Decrease in Profit	(22,26,133)	32,98,516



[Handwritten signature]

[Handwritten signature]



[Handwritten signature]

[Handwritten signature]

2. Employee Benefit Amortization under Staff Loan

Under NFRS the amortization of prepaid staff cost is recognized as finance cost of staff under NFRS thereby decreasing profit.			
Particulars	31/03/2078		32/03/2079
Prepaid Employee Expenditure Amortized	(7,07,588)		(10,80,171)
Net increase in Profit	(7,07,588)		(10,80,171)

3. Operating Lease

Under previous GAAP, contractual payments under lease rental agreements were expensed to Statement of Comprehensive Income. Under NFRS 16, the financial institution has recognized a right to use asset and a liability for future payments arising from a lease contract. Interest on such liability has following impacts on profit.

Particulars	31/03/2078		32/03/2079
Lease Expenses as per GAAP	60,03,366		73,30,819
Net increase in Profit	60,03,366		73,30,819

4. Interest Expenses

Interest Expenses have been adjusted with finance cost on Lease Liability.

Particulars	31/03/2078		32/03/2079
Interest Charge on Lease Liability	(7,20,888)		(8,75,118)
Net increase in Profit	(7,20,888)		(8,75,118)

5. Depreciation & Amortization

Following differences between GAAP & NFRS.

Particulars	31/03/2078		32/03/2079
Excess Depreciation under GAAP now reversed	1,02,741		74,478
Amortization of Right to Use Asset (Lease)	(55,12,657)		(66,49,055)
Net increase in Profit	(54,09,916)		(65,74,577)

6. Deferred Tax

Under NFRS, deferred tax are mainly created due to accrual interest income booking, reversal of loan loss provision, reversal of investment and actuarial valuation impact of defined benefit obligation. Below are the impact on profit.

Particulars	31/03/2078		32/03/2079
Difference in Deferred Tax	7,473		(24,01,438)
Net increase in Profit	7,473		(24,01,438)

[Handwritten signature]

[Handwritten signature]

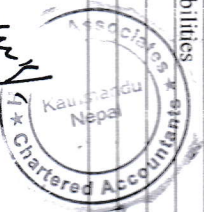


[Handwritten signature]

[Handwritten signature]

8.10.4 Reconciliation of Statement of Financial Position due to the adoption of NRB 009

As at 30.09.01, 2017 (Date of Transition)											As at 30.09.01, 2017 (Date of Transition)											As at 30.09.01, 2017 (Date of Transition)										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition to NRB 009										
Effect of Transition to NRB 009											Effect of Transition to NRB 009											Effect of Transition										



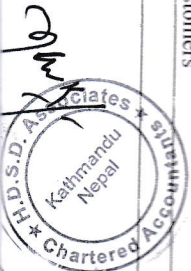
Laurel

(6)

Alhadi

As at Shrawan 01, 2077 (Date of Transition)				As at Asar 31, 2078 (End of last period presented under previous GAAP)			
Particulars	Explanatory Note	Previous GAAP	Effect of Transition to NFRS	Opening NFRS Statement of Financial Position	Previous GAAP	Cumulative Effect of Transition to NFRS	Amount as per NFRS
Share premium		-	-	-	-	-	-
Retained earnings	6	61,97,540	30,47,104	92,44,644	1,66,11,736	20,47,022	1,86,58,758
Reserves	7	2,66,50,362	75,64,985	3,42,15,347	3,18,57,821	70,33,399	3,88,91,220
Total equity		10,28,47,902	1,06,12,088	1,13,45,991	11,84,69,557	90,80,421	12,75,49,978
Total liabilities and equity		92,98,42,158	2,00,29,407	94,98,71,565	1,17,48,57,439	1,55,35,957	1,19,03,93,396

Particulars	Explanatory Note	Previous GAAP	Cumulative Effect of Transition to NFRS	As at Asar 32, 2079 Amount as per NFRS
Assets:				
Cash and cash equivalent		5,19,20,440	-	5,19,20,440
Statutory Balances and due from Nepal Rastra Bank		70,01,138	-	70,01,138
Placement with Bank and Financial Institutions		-	-	-
Derivative Financial Instrument		-	-	-
Other trading assets		-	-	-
Loan and advances to MFIs & Cooperatives		-	-	-
Loans and advances to customers	1	1,49,31,18,291	2,51,79,989	1,51,82,98,280
Investment securities		-	-	-
Current tax assets		1,17,00,906	-	1,17,00,906
Investment property		-	-	-
Property and equipment	2	48,97,544	9,90,576	58,88,120
Goodwill and Intangible assets	3	13,44,518	69,88,115	83,32,634
Deferred tax assets	4	42,33,378	(32,41,292)	9,92,086
Other assets	5	1,55,46,266	(1,29,13,930)	26,32,336
Total Assets		1,58,97,62,482	1,70,03,458	1,60,67,65,940
Liabilities:				
Due to Bank and Financial Institutions		59,30,66,248	-	59,30,66,248
Due to Nepal Rastra Bank		-	-	-
Derivative Financial Instruments		-	-	-
Deposits from customers		77,67,78,962	-	77,67,78,962
Borrowing		1,00,34,430	-	1,00,34,430



