

Financial Statements as per  
**Nepal Financial**  
Reporting Standards  
Of FY 2077/078

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Statement of Financial Position**  
**As on 31st Ashadh 2078 (15 July 2021)**

*Figures in NPR*

Particulars	Note	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>ASSETS</b>				
Cash and cash equivalents	4.1	126,539,164	265,272,788	167,472,253
Due from Nepal Rastra Bank	4.2	13,372,750	3,372,750	-
Placement with Bank and Financial Institutions	4.3	-	-	-
Derivative Financial Instruments	4.4	-	-	-
Other Trading Assets	4.5	-	-	-
Loans and advances to B/FIs	4.6	-	-	-
Loans and advances to customers	4.7	2,828,553,074	2,315,574,204	1,786,522,141
Investment securities	4.8	2,000,000	2,000,000	1,000,000
Current tax assets	4.9	-	-	-
Investment in subsidiaries	4.10	-	-	-
Investment in associates	4.11	-	-	-
Investment property	4.12	-	-	-
Property and Equipment	4.13	18,761,238	17,378,571	17,544,615
Goodwill and Intangible assets	4.14	-	-	-
Deferred Tax Assets	4.15	3,714,631	4,176,145	2,775,285
Other assets	4.16	84,527,879	93,658,158	48,175,296
<b>Total Assets</b>		<b>3,077,468,735</b>	<b>2,701,432,616</b>	<b>2,023,489,590</b>
<b>Liabilities</b>				
Due to Bank and Financial Institutions	4.17	-	-	-
Due to Nepal Ratsra Bank	4.18	-	-	-
Derivative Financial Instrument	4.19	-	-	-
Deposits from customers	4.20	1,158,314,190	1,067,907,261	726,631,949
Borrowings	4.21	1,361,029,298	1,143,215,052	1,027,575,942
Current Tax Liabilities	4.9	26,657,135	5,174,145	10,747,914
Provisions	4.22	-	-	-
Deferred Tax Liabilities	4.15	-	-	-
Other liabilities	4.23	70,227,592	49,737,620	82,314,148
Debt securities issued	4.24	-	-	-
Subordinated Liabilities	4.25	-	-	-
<b>Total liabilities</b>		<b>2,616,228,216</b>	<b>2,266,034,078</b>	<b>1,847,269,953</b>
<b>Equity</b>				
Share Capital	4.26	312,875,411	277,563,000	108,000,000
Share Premium		-	-	-
Retained Earnings		105,220,659	63,528,463	34,335,089
Reserves	4.27	43,144,449	94,307,075	33,884,548
<b>Total equity attributable to equity holders</b>		<b>461,240,519</b>	<b>435,398,538</b>	<b>176,219,637</b>
<b>Non-controlling interest</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>461,240,519</b>	<b>435,398,538</b>	<b>176,219,637</b>
<b>Total Liabilities and Equity</b>		<b>3,077,468,735</b>	<b>2,701,432,616</b>	<b>2,023,489,590</b>
Contingent Liabilities and commitment	4.28	-	-	-
Net Assets Value Per share		147.42	156.86	163.17

The accompanying notes are integral part of these financial statements.

As per our report of even date

Krishna Bahadur Khand  
Chairman

Bikash Gauchan  
Director

Shanta Kumari Upreti  
Director

Chandra Bahadur Chhetri  
Director

Bishwa Raj Nepal  
Director

Anurag Wagle  
Director

Phanindra Pandey  
Chief Account Head

Keshav Narayan Pradhan  
Managing Director

CA. Ashik Acharya  
Ashik Acharya & Associates  
Chartered Accountants  
Kathmandu, Nepal

Date: 2078/10/26

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Statement of Profit or Loss**  
**For the year ended 31st Ashadh 2078 (15 July 2021)**

*Figures in NPR*

Particulars	Note	Year ended 31st Ashadh 2078	Restated Year ended 31st Ashadh 2077
Interest income	4.29	469,091,134	393,556,337
Interest expense	4.30	137,113,000	182,259,824
<b>Net interest income</b>		<b>331,978,134</b>	<b>211,296,513</b>
Fees and commission income	4.31	61,021,050	37,247,329
Fees and commission expense	4.32	-	-
<b>Net fee and commission income</b>		<b>61,021,050</b>	<b>37,247,329</b>
<b>Net interest, fee and commission income</b>		<b>392,999,184</b>	<b>248,543,842</b>
Net trading income	4.33	-	-
Other operating income	4.34	-	-
<b>Total operating income</b>		<b>392,999,184</b>	<b>248,543,842</b>
Impairment charge/(reversal) for loans and other losses	4.35	83,411,680	47,406,521
<b>Net operating income</b>		<b>309,587,504</b>	<b>201,137,321</b>
<b>Operating expense</b>			
Personnel expenses	4.36	150,019,715	114,814,093
Other Operating expenses	4.37	41,116,735	40,443,482
Depreciation and Amortisation	4.38	5,638,570	5,495,101
<b>Operating Profit</b>		<b>112,812,484</b>	<b>40,384,645</b>
Non operating Income	4.39	-	-
Non operating expense	4.40	-	-
<b>Profit before income tax</b>		<b>112,812,484</b>	<b>40,384,645</b>
<b>Income tax expense</b>	4.41		
Current Tax		29,193,254	1,633,605
Deferred Tax		2,536,119	(4,125,951)
<b>Profit for the period</b>		<b>83,619,230</b>	<b>42,876,991</b>
<b>Profit attributable to:</b>			
Equity holders of the Bank		83,619,230	42,876,991
Non-controlling interests		-	-
<b>Profit for the period</b>		<b>83,619,230</b>	<b>42,876,991</b>
<b>Earnings Per Share (EPS)</b>			
Basic EPS		26.73	15.45
Diluted EPS		26.73	15.45

The accompanying notes are integral part of these financial statements.

As per our report of even date

Krishna Bahadur Khand  
Chairman

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Director

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Director

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Director

CA. Ashik Acharya  
Ashik Acharya & Associates  
Chartered Accountants  
Kathmandu, Nepal

Phanindra Pandey  
Chief Account Head

Keshav Narayan Pradhan  
Managing Director

Date: 2078/10/26

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Statement of Cash Flows**  
**For the year ended 31st Ashadh 2078 (15 July 2021)**

*Figures in NPR*

Particulars	Year ended 31st Ashadh 2078	Year ended 31st Ashadh 2077
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	469,091,134	393,556,337
Fees and other income received	61,021,050	37,247,329
Dividend received	-	-
Receipts from other operating activities	-	-
Interest paid	(52,514,726)	(57,390,883)
Commission and fees paid	-	-
Cash payment to employees	(150,019,715)	(114,814,093)
Other expense paid	(41,116,735)	(40,443,482)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>286,461,008</b>	<b>218,155,207</b>
<b>(Increase)/Decrease in operating assets</b>		
Due from Nepal Rastra Bank	(10,000,000)	(3,372,750)
Placement with Bank and Financial Institutions	-	-
Other trading assets	-	-
Loans and advances to bank and financial institutions	-	-
Loans and advances to customers	(596,390,549)	(595,963,853)
Other assets	9,130,280	(45,482,862)
<b>Increase/(Decrease) in operating liabilities</b>		
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposit from customers	90,406,929	341,275,312
Borrowings	217,814,247	115,639,110
Other liabilities	20,473,674	(32,209,208)
<b>Net cash flow from operating activities before tax paid</b>	<b>17,895,588</b>	<b>(1,959,044)</b>
Income taxes paid	(5,174,145)	(10,747,914)
<b>Net cash flow from operating activities</b>	<b>12,721,443</b>	<b>(12,706,958)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	-	(1,000,000)
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(1,382,667)	166,044
Receipt from the sale of property and equipment	-	-
Acquisition of intangible assets	-	-
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	-
Interest received	6,352,898	10,970,850
Dividend received	-	-
<b>Net cash used in investing activities</b>	<b>4,970,231</b>	<b>10,136,894</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipts from issue of subordinated liabilities	-	-
Repayment of subordinated liability	-	-
Receipts from issue of shares	-	169,563,000
Dividends paid	-	-
Interest paid	(84,598,275)	(124,868,941)
Other receipt/payment	(71,827,023)	55,676,539
<b>Net cash from financing activities</b>	<b>(156,425,298)</b>	<b>100,370,598</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(138,733,623)</b>	<b>97,800,535</b>
Cash and cash equivalents at beginning of the period	265,272,788	167,472,253
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>126,539,164</b>	<b>265,272,788</b>

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Date: 2078/10/26

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Statement of Changes in Equity**  
**For the year ended 31st Ashadh 2078 (15 July 2021)**

*Figures in NPR*

Particulars	Share Capital	Share premium	Retained earning	Statutory General reserve	Client Protection Fund	CSR Reserve	Regulatory Reserve	Actuary Reserve	Exchange equalisation reserve	Deferred tax reserve	Capital Reserve	Fair Value Reserve	Other Reserve	Total	Non-controlling interest	Total equity
<b>Balance at 1st Shrawan 2075</b>	<b>108,000,000</b>	-	<b>34,335,089</b>	<b>26,094,150</b>	-	-	-	-	-	<b>2,775,285</b>	-	-	<b>5,710,625</b>	<b>176,915,149</b>	-	<b>176,915,149</b>
Adjustment/ Restatement			(15,806,809)	(4,814,804)									(474,480)	(21,096,093)		(21,096,093)
Adjusted/Restated balance at 1st Shrawan 2075	108,000,000	-	(97,622)	21,279,346	-	-	-	-	-	2,775,285	-	-	5,236,145	137,193,153	-	137,193,153
<b>Other Comprehensive Income for the year</b>																
<b>Profit for the year</b>			<b>39,026,484</b>											<b>39,026,484</b>		<b>39,026,484</b>
<b>Other comprehensive income, net of tax</b>																
Gains/(losses) from investment in equity instruments measured at fair value:																
Gains/(losses) on revaluation																
Actuarial gains/(losses) on defined benefit plans																
Gains/(losses) on cash flow hedges																
Exchange gains/(losses) (arising from translating financial assets of foreign operation)																
<b>Total Comprehensive income for the year</b>			<b>39,026,484</b>											<b>39,026,484</b>		<b>39,026,484</b>
Transfer to reserve during the year																
Transfer from reserve during the year																
Deferred tax impact of respective reserve																
<b>Transactions with owners, directly recognised in equity</b>																
Share issued																
Share based payment																
Dividends to equity holders																
Bonus shares issued																
Cash dividend paid																
Other																
<b>Total contributions by and distributions</b>																
<b>Balance at 31st Ashadh 2076</b>	<b>108,000,000</b>	-	<b>38,928,862</b>	<b>21,279,346</b>	-	-	-	-	-	<b>2,775,285</b>	-	-	<b>5,236,145</b>	<b>176,219,637</b>	-	<b>176,219,637</b>
<b>Balance at 1st Shrawan 2076</b>	<b>108,000,000</b>	-	<b>34,832,207</b>	<b>29,863,550</b>	-	-	-	-	-	<b>2,079,773</b>	-	-	<b>5,236,145</b>	<b>158,756,842</b>	-	<b>158,756,842</b>
<b>Comprehensive income for the year</b>																
<b>Profit for the year</b>			<b>42,876,991</b>											<b>42,876,991</b>		<b>42,876,991</b>
<b>Other comprehensive income, net of tax</b>																
Gains/(losses) from investment in equity instruments measured at fair value:																
Gains/(losses) on revaluation																
Actuarial gains/(losses) on defined benefit plans																
Gains/(losses) on cash flow hedges																
Exchange gains/(losses) (arising from translating financial assets of foreign operation)																
<b>Total Comprehensive income for the year</b>			<b>42,876,991</b>					<b>257,124</b>						<b>43,134,115</b>		<b>43,134,115</b>
Opening included in other reserve																
Transfer to reserve during the year			(2,725,090.29)													
Transfer from reserve during the year			(652,750)	593,409												
Deferred tax impact of respective reserve			(4,125,951)		29,670											
<b>Transactions with owners, directly recognised in equity</b>																
Share issued																
Share based payment	144,330,000															
Dividends to equity holders																
Bonus shares issued																
Cash dividend paid	25,233,000		(25,233,000)													
Other																
<b>Total contributions by and distributions</b>	<b>169,563,000</b>	-	<b>(14,180,734)</b>	<b>593,409</b>	<b>51,636,783</b>	<b>1,053,238</b>	-	-	-	<b>6,569,268</b>	-	-	-	<b>18,556,057</b>	-	<b>18,556,057</b>
<b>Balance at 31st Ashadh 2077</b>	<b>277,563,000</b>	-	<b>63,528,464</b>	<b>30,456,959</b>	<b>51,636,783</b>	<b>1,053,238</b>	-	<b>257,124</b>	-	<b>8,649,041</b>	-	-	<b>5,236,145</b>	<b>438,380,753</b>	-	<b>438,380,753</b>
<b>Balance at 1st Shrawan 2077</b>	<b>277,563,000</b>	-	<b>63,528,464</b>	<b>30,456,959</b>	<b>51,636,783</b>	<b>1,053,238</b>	-	<b>257,124</b>	-	<b>8,649,041</b>	-	-	<b>5,236,145</b>	<b>438,380,753</b>	-	<b>438,380,753</b>
Adjustment/ Restatement			819,498							(58,466,004)						(58,466,004)
Adjusted/Restated balance at 1st Shrawan 2077	277,563,000	-	64,347,961	30,456,959	51,636,783	1,053,238	-	257,124	-	8,649,041	-	-	5,236,145	438,380,753	-	438,380,753
<b>Comprehensive income for the year</b>																
<b>Profit for the year</b>			<b>83,619,230</b>											<b>83,619,230</b>		<b>83,619,230</b>
<b>Other comprehensive income, net of tax</b>																
Gains/(losses) from investment in equity instruments measured at fair value:																
Gains/(losses) on revaluation																
Actuarial gains/(losses) on defined benefit plans																
Gains/(losses) on cash flow hedges																
Exchange gains/(losses) (arising from translating financial assets of foreign operation)																
<b>Total Comprehensive income for the year</b>			<b>83,619,230</b>					<b>(11,409)</b>						<b>83,607,822</b>		<b>83,607,822</b>
Transfer to reserve during the year			(921,287.03)							(650,485)						
Transfer from reserve during the year			(9,212,860.51)	9,212,861												
Deferred tax impact of respective reserve			(2,536,119)													
<b>Transactions with owners, directly recognised in equity</b>																
Share issued																
Share based payment																
Dividends to equity holders																
Bonus shares issued																
Cash dividend paid	35,994,516		(35,994,516)													
Other	(682,105)				(925,206)	(358,854)							682,105	(464,563)		(710,277)
<b>Total contributions by and distributions</b>	<b>35,312,411</b>	-	<b>(48,664,783)</b>	<b>9,212,861</b>	<b>(925,206)</b>	<b>(358,854)</b>	-	-	-	<b>1,885,633</b>	-	-	-	<b>(2,036,336)</b>	-	<b>(2,282,050)</b>
<b>Balance at 31st Ashadh 2078</b>	<b>312,875,411</b>	-	<b>99,392,409</b>	<b>39,669,819</b>	<b>50,711,577</b>	<b>694,383</b>	<b>(58,466,004)</b>	<b>245,715</b>	-	<b>10,534,674</b>	-	-	<b>5,918,250</b>	<b>519,992,239</b>	-	<b>461,240,520</b>

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Kathmandu, Nepal

Date: 2078/10/26

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Statement of Other Comprehensive Income**  
**For the year ended 31st Ashadh 2078 (15 July 2021)**

*Figures in NPR*

Particulars	Year ended 31st Ashadh 2078	Year ended 31st Ashadh 2077
<b>Profit for the year</b>	<b>83,619,230</b>	<b>42,876,991</b>
<b>Other Comprehensive Income, net of income tax</b>		
<b>a) Items that will not be reclassified to Profit or Loss</b>		
Gains / (Losses) from investment in equity instruments measured at fair value	-	-
Gains / (Losses) on revaluation	-	-
Actuarial Gains / (Losses) on defined benefit plans	(16,298)	367,320
Income tax relating to above items	4,889	(110,196)
<b>Net Other Comprehensive Income that will not be reclassified to Profit or Loss</b>	<b>(11,409)</b>	<b>257,124</b>
<b>b) Items that are or may be reclassified to Profit or Loss</b>		
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	-	-
<b>Net Other Comprehensive Income that are or may be reclassified to Profit or Loss</b>	<b>-</b>	<b>-</b>
<b>c) Share of other comprehensive income of associate accounted as per equited method</b>	<b>-</b>	<b>-</b>
<b>Other Comprehensive Income for the year, net of income tax</b>	<b>(11,409)</b>	<b>257,124</b>
<b>Total Other Comprehensive Income for the year</b>	<b>83,607,822</b>	<b>43,134,115</b>
<b>Total Other Comprehensive Income attributable to:</b>		
Equity shareholder of the bank	83,607,822	43,134,115
Non controlling interest	-	-
<b>Total Other Comprehensive Income for the period</b>	<b>83,607,822</b>	<b>43,134,115</b>

The accompanying notes are integral part of these financial statements.

As per our report of even date

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Managing Director

Date: 2078/10/26

**Kalika Laghubitta Bittiya Sanstha Ltd.**

**Notes to the financial statements for the year ended 31st Ashadh 2078**

**Note No. 4.1**

**Cash and Cash equivalent**

Particulars	<i>(Figures in NPR)</i>		
	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Cash in hand	20,310,165	8,268,099	4,985,809
Balance with B/FIs	106,229,000	257,004,688	10,314,000
Money at call and short notice	-	-	152,172,444
Other	-	-	-
<b>Total</b>	<b>126,539,164</b>	<b>265,272,788</b>	<b>167,472,253</b>

**Note No. 4.2**

**Due from Nepal Rastra Bank**

Particulars	Restated As at 31st		
	As at 31st Ashadh 2078	31st Ashadh 2077	Ashadh 2076
Statutory Balances with NRB	13,372,750	3,372,750	-
Securities Purchased under re-sale agreement	-	-	-
Other deposit and receivable from NRB	-	-	-
<b>Total</b>	<b>13,372,750</b>	<b>3,372,750</b>	<b>-</b>

**Note No. 4.3**

**Placement with Bank and Financial Institutions**

Particulars	Restated As at 31st		
	As at 31st Ashadh 2078	31st Ashadh 2077	Ashadh 2076
Placements with domestic B/FIs	-	-	-
Placement with foreign B/FIs	-	-	-
Less: Allowances for Impairment	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note No. 4.4**

**Derivative Financial Instruments**

Particulars	Restated As at 31st		
	As at 31st Ashadh 2078	31st Ashadh 2077	Ashadh 2076
<b>Held for trading</b>			
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
<b>Held for risk management</b>			
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note No. 4.5****Other Trading Assets**

	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Treasury Bills	-	-	-
Government Bonds	-	-	-
NRB Bonds	-	-	-
Domestic Corporate Bonds	-	-	-
Equities	-	-	-
Other	-	-	-
<b>Total</b>	-	-	-
Pledged	-	-	-
Non-pledged	-	-	-

**Note No. 4.6****Loans and advances to BF/Is**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Loans to microfinance institutions	-	-	-
Other	-	-	-
Less: Allowances for Impairment	-	-	-
<b>Total</b>	-	-	-

**Note No. 4.6.1****Allowances for Impairment**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Balance at 1 Shrawan	-	-	-
Impairment loss for the year:	-	-	-
Charge for the year	-	-	-
Recoveries/reversals	-	-	-
Amount written off	-	-	-
<b>Balance at Ashadh end</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note No. 4.7****Loans and advances to customers**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Loans and advances measured at amortised cost	3,005,871,231	2,409,480,682	1,813,516,829
Less: Impairment allowances	(177,318,157)	(93,906,478)	(26,994,688)
Collective Allowances	(34,266,504)	(21,954,615)	(6,393,776)
Individual Allowances	(143,051,653)	(71,951,863)	(20,600,912)
<b>Net amount</b>	<b>2,828,553,074</b>	<b>2,315,574,204</b>	<b>1,786,522,141</b>
Loans and advances measured at FVTPL	-	-	-
<b>Total</b>	<b>2,828,553,074</b>	<b>2,315,574,204</b>	<b>1,786,522,141</b>

**Note No. 4.7.1****Analysis of Loans and advacnes- By Product**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Product</b>			
Term Loans	-	-	-
Overdraft	-	-	-
Trust receipt/Import loans	-	-	-
Demand and other working capital Loans	-	-	-
Personal residential loans	-	-	-
Real estate loans	-	-	-
Margin lending loans	-	-	-
Hire purchase loans	-	-	-
Deprived sector loans	-	-	-
Bills purchased	-	-	-
Staff loans	-	-	-
Others	-	-	-
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest receivable	-	-	-
<b>Grand Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note No. 4.7.2**

**Analysis of Loans and advances- By Currency**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Nepalese rupee	2,828,553,074	2,315,574,204	1,786,522,141
Indian rupee	-	-	-
United State dollar	-	-	-
Great Britain pound	-	-	-
Euro	-	-	-
Japanese yen	-	-	-
Chinese yen	-	-	-
Other	-	-	-
<b>Total</b>	<b>2,828,553,074</b>	<b>2,315,574,204</b>	<b>1,786,522,141</b>

**Note No. 4.7.3****Analysis of Loans and advances- By Collateral**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Secured</b>			
Movable/immovable assets			
Gold and silver			
Guarantee of domestic B/Fis			
Government Guarantee			
Guarantee of International Rated bank			
Collateral of export document			
Collateral of fixed deposit receipt			
Collateral of Government securities			
Counter Guarantee			
Personal Guarantee			
Other collateral			
<b>Subtotal</b>	<b>2,828,553,074</b>	<b>2,315,574,204</b>	<b>1,786,522,141</b>
Unsecured	-	-	-
<b>Grand Total</b>	<b>2,828,553,074</b>	<b>2,315,574,204</b>	<b>1,786,522,141</b>