Signature

Carbide



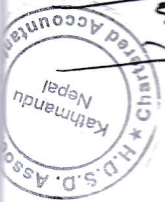
Signature

Signature

Particulars	Explanatory Note	Previous GAAP	Cumulative Effect of Transition to NFRS	As at Asar 32, 2079 Amount as per NFRS
Current Tax Liabilities		72,37,359	-	72,37,359
Provisions		-	-	-
Deferred tax liabilities	4	-	-	-
Other liabilities	5	3,47,90,535	82,25,005	4,30,15,540
Debt securities issued		-	-	-
Subordinated Liabilities		-	-	-
Total liabilities		1,42,19,07,534	82,25,005	1,43,01,32,539
Equity				
Share capital		10,93,75,000	-	10,93,75,000
Share premium		-	-	-
Retained earnings	6	2,38,54,922	1,92,212	2,90,47,134
Reserves	7	2,96,25,026	85,86,241	3,82,11,267
Total equity		16,78,54,948	87,78,453	17,66,33,402
Total liabilities and equity		1,58,97,62,482	1,70,03,458	1,60,67,65,940

Explanatory Notes:

1. Adjustment of Accrued Interest Income and interest on Amortization of Employee Loan
2. Reversal of excess depreciation charged under GAAP Financials, reversed in NFRS compliance
3. Identification of Right to Use Asset (Lease) as intangible asset, which was not identified previously under GAAP Financials
4. Deferred Tax Adjustments of all other explanatory notes creating temporary differences of tax.
5. Lease Liability created under Other Liabilities complying NFRS 17.
6. Effect of adjustments on valuation or measurement of assets and liabilities disclosed in Explanatory Notes herein.
7. Creation of Regulatory Reserve.

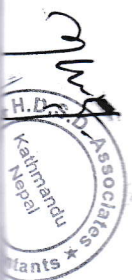


5.10.5 Effect of NFRS adoption for statement of profit or loss and other comprehensive income

Particulars	Explanatory Note	For the year ended Asar 31, 2078 (the latest period presented under previous GAAP)		
		Previous GAAP	Effect of Transition to NFRSs	Amount as per NFRSs
Interest income	1	14,22,63,451	(22,26,133)	14,00,37,318
Interest expense	2	6,41,24,301	7,20,888	6,48,45,189
Net interest income		7,81,39,150	(15,05,245)	7,51,92,129
Fee and commission income		2,03,13,303	-	2,03,13,303
Fee and commission expense	3	-	19,064	19,064
Net fee and commission income		2,03,13,303	(19,064)	2,02,94,239
Net interest, fee and commission income		9,84,52,452	(15,24,309)	9,54,86,368
Net trading income		(3,73,705)	-	(3,73,705)
Other operating income		2,02,468	-	2,02,468
Total operating income		9,82,81,215	(15,24,309)	9,53,15,131
Impairment charge/(reversal) for loans and other losses		* 91,23,627	-	91,23,627
Net operating income		8,91,57,588	(15,24,309)	8,61,91,504
Operating expense				
Personnel expenses	4	5,47,39,455	7,07,588	5,54,47,043
Other operating expenses	5	1,53,18,300	(60,22,430)	92,95,870
Depreciation & Amortization	6	17,34,435	54,09,916	71,44,351
Operating Profit		1,73,65,398	(16,19,384)	1,43,04,240
Non-operating income		-	-	-
Non-operating expense		-	-	-
Profit before income tax		1,73,65,398	(16,19,384)	1,43,04,240
Income tax expense		-	-	-
Current Tax		53,22,303	-	53,22,303
Deferred Tax	7	(13,08,438)	(7,473)	(13,15,911)
Profit for the year		1,33,51,533	(16,11,911)	1,02,97,847
Other comprehensive income		-	-	-
Total Comprehensive Income		1,33,51,533	(16,11,911)	1,02,97,847

Explanatory Notes:

1. Adjustment of Accrued Interest Income and Interest on Amortization of Employee Loan
2. Additional Interest Expenses due to Amortization of Lease Liability as per NFRS 17
3. Reclassification of expense from administrative expense head.
4. Amortization of Deferred Employee Expenditure arising from Staff Loan Workings
5. Operating Lease Expense reversed in NFRS Financials to account for the same as per NFRS 17