**Note No. 4.7.4****Allowances for Impairment**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Specific allowance for impairment</b>			
<b>Balance at Shrawan 1</b>	71,951,863	20,600,912	11,874,764
Impairment loss for the year	71,099,791	51,350,951	8,726,148
Charge for the year	-	-	-
Recoveries/reversal during the year	-	-	-
Write-offs	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-
Other Movement	-	-	-
<b>Balance at Asadh end</b>	<b>143,051,653</b>	<b>71,951,863</b>	<b>20,600,912</b>
<b>Collective allowance for impairment</b>			
<b>Balance at Shrawan 1</b>	21,954,615	6,393,776	15,379,992
Impairment loss for the year	12,311,889	15,560,839	(8,986,216)
Charge/(reversal) for the year	-	-	-
Exchange rate variance on foreign currency	-	-	-
Other movement	-	-	-
<b>Balance at Asadh end</b>	<b>34,266,504</b>	<b>21,954,615</b>	<b>6,393,776</b>
<b>Total Allowance for impairment</b>	<b>177,318,157</b>	<b>93,906,478</b>	<b>26,994,688</b>

**Note No. 4.8****Investment securities**

	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Investment securities measured at amortised cost	-	-	-
Investment Securities measured at FVTOCI	2,000,000	2,000,000	1,000,000
<b>Total</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>

**Note No. 4.8.1**

**Investment securities measured at ammortized cost**

	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Debt securities	-	-	-
Government bonds	-	-	-
Government treasury bills	-	-	-
Nepal Rastra Bank bonds	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-
Other	-	-	-
Less: specific allowances for impairment	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note No. 4.8.2****Investment in equity measured at fair value through other comprehensive income**

	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Equity instrument			
Quoted equity instrument	-	-	-
Unquoted equity instrument	2,000,000	2,000,000	1,000,000
<b>Total</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>

**Note No. 4.8.3****Information relating to investment in equities**

Investment in quoted equity	As at 31st Ashadh 2078		Restated As at 31st Ashadh 2077		Restated As at 31st Ashadh 2076	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-	-	-	-	-	-

Investment in unquoted equity	As at 31st Ashadh 2078		Restated As at 31st Ashadh 2077		Restated As at 31st Ashadh 2076	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Nepal Finsoft Company Ltd	2,000,000	2,000,000	2,000,000	2,000,000	1,000,000	1,000,000
<b>Total</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Grand Total</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>

**Note No. 4.9****Current tax assets**

	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Current tax assets</b>			
Current year income tax assets	-	-	-
Tax assets of prior periods	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current tax Liabilities</b>			
Current year income tax liabilities	-	5,174,145	10,747,914
Tax Liabilities of prior periods	-	-	-
<b>Total</b>	<b>-</b>	<b>5,174,145</b>	<b>10,747,914</b>
<b>Total</b>	<b>-</b>	<b>(5,174,145)</b>	<b>(10,747,914)</b>

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Notes to the financial statements for the year ended 31st Ashadh 2078**

**Note No. 4.10**

**Investment in Subsidiaries**

*(Figures in NPR)*

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Investment in Quoted Subsidiaries	-	-	-
Investment in Unquoted Subsidiaries	-	-	-
<b>Total Investment</b>	-	-	-
Less: Impairment allowances	-	-	-
<b>Net carrying amount</b>	-	-	-

**Note No. 4.10.1**

**Investment in Quoted Subsidiaries**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Total</b>	-	-	-

**Note No. 4.10.2**

**Investment in Unquoted Subsidiaries**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Total</b>	-	-	-

**Note No. 4.10.3**

**Information relating to subsidiaries of the Bank**

*Percentage of Ownership held by the Bank*

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Total</b>	-	-	-

**Note No. 4.10.4**

**Non controlling Interest of the subsidiaries**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Equity Interest held by NCI(%)			
Profit/(Loss) allocated during the year			
Accumulated balances of NCIs as on Asadh end			
Dividend paid to NCI			
<b>Total</b>	-	-	-

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Notes to the financial statements for the year ended 31st Ashadh 2078**

**Note No. 4.11**

**Investment in Associates**

*(Figures in NPR)*

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Investment in Quoted Associates	-	-	-
Investment in Unquoted Subsidiaries	-	-	-
<b>Total Investment</b>	-	-	-
Less: Impairment allowances	-	-	-
<b>Net carrying amount</b>	-	-	-

**Note No. 4.11.1**

**Investment in Quoted Associates**

Particulars	As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076	Restated As at 32nd Ashadh 2075
<b>Total</b>	-	-	-

**Note No. 4.11.2**

**Investment in Unquoted Associates**

Particulars	As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076	Restated As at 32nd Ashadh 2075
<b>Total</b>	-	-	-

**Note No. 4.11.3**

**Information relating to associates of the Bank**

Particulars	As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076	Restated As at 32nd Ashadh 2075
<b>Total</b>	-	-	-

**Note No. 4.11.4**

**Equity value of Associates**

Particulars	As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076	Restated As at 32nd Ashadh 2075
<b>Total</b>	-	-	-

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Notes to the financial statements for the year ended 31st Ashadh 2078**

**Note No. 4.12**

**Investment Properties**

*(Figures in NPR)*

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Investment Properties measured at fair value</b>			
Balance as on Shrawan 1	-	-	-
Addition/Disposal during the year	-	-	-
Net changes in fair value during the year	-	-	-
Adjustment/Transfer	-	-	-
<b>Net Amount</b>	-	-	-
<b>Investment Properties measured at cost</b>			
Balance as on Shrawan 1	-	-	-
Addition/Disposal during the year	-	-	-
Adjustment/Transfer	-	-	-
Accumulated depreciation	-	-	-
Accumulated impairment loss	-	-	-
<b>Net Amount</b>	-	-	-
<b>Total</b>	-	-	-

Note : 4.13  
Property and Equipment

(Figures in NPR)

Particulars	Land	Building	Leasehold Properties	Computer and Accessories	Vehicles	Furniture & Fixture	Machinery	Office Equipment	Other Assets	Total
<b>Cost</b>										
<b>Balance as on Shrawan 1, 2075</b>	-	-	-	-	753,312.00	5,264,889.00	-	8,016,682.00	3,440,102.00	17,474,985
<b>2075-76</b>										
Addition during the Year	-	-	-	-	2,081,550.00	2,944,640.00	-	5,814,362.00	1,489,264.00	12,329,816.00
Acquisition	-	-	-	-	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	101,701	101,701.00
<b>Balance as on 31st Ashadh 2076</b>	-	-	-	-	2,834,862.00	8,209,529.00	-	13,831,044.00	5,031,067.00	29,906,502
<b>2076-77</b>										
Addition during the Year	-	-	118,548.00	-	168,151.04	542,488.67	-	-	4,499,868.98	5,329,056.69
Acquisition	-	-	-	-	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	1,066,091.79	-	1,818,643	(4,035,193)	-
<b>Balance as on 31st Ashadh 2077</b>	-	-	118,548	-	3,003,013	9,818,109	-	15,649,687	5,495,743	34,085,101
<b>2077-78</b>										
Addition during the Year	-	-	28,000	-	5,303,952	751,118	-	842,887	95,280	7,021,237
Acquisition	-	-	-	-	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
<b>Balance as on 31st Ashadh 2078</b>	-	-	146,548	-	8,306,965	10,569,227	-	16,492,574	5,591,023	24,399,807
<b>Depreciation and Impairment</b>										
<b>Balance as on 1st Shrawan 2075</b>	-	-	-	-	459,825.00	2,557,301.00	-	3,709,602.00	1,098,658.00	7,825,386
<b>2075-76</b>										
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	-	-	477,694.00	1,237,830.00	-	2,188,497.00	410,852.00	4,314,873.00
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	221,629.00	221,629.00
<b>As on Ashadh end 2076</b>	-	-	-	-	937,519.00	3,795,131.00	-	5,898,099.00	1,731,139.00	12,361,888
<b>2076-77</b>										
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	23,710	-	413,099	1,204,596	-	1,950,318	752,921	4,344,643
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>As on Ashadh end 2077</b>	-	-	23,710	-	1,350,618	4,999,727	-	7,848,417	2,484,060	16,706,531
<b>2077-78</b>										
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	7,000	-	1,060,790	139,454	-	152,586	16,716	1,376,547
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>As on Ashadh end 2078</b>	-	-	30,710	-	2,411,408	5,139,181	-	8,001,003	2,500,776	5,638,570
Capital Work in Progress 2076.03.31	-	-	-	-	-	-	-	-	-	-
Capital Work in Progress 2077.03.31	-	-	-	-	-	-	-	-	-	-
Capital Work in Progress 2078.03.31	-	-	-	-	-	-	-	-	-	-
<b>Net Book Value as on 31st Ashadh 2076</b>	-	-	-	-	1,897,343	4,414,398	-	7,932,945	3,299,928	17,544,615
<b>Net Book Value as on 31st Ashadh 2077</b>	-	-	94,838	-	1,652,395	4,818,383	-	7,801,271	3,011,683	17,378,571
<b>Net Book Value as on 31st Ashadh 2078</b>	-	-	92,129	-	5,895,557	5,430,046	-	6,541,254	2,337,326	18,761,238

Note : 4.14  
Goodwill and Intangible Assets

Particulars	Goodwill	Software		Other	Total
		Purchased	Developed		
<b>Cost</b>					
<b>Balance as on 1st Shrawan 2075</b>					
<b>2075/76</b>					
Addition during the Year					

Acquisition					
Capitalization					
Disposal during the year					
Adjustment/Revaluation					
<b>Balance as on 31st Ashadh 2076</b>					
<b>2076/77</b>					
Addition during the Year					
Acquisition					
Capitalization					
Disposal during the year					
Adjustment/Revaluation					
<b>Balance as on 31st Ashadh 2077</b>					
<b>Ammortization and Impairment</b>					
<b>Balance as on 32nd Ashadh 2075</b>					
<b>2075/76</b>					
Ammortization charge for the Year					
Impairment for the year					
Disposals					
Adjustment					
<b>Balance as on 1st Shrawan 2076</b>					
<b>Ammortization charge for the Year</b>					
<b>Impairment for the year</b>					
<b>Disposals</b>					
<b>Adjustment</b>					
<b>Balance as on 31st Ashadh 2077</b>					
<b>Capital Work in Progress</b>					
<b>Net Book Value as on 31st Ashadh 2076</b>					-
<b>Net Book Value as on 31st Ashadh 2077</b>					-
<b>Net Book Value as on 31st Ashadh 2078</b>					-

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Notes to the financial statements for the year ended 31st Ashadh 2078**

**Note No. 4.15**

*(Figures in NPR)*

**Deferred Tax**

Particulars	<i>Current Year</i>		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax (Assets) / Liabilities
Deferred Tax on Temporary differences on following items			
Loans and Advances to B/FIs	-	-	-
Loans and Advances to customers	-	-	-
Investment Properties	-	-	-
Investment Securities	-	-	-
Property and equipment	-	-	-
Employees' defined benefit plan	6,250,750	-	(6,250,750)
Lease liabilities	-	-	-
Provisions	-	-	-
Other temporary differences	-	-	-
<b>Deferred Tax on Temporary differences</b>	<b>6,250,750</b>	<b>-</b>	<b>(6,250,750)</b>
Deferred Tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
<b>Net Deferred tax (asset)/liabilities as on year end of 2077/78</b>			<b>(6,250,750)</b>
Deferred tax(asset)/liabilities as on shrawan1, 2077			(6,901,236)
<b>Origination/(Reversal) during the year</b>			<b>650,485</b>
<b>Deferred tax expense/(income) recognised in profit or loss</b>			<b>645,596</b>
<b>Deferred tax expense/(income) recognised in other comprehensive income</b>			<b>4,889</b>
<b>Deferred tax expense/(income) recognised directly in equity</b>			<b>-</b>

Particulars	<i>Previous Year</i>		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax (Assets) / Liabilities
Deferred Tax on Temporary differences on following items			
Loans and Advances to B/FIs	-	-	-
Loans and Advances to customers	-	-	-
Investment Properties	-	-	-
Investment Securities	-	-	-
Property and equipment	-	-	-
Employees' defined benefit plan	3,702,375	-	(3,702,375)
Lease liabilities	-	-	-
Provisions	-	-	-
Other temporary differences	-	-	-
<b>Deferred Tax on Temporary differences</b>			<b>(3,702,375)</b>
Deferred Tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
<b>Net Deferred tax (asset)/liabilities as on year end of 2075/76</b>			<b>(3,702,375)</b>
Deferred tax(asset)/liabilities as on shrawan1, 2076			(977,284)
<b>Origination/(Reversal) during the year</b>			<b>(2,725,090)</b>
<b>Deferred tax expense/(income) recognised in profit or loss</b>			<b>(2,725,090)</b>
<b>Deferred tax expense/(income) recognised in other comprehensive income</b>			<b>-</b>
<b>Deferred tax expense/(income) recognised directly in equity</b>			<b>-</b>

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Notes to the financial statements for the year ended 31st Ashadh 2078**

**Note No. 4.16**

**Other Assets**

*(Figures in NPR)*

Particulars	As at 31st Ashad 2078	Restated As at 31st Ashad 2077	Restated As at 31st Ashad 2076
Assets held for sale	-	-	-
Other Non-Banking Assets	-	-	-
Bills Receivable	-	-	-
Accounts receivable	344,859	186,124	111
Accrued income	42,256,966	62,233,288	18,556,057
Prepayments and deposits	320,628	-	511,350
Income tax deposit	21,161,541	8,888,203	12,136,117
Deferred Employee Expenditure	4,219,991	2,979,726	1,451,543
Staff Loan	15,178,155	17,551,433	12,700,432
Other			
Inter Branch Account	-	200	40
Telephone Security	78,789	74,273	37443
Stationery Stock	955,783	520,914	714844
Gold Bullion in Vault	-	-	-
Government Transaction Receivable	-	-	-
DD Paid without Schedule	-	-	-
Other	11,168	1,223,997	2,067,359
<b>Total</b>	<b>84,527,879</b>	<b>93,658,158</b>	<b>48,175,296</b>

**Kalika Laghubitta Bittiya Sanstha Ltd.**  
**Notes to the financial statements for the year ended 31st Ashadh 2078**

**Note:4.17**

**Due to Bank and financial institution**

<b>Particulars</b>	<i>(Figures in NPR)</i>		
	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Money market deposits	-	-	-
Interbank borrowing	-	-	-
Other deposits from BFIs	-	-	-
Settlement and clearing accounts	-	-	-
Other deposits from BFIs	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:4.18**

**Due to Nepal Rastra Bank**

<b>Particulars</b>	<b>Restated As at 31st</b>		
	<b>As at 31st Ashadh 2078</b>	<b>Ashadh 2077</b>	<b>Ashadh 2076</b>
Refinance from NRB	-	-	-
Standing liquidity facility	-	-	-
Lender of last resort facility from NRB	-	-	-
Securities sold under repurchase agreement	-	-	-
Other payable to NRB	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:4.19**

**Derivative financial instruments**

<b>Particulars</b>	<b>Restated As at 31st</b>		
	<b>As at 31st Ashadh 2078</b>	<b>Ashadh 2077</b>	<b>Ashadh 2076</b>
<b>Held for trading</b>			
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
<b>Held for risk management</b>			
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:4.20**

**Deposits from Customers**

<b>Particulars</b>	<b>Restated As at 31st</b>		
	<b>As at 31st Ashadh 2078</b>	<b>Ashadh 2077</b>	<b>Ashadh 2076</b>
<b>Institutions Customers:</b>			
Term deposits	-	-	-
Call Deposits	-	-	-
Current Deposits	-	-	-
Other	-	-	-
<b>Sub total:</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Individual Customers:</b>			
Term deposits	-	-	-
Saving Deposits	1,158,314,190.23	1,067,907,261.29	726,631,949.00
Current Deposits	-	-	-
Other	-	-	-
<b>Sub total:</b>	<b>1,158,314,190</b>	<b>1,067,907,261</b>	<b>726,631,949</b>
<b>Total</b>	<b>1,158,314,190</b>	<b>1,067,907,261</b>	<b>726,631,949</b>

**Note:4.20.1****Currency wise analysis of deposits from customers**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Nepalese rupee	1,158,314,190	1,067,907,261	726,631,949
Indian rupee	-	-	-
United state dollar	-	-	-
Great Britain pound	-	-	-
Euro	-	-	-
Japanese yen	-	-	-
Chinese yuan	-	-	-
Other	-	-	-
<b>Total</b>	<b>1,158,314,190</b>	<b>1,067,907,261</b>	<b>726,631,949</b>

**Note:4.21****Borrowing**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
<b>Domestic Borrowing:</b>			
Nepal Government	-	-	-
Other institution	1,361,029,298	1,143,215,052	1,027,575,942
Other	-	-	-
<b>Sub total</b>	<b>1,361,029,298.43</b>	<b>1,143,215,051.74</b>	<b>1,027,575,942</b>
<b>Foreign Borrowing:</b>			
Foreign Bank and Financial Institutions	-	-	-
Multilateral Development Bank	-	-	-
Other institutions	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,361,029,298</b>	<b>1,143,215,052</b>	<b>1,027,575,942</b>

**Note:4.22****Provisions**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Provisions for redundancy	-	-	-
Provision for restructuring	-	-	-
Pending legal issues and tax litigation	-	-	-
Onerous contract	-	-	-
Other	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:4.22.1****Movement in provision**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
<b>Balance at shrawan 1st</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provisions made during the year	-	-	-
Provisions used during the year	-	-	-
Provisions reversed during the year	-	-	-
Unwind of discount	-	-	-
<b>Balance at Ashadh End</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:4.23****Other liabilities**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Liability for employees defined benefit obligations	15,510,874	11,410,845	1,262,968
Liability for long-service leave	19,347,760	10,051,522	5,921,915
Short-term employee benefits	-	-	-
Bills payable	-	-	5,583,327
Creditors and Accruals	-	-	-
Interest payable on deposit	19,746,047	19,909,003	19,957,516
Interest payable on borrowing	-	-	-
Liabilities on deferred grant income	-	-	-
Unpaid Dividend	-	-	-
Liabilities under finance lease	-	-	-
Employee bonus payable	8,361,951	950,829	3,055,943
Other	7,260,961	7,415,421	46,532,479
<b>Total</b>	<b>70,227,592</b>	<b>49,737,620</b>	<b>82,314,148</b>

**Note:4.23.1****Defined benefit obligation**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Present value of unfunded obligations	15,510,874	11,410,845	1,262,968
Present value of funded obligations	-	-	-
<b>Total present value of obligations</b>			
Fair value of plan assets	-	-	-
Present value of net obligations	-	-	-
<b>Recognised liability for defined benefit obligation</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:4.23.2****Plan Assets**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Equity securities	-	-	-
Government bonds	-	-	-
Bank deposits	-	-	-
Other	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:4.23.3****Movement in the present value of defined benefit obligations**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Defined benefit obligation at shrawan 1st	11,410,845	1,262,968	1,262,968
Actuarial losses	(16,298)	367,320	-
Benefit paid by the plan	-	-	-
Current service cost and interest	4,116,327	9,780,557	-
<b>Defined benefit obligation at Ashadh end</b>	<b>15,510,874</b>	<b>11,410,845</b>	<b>1,262,968</b>

**Note:4.23.4****Movement in the fair value of plan assets**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>	<b>Restated As at 31st Ashadh 2076</b>
Fair value of plan assets at shrawan 1st	-	-	-
Contributions paid into the plan	-	-	-
Benefit paid during the year	-	-	-
Actuarial (losses) gains	-	-	-
Expected return on plan assets	-	-	-
<b>Fair value of plan assets at Ashadh end</b>	<b>-</b>	<b>-</b>	<b>-</b>



**Note:4.23.5****Amount recognised in profit or loss**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Current service cost	8,210,344	12,556,896	3,184,505
Interest on obligation	1,102,027	582,450	151,156
Expected return on plan assets	-	-	-
<b>Total</b>	<b>9,312,371</b>	<b>13,139,346</b>	<b>3,335,661</b>

**Note:4.23.6****Amount recognised in other comprehensive income**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Acturial (gain)/loss	(16,298.00)	367,320.00	-
<b>Total</b>	<b>(16,298.00)</b>	<b>367,320.00</b>	<b>-</b>

**Note:4.23.7****Actuarial assumptions**

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077	As at 31st Ashadh 2076
	Gratuity	Gratuity	Gratuity
Discount rate	4.50%	4.50%	4.50%
Expected return on plan assets	0.00%	0.00%	0.00%
Future salary increase	4.00%	4.00%	4.50%
Expected Average remaining working lives (years)	-	-	-
Withdrawal rate	12.00%	12.00%	12.00%

**Note:4.24****Debt securities issued**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Debt securities issued designated at fair value through profit	-	-	-
Debt securities issued at amortised cost	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:4.25****Subordinated liabilities**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Redeemable preference shares	-	-	-
Irredeemable cummulative preference shares	-	-	-
Other	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Kalika Lagubitta Bittiya Sanstha Ltd**  
Notes to the financial statements for the year ended 31st Ashadh 2078

**Note:4.26**

**Share capital**

Particulars	(Figures in NPR)		
	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Ordinary shares	312,875,411.35	277,563,000	108,000,000
Convertible preference share(Equity component)	-	-	-
Irredeemable preference share(Equity component)	-	-	-
Perpetual debt(Equity component only)	-	-	-
<b>Total</b>	<b>312,875,411.35</b>	<b>277,563,000.00</b>	<b>108,000,000</b>