HT

62

Signature

Signature

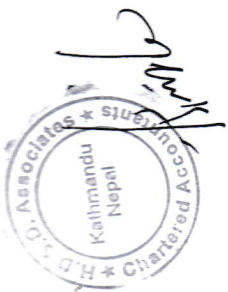
6. Reversal of excess depreciation as per GAAP & additional amortization due to amortization of Right to Use Asset (Lease)
7. Deferred Tax Adjustments for NFRS Adjustments on Assets and Liabilities

5.10.6 Effect of NFRS adoption for statement of cash flows

Particulars	Explanatory Note	For the year ended Ashadh 31, 2078 (the latest period presented under previous GAAP)		
		Previous GAAP	Effect of Transition to NFRS	NFRS
Net cash flows from operating activities	1	(10,91,04,459)	2,14,986	(10,88,89,474)
Net cash flows from investing activities	1	(12,56,710)	(44,84,987)	(57,41,697)
Net cash flows from financing activities	1	12,39,70,981	42,70,001	12,82,40,982
Net increase/(decrease) in cash and cash equivalent		1,36,09,811	-	1,36,09,811
Cash and cash equivalent at the beginning of the period		11,42,46,290	-	11,42,46,290
Cash and cash equivalent at the end of the period		12,78,56,101	-	12,78,56,101

Explanatory Notes:

1. Change in re-classification of cash flows from operating, investing and financing activities.



Signature

Signature

Signature

6 Other Explanatory Notes

6.1 Impairment

The Financial Institution has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as Collective Impairment as per NAS 39.

Particulars	2078/79	2077/78	2076/77
LLP as per NRB Directives (a)	6,22,19,511	5,13,57,210	4,22,33,583
Individual Impairment as per NFRS	-	-	-
Collective Impairment as per NFRS	71,12,194	39,52,398	27,79,979
Total Impairment as per NFRS (b)	71,12,194	39,52,398	27,79,979
Charged to P & L (Higher of a & b)	6,22,19,511	5,13,57,210	4,22,33,583

6.2 Investment Properties/ Non-Banking Assets

The Financial Institution has no Investment Properties or Non-Banking Assets.

6.3 Accrued Interest on loan

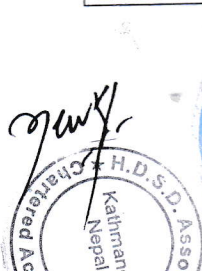
Previously the Financial Institution recognized interest income on Cash basis as per requirement of NRB directives. However, under NFRS interest income is recognized on accrual basis. Accordingly, the Interest Suspense is recognized as income. However, interest receivable on some restricted loans which is assumed to be irrecoverable in the foreseeable future has not been recognized as income. The details of which is presented below:

Particulars	2078/79	2077/78	2076/77
Interest suspense	2,21,23,059.86	1,96,46,179.84	1,81,97,654.15
Assumed to irrecoverable	98,57,001.02	95,98,466.73	52,16,220.32
Recognized as income (Cumulative) before tax	1,22,66,058.84	1,00,47,713.11	1,29,81,433.83

6.4 Earnings per share

The Financial Institution measures earning per share on the basis of the earning attributable to the equity shareholders for the period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 Earnings per Share.

Particulars	Units	Year ended	Year ended
		16-Jul-22	15-Jul-21
Profit attributable to equity shareholders (a)	NPR	1,69,35,138	1,02,97,847
Weighted average of number of equity shares used in computing basic earnings per share (b)	Nos.	10,55,020.49	7,00,000.00
Basic and diluted earnings per equity share of Rs 100 each (a/b)	Rs	16.05	14.71



Lawyer

[Signature]

[Signature]

[Signature]

As there is no potential ordinary shares that would dilute current earning of equity holders, basic EPS and diluted EPS are equal for the period presented.

6.5 Unpaid Dividends

As at the reporting date, the financial institution has no unpaid dividend.

6.6 Regulatory Reserve

As per the NRB Directive 4, the Financial Institution is required to credit an amount equal to the adjustments made as per NFRS while preparing Opening Statement of Financial Position and NFRS compliant financial statements of succeeding years to the Regulatory Reserve. The amount shall be transferred from Retained Earning to the Regulatory Reserve in the Statement of Changes in Equity. Accordingly, the Financial Institution has credited the following amounts:

Particulars	2078/79	2077/78
Opening Balance of Regulatory Reserve	70,33,399	88,29,153.12
Transfer to/from reserve for transfer of Interest Suspense to Interest Income	15,52,842	(17,95,754)
Closing balance of Regulatory Reserve	85,86,241	70,33,399

Handwritten signature



Handwritten signature

Handwritten signature

Handwritten signature

Handwritten signature

Handwritten signature

Handwritten signature

Handwritten signature