**Note:4.26.1**

**Ordinary shares**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Authorized capital:			
5,000,000 ordinary share of Rs.100 each	500,000,000	500,000,000	500,000,000
Issued capital:			
10,80,000 ordinary share of Rs.100 each	-	-	108,000,000
27,75,630 ordinary share of Rs.100 each	-	277,563,000	-
31,28,754.11 ordinary share of Rs.100 each	312,875,411	-	-
Subscribed and paid of capital:			
10,80,000 ordinary share of Rs.100 each	-	-	108,000,000
27,75,630 ordinary share of Rs.100 each	-	277,563,000	-
31,28,754.11 ordinary share of Rs.100 each	312,875,411	-	-
<b>Total</b>	<b>312,875,411.35</b>	<b>277,563,000.00</b>	<b>108,000,000</b>

**Note:4.26.2**

**Ordinary share ownership**

Particulars	As at 31st Ashadh 2078		Restated As at 31st Ashadh 2077		Restated As at 31st Ashadh 2076	
	Percent	Amount	Percent	Amount	Percent	Amount
<b>Domestic ownership:</b>	100.00%	312,875,411	100.00%	252,330,000	100.00%	120,960,000
Nepal Government	0.00%	-	0.00%	-	0.00%	-
"A" class licensed institutions	0.00%	-	0.00%	-	0.00%	-
Other licensed institutions	0.00%	-	0.00%	-	0.00%	-
Other institutions	0.64%	2,002,403	0.00%	-	0.00%	-
Public	35.48%	111,008,196	35.48%	89,530,000	60.00%	72,576,000
Other	63.88%	199,864,813	64.52%	162,800,000	40.00%	48,384,000
<b>Foreign ownership</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>
<b>Total</b>	<b>100.00%</b>	<b>312,875,411</b>	<b>100.00%</b>	<b>252,330,000</b>	<b>100.00%</b>	<b>120,960,000</b>

**Details of Shareholders holding 0.5% or more shares**

Name of Shareholder	As at 31st Ashadh 2078			Restated As at 31st Ashadh 2077			Restated As at 31st Ashadh 2076		
	No. of Share	Holding %	Amount	No. of Share	Holding %	Amount	No. of Share	Holding %	Amount
<b>Public</b>									
Sahashikant Agrawal	90,720	3.60%	9,072,000	90,720	3.60%	9,072,000	90,720	3.60%	9,072,000
Chandra Bahadur Basnet	75,600	3.00%	7,560,000	75,600	3.00%	7,560,000	75,600	3.00%	7,560,000
Nityananda Tiwari	64,800	2.57%	6,480,000	64,800	2.57%	6,480,000	64,800	2.57%	6,480,000
Krishnakagi KC	46,980	1.86%	4,698,000	46,980	1.86%	4,698,000	46,980	1.86%	4,698,000
Santosh Shrestha	38,880	1.54%	3,888,000	38,880	1.54%	3,888,000	38,880	1.54%	3,888,000
Manju Agrawal	32,400	1.28%	3,240,000	32,400	1.28%	3,240,000	32,400	1.28%	3,240,000

Ranju Pandey	30,000	1.19%	3,000,000	30,000	1.19%	3,000,000	30,000	1.19%	3,000,000
Bishnu Prasad Poudel	29,160	1.16%	2,916,000	29,160	1.16%	2,916,000	29,160	1.16%	2,916,000
Bashudev Poudel	25,920	1.03%	2,592,000	25,920	1.03%	2,592,000	25,920	1.03%	2,592,000
Tikaram Bhusal	24,000	0.95%	2,400,000	24,000	0.95%	2,400,000	24,000	0.95%	2,400,000
Nilakantha Upreti	21,600	0.86%	2,160,000	21,600	0.86%	2,160,000	21,600	0.86%	2,160,000
Bikash Gauchan	18,000	0.71%	1,800,000	18,000	0.71%	1,800,000	18,000	0.71%	1,800,000
Shanti Kumari Baral	17,820	0.71%	1,782,000	17,820	0.71%	1,782,000	17,820	0.71%	1,782,000
Keshavraj Neupane	16,200	0.64%	1,620,000	16,200	0.64%	1,620,000	16,200	0.64%	1,620,000
Maya KC	16,200	0.64%	1,620,000	16,200	0.64%	1,620,000	16,200	0.64%	1,620,000
Netra Prasad Parajuli	16,000	0.63%	1,600,000	16,000	0.63%	1,600,000	16,000	0.63%	1,600,000
Shanta Kumari Upreti	15,600	0.62%	1,560,000	15,600	0.62%	1,560,000	15,600	0.62%	1,560,000
Krishna Bahadur Khand	15,120	0.60%	1,512,000	15,120	0.60%	1,512,000	15,120	0.60%	1,512,000
Janak Raj Regmi	15,000	0.59%	1,500,000	15,000	0.59%	1,500,000	15,000	0.59%	1,500,000
Prakash Gauchan	14,800	0.59%	1,480,000	14,800	0.59%	1,480,000	14,800	0.59%	1,480,000
Tilak Bahadur Chhetri	14,000	0.55%	1,400,000	14,000	0.55%	1,400,000	14,000	0.55%	1,400,000
Dhanmaya Sherchan	14,000	0.55%	1,400,000	14,000	0.55%	1,400,000	14,000	0.55%	1,400,000
Rudra Prasad Sharma	14,000	0.55%	1,400,000	14,000	0.55%	1,400,000	14,000	0.55%	1,400,000
Sita Pradhan	14,000	0.55%	1,400,000	14,000	0.55%	1,400,000	14,000	0.55%	1,400,000
Srijana Nepal	12,960	0.51%	1,296,000	12,960	0.51%	1,296,000	12,960	0.51%	1,296,000

**Note:4.27**

**Reserves**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Statutory General Reserve	39,669,819	30,456,959	26,094,150
Other Reserves	-	-	11,744
Client Protection Fund	50,711,577	57,106,668	5,017,794
Corporate social responsibility reserve	694,383	819,498	681,087
Employee training fund	-	-	-
Investment adjustment reserve	-	-	-
<b>Regulatory Reserve</b>	<b>(58,454,596)</b>	<b>(257,124)</b>	
Actuarial Reserve	(11,409)	257,124	-
Institutional Development Fund	-	-	-
Exchange equilisation reserve	-	-	-
Deferred Tax Reserve	10,534,674	5,923,951	2,079,773
Capital reserve	-	-	-
Fair value reserve	-	-	-
<b>Total</b>	<b>43,144,449</b>	<b>94,307,075</b>	<b>33,884,548</b>

**Kalika Lagubitta Bittiya Sanstha Ltd**  
**Notes to the financial statements for the year ended 31st Ashadh 2078**

**Note No. 4.28**

**Contingent Liabilities and Commitment**

*(Figures in NPR)*

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Contingent Liabilities	-	-	-
Undrawn and undisbursed facilities	-	-	-
Capital commitment	-	-	-
Lease commitment	-	-	-
Litigation	-	-	-
<b>Total</b>	-	-	-

**Note No. 4.28.1**

**Contingent Liabilities**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Acceptance and Documentary credit	-	-	-
Bills for collection	-	-	-
Forward exchange contracts	-	-	-
Guarantees	-	-	-
Underwriting commitments	-	-	-
Other commitments	-	-	-
<b>Total</b>	-	-	-

**Note No. 4.28.2**

**Undrawn and undisbursed facilities**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Undisbursed amount of loans	-	-	-
Undrawn limits of overdraft	-	-	-
Undrawn limits of credit cards	-	-	-
Undrawn limits of letter of credit	-	-	-
Undrawn limits of guarantee	-	-	-
<b>Total</b>	-	-	-

**Note No. 4.28.3**

**Capital commitments**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Capital commitments in relation to Property and Equipment</b>			
Approved and contracted for	-	-	-
Approved but not contracted for	-	-	-
<b>Sub Total</b>	-	-	-
<b>Capital commitments in relation to Intangible assets</b>			
Approved and contracted for	-	-	-
Approved but not contracted for	-	-	-
<b>Sub Total</b>	-	-	-
<b>Total</b>	-	-	-

**Note No. 4.28.4****Lease Commitments**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Operating lease commitments</b>			
Future minimum lease payment under non cancellable operating lease, where the bank is lessee			
Not later than 1 year			
Later than 1 year but not later than 5 years			
Later than 5 years			
<b>Sub Total</b>			
<b>Finance lease commitments</b>			
Future minimum lease payment under non cancellable operating lease, where the bank is lessee			
Not later than 1 year			
Later than 1 year but not later than 5 years			
Later than 5 years			
<b>Sub Total</b>	-	-	-
<b>Grand Total</b>	-	-	-

**Note No. 4.28.5****Litigation**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Income Tax Litigation	-		
<b>Total</b>	-	-	-

**Kalika Lagubitta Bittiya Sanstha Ltd**  
**Notes to the financial statement for the year ended 31st Ashadh 2078**

**Note: 4.29**

**Interest income**

*(Figures in NPR)*

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Cash and cash equivalents	-	-
Due from Nepal Rastra Bank	-	-
Placement with Banks and Financial Institutions	6,352,898	10,970,850
Loans and Advances to Bank and Financial Institutions	-	-
Loans and advances to customers	461,480,293	381,941,779
Investment securities	-	-
Loans and advances to staff	-	-
Other	1,257,943	643,707
<b>Total interest income</b>	<b>469,091,134</b>	<b>393,556,337</b>

**Note: 4.30**

**Interest expense**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Due to Bank and Financial Institutions	81,838,951	124,868,941
Due to Nepal Rastra Bank	-	-
Deposits from customers	52,514,726	57,390,883
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	2,759,324	-
<b>Total interest expense</b>	<b>137,113,000</b>	<b>182,259,824</b>

**Note: 4.31**

**Fees and Commission Income**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Loan Administration fees	-	-
Service fees	56,411,608	33,645,644
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	-	-
Prepayment and swap fees	-	-
Investment banking fees	-	-
Assets management fees	-	-
Brokerage fees	-	-
Remittance fees	-	-
Commission on letter of credit	-	-
Commission on Guarantee Contracts issued	-	-
Commission on share underwriting/issued	-	-
Locker rental	-	-
Other Fees and Commission Income	4,609,442	3,601,685
<b>Total Fees and Commission Income</b>	<b>61,021,050</b>	<b>37,247,329</b>

**Note: 4.32****Fees and commission expense**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other Fees and Commission Expense	-	-
<b>Total Fees and Commission Expense</b>	<b>-</b>	<b>-</b>

**Note: 4.33****Net trading income**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
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	-	-
Other	-	-
<b>Total Net trading income</b>	<b>-</b>	<b>-</b>

**Note: 4.34****Other operating income**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Foreign Exchange Revaluation Gain	-	-
Gain/loss on sale of investment Securities	-	-
Fair value gain/loss on investment property	-	-
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	-	-
Grant Income	-	-
Other	-	-
<b>Total other operating income</b>	<b>-</b>	<b>-</b>

**Note: 4.35****Impairment charge/(reversal) for loan and other losses**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Impairment charge/(reversal) on loan and advances to B/FIs	-	-
Impairment charge/(reversal) on loan and advances to customer	83,411,680	47,406,521
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with bank and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment property	-	-
<b>Total impairment charge/(reversal) for loan and other losses</b>	<b>83,411,680</b>	<b>47,406,521</b>

**Note: 4.36****Personnel Expense**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Salary	69,540,865	61,366,743
Allowances	40,703,691	31,456,406
Gratuity expenses	10,151,338	8,367,984
Provident fund	5,681,162	4,743,309
Uniform	2,128,000	1,736,000
Training & Development Expense	83,159	831,907
Leave encashment	10,700,794	3,973,266
Medical	2,006,093	2,285,734
Insurance	-	-
Employees Incentive	-	-
Cash-settled share-based payments	-	-
Pension Expense	-	-
Finance expenses under NFRS	-	-
Other Expenses Related to Staff	662,663	-
<b>Sub-Total</b>	<b>141,657,764</b>	<b>114,761,349</b>
Employees Bonus	8,361,951	52,744
<b>Total personnel expenses</b>	<b>150,019,715</b>	<b>114,814,093</b>

**Note: 4.37****Other operating expense**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Directors' fee	59,000	828,708
Directors' expense	490,740	59,347
Auditors' remuneration	452,000	480,250
Other audit related expense	199,719	160,942
Professional and legal expense	10,435	45,600
Office administration expense	23,788,459	24,491,179
Operating lease expense	16,116,383	14,377,456
Operating expense of investment properties	-	-
Client Protection Fund Expense	-	-
Corporate Social Responsibility Expense	-	-
Onerous lease provision	-	-
Other	-	-
<b>Total other operating expense</b>	<b>41,116,735</b>	<b>40,443,482</b>

**Note: 4.37.1****Office administration expense**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Water and electricity	1,034,854	1,020,767
Repair and maintenance	-	-
(a) Building	-	-
(b) Vehicle	642,905	175,169
(c) Computer and accessories	-	-
(d) Office equipment and furniture	-	-
(e) Other	-	292,391
Office Expenses	495,037	256,791
Insurance	649,405	322,496
Postage, telex, telephone, fax	3,857,666	5,134,598
Printing and Stationery	1,860,728	1,486,114
Newspaper, books and journals	4,160	28,784
Advertisement	139,721	447,695
Donation	-	4,100
Security Expense	-	-
Deposit and loan guarantee premium	-	-
Travel allowance and expense	7,761,904	7,827,418
Entertainment	-	-
Annual/Special general meeting expense	280,375	131,320
Other	6,710,610	5,512,088
Share issue Expenses	250,000	1,713,145
Technical Service Fees	1,000	-
Transfer Commission	100,093	138,304
<b>Total office administration expense</b>	<b>23,788,459</b>	<b>24,491,179</b>

**Note: 4.38****Depreciation & Amortisation**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Depreciation on Property and Equipment	5,638,570	5,495,101
Depreciation on investment property	-	-
Amortisation of intangible assets	-	-
<b>Total depreciation and amortisation</b>	<b>5,638,570</b>	<b>5,495,101</b>

**Note: 4.39****Non operating income**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Recovery of loan written off	-	-
other income	-	-
<b>Total non operating income</b>	<b>-</b>	<b>-</b>

**Note: 4.40****Non Operating Expense**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Loan Written Off	-	-
Redundancy provision	-	-
Expenses of restructuring	-	-
Other expense	-	-
<b>Total non operating Expenses</b>	<b>-</b>	<b>-</b>

**Note: 4.41****Income tax expense**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
<b>Current tax expense</b>	<b>29,193,254</b>	<b>1,633,605</b>
Current year	29,193,254	1,633,605
Adjustment for prior years	-	-
<b>Deferred tax expense</b>	<b>645,596</b>	<b>(2,725,090)</b>
Origination and reversal of temporary differences	645,596	(2,725,090)
Changes in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
<b>Total income tax expense</b>	<b>29,838,850</b>	<b>(1,091,485)</b>

**4.41.1****Reconciliation of tax expense and accounting profit**

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Profit before tax	112,812,484	40,384,645
Tax amount at tax rate of 30%	33,843,745	12,115,394
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	(4,004,895)	(13,206,878)
<b>Total income tax expense</b>	<b>29,838,850</b>	<b>(1,091,485)</b>
<b>Effective tax rate</b>	<b>26.45%</b>	<b>-2.70%</b>

**Reconciliation of Statement of Financial Position reported for 31st Asadh 2076 due to adoption of NFRS**

Particulars	As per GAAP	As per NFRS	Difference	Remarks
<b>ASSETS</b>				
Cash and cash equivalents	167,472,253	167,472,253	-	
Due from Nepal Rastra Bank	-	-	-	
Placement with Bank and Financial Institutions	-	-	-	
Derivative Financial Instruments	-	-	-	
Other Trading Assets	-	-	-	
Loans and advances to B/FIs	-	-	-	
Loans and advances to customers	1,786,522,141	1,786,522,141	-	
Investment securities	1,000,000	1,000,000	-	
Current tax assets	-	-	-	
Investment in subsidiaries	-	-	-	
Investment in associates	-	-	-	
Investment property	-	-	-	
Property and Equipment	17,544,615	17,544,615	-	
Goodwill and Intangible assets	-	-	-	
Deferred Tax Assets	2,775,285	2,775,285	-	
Other assets	26,619,239	48,175,296	21,556,057	Balance of Deferred Employee benefit Expenses and accrued interest
<b>Total Assets</b>	<b>2,001,933,533</b>	<b>2,023,489,590</b>	<b>21,556,057</b>	
		<b>Restated As at 31st Ashadh 2076</b>		
<b>Liabilities</b>				
Due to Bank and Financial Institutions	-	-	-	
Due to Nepal Ratsra Bank	-	-	-	
Derivative Financial Instrument	-	-	-	
Deposits from customers	726,631,949	726,631,949	-	
Borrowings	1,027,575,942	1,027,575,942	-	
Current Tax Liabilities	10,747,914	10,747,914	-	
Provisions	-	-	-	
Deferred Tax Liabilities	-	-	-	
Other liabilities	81,220,886	82,314,148	1,093,262	Gratuity and Leave Expenses booked on basis of actuarial valuation.
Debt securities issued	-	-	-	
Subordinated Liabilities	-	-	-	
<b>Total liabilities</b>	<b>1,846,176,691</b>	<b>1,847,269,953</b>	<b>1,093,262</b>	
<b>Equity</b>				
Share Capital	108,000,000	108,000,000	-	
Share Premium	-	-	-	
Retained Earnings	47,756,842	34,335,089	(13,421,753)	Net changes due to NFRS implementation
Reserves	-	33,884,548	33,884,548	Net changes due to NFRS implementation
<b>Total equity attributable to equity holders</b>	<b>155,756,842</b>	<b>176,219,637</b>	<b>20,462,795</b>	
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Equity</b>	<b>155,756,842</b>	<b>176,219,637</b>	<b>20,462,795</b>	
<b>Total Liabilities and Equity</b>	<b>2,001,933,533</b>	<b>2,023,489,590</b>	<b>21,556,057</b>	
Contingent Liabilities and commitment	-	-	-	
Net Assets Value Per share	215.78	163.17	(52.61)	Net changes due to NFRS implementation

**Reconciliation of Statement of Financial Position reported for 31st Asadh 2077 due to adoption of NFRS**

Particulars	As per GAAP	As per NFRS	Difference	Remarks
<b>ASSETS</b>				
Cash and cash equivalents	265,272,788	265,272,788	-	
Due from Nepal Rastra Bank	3,372,750	3,372,750	-	
Placement with Bank and Financial Institutions	-	-	-	
Derivative Financial Instruments	-	-	-	
Other Trading Assets	-	-	-	
Loans and advances to B/FIs	-	-	-	
Loans and advances to customers	2,315,574,204	2,315,574,204	-	
Investment securities	2,000,000	2,000,000	-	
Current tax assets	-	-	-	
Investment in subsidiaries	-	-	-	
Investment in associates	-	-	-	
Investment property	-	-	-	
Property and Equipment	17,378,571	17,378,571	-	
Goodwill and Intangible assets	-	-	-	
Deferred Tax Assets	6,901,236	4,176,145	(2,725,090)	Net changes due to NFRS implementation
Other assets	31,424,870	93,658,158	62,233,288	Balance of Deferred Employee benefit Expenses and accrued interest
<b>Total Assets</b>	<b>2,641,924,419</b>	<b>2,701,432,616</b>	<b>59,508,198</b>	
<b>Liabilities</b>				
Due to Bank and Financial Institutions	-	-	-	
Due to Nepal Ratsra Bank	-	-	-	
Derivative Financial Instrument	-	-	-	
Deposits from customers	1,067,907,261	1,067,907,261	-	
Borrowings	1,143,215,052	1,143,215,052	-	
Current Tax Liabilities	5,174,145	5,174,145	-	
Provisions	-	-	-	
Deferred Tax Liabilities	-	-	-	
Other liabilities	45,970,336	49,737,620	3,767,284	Gratuity and Leave Expenses booked on basis of actuarial valuation.
Debt securities issued	-	-	-	
Subordinated Liabilities	-	-	-	
<b>Total liabilities</b>	<b>2,262,266,794</b>	<b>2,266,034,078</b>	<b>3,767,284</b>	
<b>Equity</b>				
Share Capital	277,563,000	277,563,000	-	
Share Premium	-	-	-	
Retained Earnings	7,787,549	63,528,463	55,740,914	Net changes due to NFRS implementation
Reserves	94,307,075	94,307,075	-	
<b>Total equity attributable to equity holders</b>	<b>379,657,624</b>	<b>435,398,538</b>	<b>55,740,914</b>	
<b>Non-controlling interest</b>				
<b>Total Equity</b>	<b>379,657,624</b>	<b>435,398,538</b>	<b>55,740,914</b>	
<b>Total Liabilities and Equity</b>	<b>2,641,924,418</b>	<b>2,701,432,616</b>	<b>59,508,198</b>	
Contingent Liabilities and commitment	-	-	-	
Net Assets Value Per share	220.28	156.86	(63.41)	Net changes due to NFRS implementation

**Reconciliation of Statement of Financial Position reported for 31st Asadh 2078 due to adoption of NFRS**

Particulars	As per GAAP	As per NFRS	Difference	Remarks
<b>ASSETS</b>				
Cash and cash equivalents	126,539,164	126,539,164	-	
Due from Nepal Rastra Bank	13,372,750	13,372,750	-	
Placement with Bank and Financial Institutions	-	-	-	
Derivative Financial Instruments	-	-	-	
Other Trading Assets	-	-	-	
Loans and advances to B/FIs	-	-	-	
Loans and advances to customers	2,828,553,074	2,828,553,074	-	
Investment securities	2,000,000	2,000,000	-	
Current tax assets	-	-	-	
Investment in subsidiaries	-	-	-	
Investment in associates	-	-	-	
Investment property	-	-	-	
Property and Equipment	18,761,238	18,761,238	-	
Goodwill and Intangible assets	-	-	-	
Deferred Tax Assets	4,365,117	3,714,631	(650,485)	Net changes due to NFRS implementation
Other assets	42,270,913	84,527,879	42,256,966	Balance of Deferred Employee benefit Expenses and accrued interest
<b>Total Assets</b>	<b>3,035,862,255</b>	<b>3,077,468,735</b>	<b>41,606,480</b>	
<b>Liabilities</b>				
Due to Bank and Financial Institutions	-	-	-	
Due to Nepal Ratsra Bank	-	-	-	
Derivative Financial Instrument	-	-	-	
Deposits from customers	1,158,314,190	1,158,314,190	-	
Borrowings	1,361,029,298	1,361,029,298	-	
Current Tax Liabilities	26,657,135	26,657,135	-	
Provisions	-	-	-	
Deferred Tax Liabilities	-	-	-	
Other liabilities	65,525,554	70,227,592	4,702,038	Gratuity and Leave Expenses booked on basis of actuarial valuation.
Debt securities issued	-	-	-	
Subordinated Liabilities	-	-	-	
<b>Total liabilities</b>	<b>2,611,526,178</b>	<b>2,616,228,216</b>	<b>4,702,038</b>	
<b>Equity</b>				
Share Capital	312,875,411	312,875,411	-	
Share Premium	-	-	-	
Retained Earnings	9,199,728	105,220,659	96,020,931	Net changes due to NFRS implementation
Reserves	101,610,453	43,144,449	(58,466,004)	Net changes due to NFRS implementation
<b>Total equity attributable to equity holders</b>	<b>423,685,592</b>	<b>461,240,519</b>	<b>37,554,927</b>	
<b>Non-controlling interest</b>				
<b>Total Equity</b>	<b>423,685,592</b>	<b>461,240,519</b>	<b>37,554,927</b>	
<b>Total Liabilities and Equity</b>	<b>3,035,211,770</b>	<b>3,077,468,735</b>	<b>42,256,965</b>	
Contingent Liabilities and commitment	-	-	-	
Net Assets Value Per share	177.79	147.42	(30.37)	Net changes due to NFRS implementation

**Reconciliation of Statement of Profit & Loss for the Fiscal Year 2076.77 due to adoption of NFRS**

Particulars	As per GAAP	As per NFRS	Difference	Remarks
Interest income	349,879,106	393,556,337	43,677,231	Interest of loans to customers booked on accrual basis
Interest expense	182,259,824	182,259,824	-	
<b>Net interest income</b>	<b>167,619,282</b>	<b>211,296,513</b>	<b>43,677,231</b>	
Fees and commission income	37,247,329	37,247,329	-	
Fees and commission expense	-	-	-	
<b>Net fee and commission income</b>	<b>37,247,329</b>	<b>37,247,329</b>	-	
<b>Net interest, fee and commission income</b>	<b>204,866,611</b>	<b>248,543,842</b>	<b>43,677,231</b>	
Net trading income	-	-	-	
Other operating income	-	-	-	
<b>Total operating income</b>	<b>204,866,611</b>	<b>248,543,842</b>	<b>43,677,231</b>	
Impairment charge/(reversal) for loans and other losses	47,406,521	47,406,521	-	
<b>Net operating income</b>	<b>157,460,090</b>	<b>201,137,321</b>	<b>43,677,231</b>	
<b>Operating expense</b>				
Personnel expenses	110,994,064	114,814,093	3,820,028	Gratuity and Leave Expenses booked on basis of actuarial valuation.
Other Operating expenses	40,443,482	40,443,482	-	Employee Benefit Expenses on EIR basis.
Depreciation and Amortisation	5,495,101	5,495,101	-	Lease Rental booked on SLM basis
<b>Operating Profit</b>	<b>527,443</b>	<b>40,384,645</b>	<b>39,857,202</b>	
Non operating Income	-	-	-	
Non operating expense	-	-	-	
<b>Profit before income tax</b>	<b>527,443</b>	<b>40,384,645</b>	<b>39,857,202</b>	
<u>Income tax expense</u>				
Current Tax	1,633,605	1,633,605	-	
Deferred Tax	(4,125,951)	(4,125,951)	-	Net changes due to NFRS implementation
<b>Profit for the period</b>	<b>3,019,788</b>	<b>42,876,991</b>	<b>39,857,202</b>	
<b>Profit attributable to:</b>				
Equity holders of the Bank	3,019,788	42,876,991	39,857,202	Net changes due to NFRS implementation
Non-controlling interests	-	-	-	
<b>Profit for the period</b>	<b>3,019,788</b>	<b>42,876,991</b>	<b>39,857,202</b>	
<b>Earnings Per Share (EPS)</b>				
Basic EPS	59.47	15.45	(44.02)	Net changes due to NFRS implementation
Diluted EPS	59.47	15.45	(44.02)	Net changes due to NFRS implementation

**Reconciliation of Statement of Profit & Loss for the Fiscal Year 2077.78 due to adoption of NFRS**

<b>Particulars</b>	<b>As per GAAP</b>	<b>As per NFRS</b>	<b>Difference</b>	<b>Remarks</b>
Interest income	426,834,168	469,091,134	42,256,966	Interest of loans to customers booked on accrual basis
Interest expense	137,113,000	137,113,000	-	
<b>Net interest income</b>	<b>289,721,168</b>	<b>331,978,134</b>	<b>42,256,966</b>	
Fees and commission income	61,021,050	61,021,050	-	
Fees and commission expense	-	-	-	
<b>Net fee and commission income</b>	<b>61,021,050</b>	<b>61,021,050</b>	-	
<b>Net interest, fee and commission income</b>	<b>350,742,218</b>	<b>392,999,184</b>	<b>42,256,966</b>	
Net trading income	-	-	-	
Other operating income	-	-	-	
<b>Total operating income</b>	<b>350,742,218</b>	<b>392,999,184</b>	<b>42,256,966</b>	
Impairment charge/(reversal) for loans and other losses	83,411,680	83,411,680	-	
<b>Net operating income</b>	<b>267,330,538</b>	<b>309,587,504</b>	<b>42,256,966</b>	
<b>Operating expense</b>				
Personnel expenses	136,955,726	150,019,715	13,063,989	Gratuity and Leave Expenses booked on basis of actuarial valuation. Employee Benefit Expenses on EIR basis.
Other Operating expenses	41,116,735	41,116,735	-	
Depreciation and Amortisation	5,638,570	5,638,570	-	
<b>Operating Profit</b>	<b>83,619,507</b>	<b>112,812,484</b>	<b>29,192,977</b>	
Non operating Income	-	-	-	
Non operating expense	-	-	-	
<b>Profit before income tax</b>	<b>83,619,507</b>	<b>112,812,484</b>	<b>29,192,977</b>	
<u>Income tax expense</u>				
Current Tax	29,193,254	29,193,254	-	
Deferred Tax	2,536,119	2,536,119	-	
<b>Profit for the period</b>	<b>51,890,135</b>	<b>83,619,230</b>	<b>31,729,096</b>	
<b>Profit attributable to:</b>				
Equity holders of the Bank	256,316,179	83,619,230	(172,696,949)	Net changes due to NFRS implementation
Non-controlling interests	-	-	-	
<b>Profit for the period</b>	<b>256,316,179</b>	<b>83,619,230</b>	<b>(172,696,949)</b>	
<b><u>Earnings Per Share (EPS)</u></b>				
Basic EPS	17.09	26.73	9.64	Net changes due to NFRS implementation
Diluted EPS	17.09	26.73	9.64	Net changes due to NFRS implementation

**KALIKA LAGHUBITTA BITTIYA SANSTHA LIMITED**  
**Significant Accounting Policies and Explanatory Notes**  
**Fiscal Year 2077/78**

**1. General Information of Reporting Entity**

Kalika Laghubitta Bittiya Sanstha Limited (KMCDDB) (hereinafter "the Institution"), "the Laghubitta Bittiya Sanstha for up liftment of the poor" is a micro-finance established in November 1998 under Company Act of Nepal 1997 (now Company Act 2006). Nepal Rastra Bank, the Central Bank of Nepal, granted a license in April 1 1999 to undertake banking activities under the Development Bank Act 1996. It started its formal operation from January 2010. Now, operated under Bank and Financial Institutions Act 2017, Kalika provides micro-finance services such as Loans, Deposits, Micro-Insurance and Remittance services to low-income families of Nepal. KMCDDB follows group lending based on Grameen Bank, Bangladesh model as well as group lending based on KMCDDB developed Self-Reliant Group model through a network of 93 branch offices spread over all 33 districts of Nepal.

Being D Class licensed institution; major activities of the microfinance include deprived sector lending under the group guarantee without collateral in order to enhance economic and social factors of the members. Also, the microfinance provides additional microenterprise loan to its members within the limit as prescribed by Nepal Rastra Bank from time to time. The major sources of fund are member savings, public deposits along with loan from other BFIs and Equity holders' fund.

**2. Basis of Preparation**

The Financial Statements of the Institution have been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

The preparation and presentation of the Financial Statements are in compliance with the requirements of format issued by Nepal Rastra Bank in Directive No.4 of Unified NRB Directives, 2077 for Micro-finance Institutions.

The Financial Statements comprise the Statement of Financial Position, Statement of Profit and Loss, Statement of Other Comprehensive Income, the Statement of changes in Equity, the Statement of Cash Flows and the Notes to Financial Statements.

**2.1 Statement of Compliance**

The Financial Statement has been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB)-Nepal. NFRSs conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**2.2 Reporting Period and approval of Financial Statements**

The Institution follows the Nepalese Financial Year based on the Nepalese Calendar. The Micro Finance has prepared the financial statements that comply with NFRS applicable for the period ending on or after 31st Ashadh 2078, together with the comparative period data as at and for the period ending 31<sup>st</sup> Ashadh 2077 as described in its accounting policies. The Institution has also prepared the opening statement of financial position as at 1<sup>st</sup> Sharwan, 2076, the Institution's date of transition to NFRS.

The accompanied Financial Statements have been adopted by the Board of Directors on its board meeting held on 30th Poush, 2078 and have been recommended for approval by shareholders in 12<sup>nd</sup> Annual General Meeting.

### **2.3 Functional and Presentation Currency**

Financial Statements are denominated in Nepalese Rupees, which is the functional presentation currency of the Institution.

### **2.4 Accounting Convention, Estimates, assumptions and judgements**

The Financial Statements of the Institution have been prepared on accrual basis of accounting except the cash flow information which is prepared, on a cash basis, using direct method. The Financial Statements have been prepared on a going concern basis.

The Institution is required to apply the accounting policies that are most appropriate for the circumstance and operating environment. NFRS requires the Institution to exercise judgement in making choice of specific accounting policies and accounting estimates. The Institution, while complying with the reporting standards, makes critical accounting judgment as having potentially material impact on the financial statements. Description of such estimates and significant accounting policies has been given in the relevant sections wherever they have been applied. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically. The underlying assumption made while making accounting estimates are periodically reviewed and such revision are recognized in the period in which the estimates is revised and are applied prospectively.

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

### **2.5 Change in accounting Policies**

The same accounting policies are normally adopted in each period and from one period to the next to maintain the compatibility of the Financial Statements of the entity over time to identify trends in the financial position, performance and cash flows, however the changes when required by NFRS or due the requirement that results in the financial statements providing more reliable and more relevant information about the effects of transaction, other events or conditions on the entity's financial position, financial performance or cash flows are made and the changes are applied retrospectively. An entity has used the same accounting policies in its opening NFRS Statement of financial position and throughout all periods presented in its first NFRS financial statements. Those accounting policies have complied with each NFRS effective at the end of its first NFRS reporting period except those specifically stated under relevant notes below.

### **2.6 New Standards in issue but not yet effective**

As per the guidelines of the ICAN, When International Accounting Standard Board revises, amends or withdraws International Accounting Standards, IFRSs, IFRIC or SIC, such revisions, amendments and withdrawals shall accordingly be treated as effected with immediate revision, amendment and withdrawal in NFRS by ASB as well, to the extent not in conflict with existing National laws. The standards that are issued, but not yet effective, up to the date of issuance of the Institution's financial statements are disclosed below. The Institution intends to adopt these standards, if applicable, when they become effective.

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. These amendments are not expected to have any impact on the Institution.

## **IFRS 16 Leases**

Under the new standard, the accounting treatment of leases by lessees will change fundamentally because it eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 is also adopted. The Institution plans to adopt the new standard on the required effective date and will further investigate the implications in the near future.

## **2.7 New Standard and Interpretation not adopted**

The financial statement which is prepared in compliance with all the standards that are issued and adopted by Accounting Standard Board of Nepal except NFRS 9 in respect of Expected Credit Loss Model.

## **2.8 Discounting**

Discounting has been applied where assets and liabilities are non-current and the impact of the discounting is material.

## **2.9 Offsetting**

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

## **2.10 Materiality and Aggregation**

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the Nepal Accounting Standard – NAS 1 on 'Presentation of Financial Statements'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Institution.

Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

## **2.11 Limitation of NFRS Implementation**

If the information is not available and the cost would exceed the benefit derived, such exception to NFRS Implementation has been noted and disclosed in respective section.

## **3. Significant accounting Policies**

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

### **3.1 Basis of Measurement**

The financial statements are prepared on the historical-cost basis except for the following material items in the statement of financial position:

Investment property is measured initially at cost and subsequently at Fair value.

- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Net defined benefit liabilities are measured at present value of defined benefit obligations less total plan assets.

- Impairment of financial asset is measured at fair value and related disposal cost.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Institution. Any revisions to accounting estimates are recognised prospectively in the period in which the estimates are revised and in the future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes.

#### **Materiality and Aggregation**

In compliance with NFRS 1 - Presentation of Financial Statements, each material class of similar items is presented separately in the financial Statements. Items of dissimilar nature or functions are presented separately unless they are material. Such presentation of line items is consistent with the format issued by NRB.

### **3.2 Basis of consolidation**

The Microfinance does not have any subsidiaries or special purpose entities over which it exercises control. Hence, only standalone financial statement is prepared.

### **3.3 Cash and cash equivalent**

Cash and cash equivalents comprise cash at vault, balances with other bank & finance institutions, money at call and short notice which are subject to an insignificant risk of changes in value including interest receivable on investment with maturity up to 3 month or less. Cash and Cash equivalent are measured at amortized cost in the statement of financial position.

Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with NAS 07- Statement of Cash Flows.

### **3.4 Financial assets and financial liabilities**

#### ***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. The Institution initially recognize 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. Regular purchase and sale of financial assets are recognized on trade date. All financial assets and liabilities are initially recognized at their cost value and are subsequently presented as per NFRS based on the respective classification.

#### ***Classification***

##### **i. Financial Assets**

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

1. *Financial assets measured at amortized cost*

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

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

2. *Financial asset measured at fair value*

Financial assets other than those measured at amortized cost are measured at fair value.

Financial assets measured at fair value are further classified into two categories as below:

a) *Financial assets at fair value through profit or loss*

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction 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.

b) *Financial assets at fair value through other comprehensive income*

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

ii. **Financial Liabilities**

The Institution classifies the financial liabilities as follows:

a) *Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is 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.

b) *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 method.

**Measurement**

***Financial assets at FVTOCI***

On initial recognition, the Institution can make an irrevocable election (on an instrument-by-instrument basis) to present the subsequent changes in fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the 'Fair Value Reserve'. The cumulative gain or loss is not reclassified to Statement of Profit and Loss on disposal of the investments.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Dividends on these investments in equity instruments are recognized in Statement of Profit and Loss when the Institution's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

***Financial assets at fair value through profit or loss (FVTPL)***

Investments in equity instruments are classified as at FVTPL, unless the Institution irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.

Debt instruments that do not meet the amortized cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortized cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortized cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in Statement of Profit and Loss. Dividend on financial assets at FVTPL is recognized when the Institution's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial liability forms part of a company of financial assets or financial liabilities or both,

- which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and NFRS 9 permits the entire combined contract to be designated as at FVTPL in accordance with NFRS 9.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in Statement of Profit and Loss. The net gain or loss recognized in Statement of Profit and Loss incorporates any interest paid on the financial liability and is included in the 'Other income' line item.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognized in Statement of Profit and Loss. The remaining amount of change in the fair value of liability is always recognized in Statement of Profit and Loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are reflected immediately in retained earnings and are not subsequently reclassified to Statement of Profit and Loss.

#### ***Financial liabilities subsequently measured at amortized cost***

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortized cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized cost are determined based on the effective interest method. Interest expense that is not capitalized as part of costs of an asset is included in the 'Finance Expenses' line item.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### ***De-recognition***

##### ***i. 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 when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Institution 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, and the sum of

- (i) The consideration received and
- (ii) Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in retained earnings.

The Institution enters into transactions whereby it transfers assets recognized on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

*ii. De-recognition of financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled 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.

**Determination of fair value**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Institution has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Institution measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Institution uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

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

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

**Level 3** portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Institution determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. In case the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 01 valuation), the difference between the transaction price and fair value is recognized in profit or loss immediately.

**Impairment**

At each reporting date, the Institution assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A

financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Institution on terms that the Institution would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In case of financial difficulty of the borrower, the Institution considers to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the EIR method and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

#### ***Impairment of financial assets measured at amortized cost***

The Institution considers evidence of impairment for loans and advances measured at amortized cost at both specific asset and collective level. The Institution first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant are assessed on collectively. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Impairment of loans and advances portfolios are based on the judgments in past experience of portfolio behavior. In assessing collective impairment, the Institution uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Institution. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is recognized in the 'Non-operating income'.

### **3.5 Property and Equipment**

#### **a) *Recognition and Measurement***

Property and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Institution and the cost of the asset can be reliably measured. The cost includes expenditures that are directly attributable to the acquisition of the assets. Cost of

self-constructed assets includes followings:

- Cost of materials and direct labor;
- Any other cost directly attributable to bringing the assets to the working condition for their intended use; and
- Capitalized borrowing cost

Property and equipment are measured at cost (for land using deemed cost at on the transition date) less accumulated depreciation and accumulated impairment loss if any. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the entity. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred.

Any gain or losses on de-recognition of an item of property and equipment is recognized in profit or loss.

#### **b) Grant Assets**

The assets received under grant has been booked under Property and Equipment by creating a capital reserve of equal amount. The annual depreciation is deducted every year from this reserve till the useful life of assets. The balance of capital reserve depicts Written down Value of the Grant Assets.

#### **c) Depreciation**

Property and equipment's are depreciated from the date they are available for use on property on WDV method by the Management. Depreciation is recognized in profit or loss. Land is not depreciated. Charging of depreciation is ceased from the earlier of the date from which the asset is classified as held for sale or is derecognized.

The Microfinance depreciates property, plant and equipment following Written Down Value method applying the Depreciation rates prescribed by Income Tax Act, 2058. The rates used for depreciation of assets for the current and comparative period of significant items of property, plant and equipment are as follows:

<b>Class of Assets</b>	<b>Useful life</b>
Building	5 %
Computer	25 %
Vehicles	20 %
Furniture, Fixture & Equipment	25 %

Assets costing less than NPR 1,000 are fully depreciated in the year of purchase.

### **3.6 Income tax**

The Company is subject to tax laws of Nepal. Income Taxes have been calculated as per the provisions of the Income Tax Act, 2058. Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax law carry-forwards become deductible. The Institution considers the expected reversal of deferred tax liabilities and projected future taxable income making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward

period are reduced.

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

#### **Current Tax**

Current tax is the amount of tax payable based on the taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

#### **Deferred Tax**

Deferred tax is recognized on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the reporting date and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are reviewed at each reporting date and reversed if it is no longer probable that the related tax benefits will be realized. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Institution expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax relating to items recognized in OCI is recognized in OCI. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

### **3.7 Deposits, debt securities issued and subordinated liabilities**

Institution's deposits consist of money placed into the Institution by its customers. These deposits are made to deposit accounts such as fixed deposit accounts, savings accounts, margin deposit accounts, call deposit accounts and current accounts. Details and further disclosures about deposits have been explained in Note that follows.

### **3.8 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a

result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A disclosure for contingent liabilities is made where there is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligation that arises from past events but is not recognized because:
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

### **3.9 Revenue Recognition**

Revenue comprises of interest income, fees and commission, disposal income etc. 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. The Institution applies NAS 18- "Revenue" in the accounting of revenue, unless otherwise stated. Revenue is not recognized during the period in which its recoverability of income is not probable. The bases of incomes recognition are as below:

#### ***Interest income***

- i. Interest income are recognized under accrual basis (using the effective interest rate method) in the profit or loss for all interest-bearing financial assets except loans categorized as bad loan measured at amortized cost. Effective Interest Rate is the rate that exactly discounts estimated future cash receipts or cash payments through the expected life of financial asset to the net carrying amount of the financial asset. Effective Interest Rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period.
- ii. The Institution has adopted the alternative treatment as provided by the Carve Out in NFRS implementation as explained in Note 2. As a result, it has not included all fees paid or received, considering it to be immaterial or impracticable to determine reliably for calculating effective interest rate.

Interest income presented in statement of profit and loss includes:

- Interest income on financial assets measured at amortized cost calculated on an effective interest rate method. These financial assets include loans and advances including staff loans, investment in government securities and deposit instruments etc.
- Interest on investment securities measured at fair value, calculated on effective interest rate.
- Income on discounted instruments like bills purchased, documents negotiation is recognized over the period of discounting on accrual basis using effective interest rate.

#### **NFRS Requirement**

NFRS requires interest income to be recognized using the effective interest method, except for those classified at fair value through profit or loss. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over 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. The effective interest rate is calculated on initial recognition of the financial asset or liability by estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts expected to be paid or received by the Institution including expected early redemption fees and related penalties and premiums and discounts that are an integral part of the overall return. Direct incremental transaction costs related to the acquisition, issue or disposal of financial instruments is also taken into account in the calculation. Once financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### ***Carve-out for Effective Interest Rate (EIR) method***

The Institution has availed the carve-out for interest income recognition by applying the rate implicit on individual products. Considering the amount of renewal and initial service fees that the Institution charges on the loans and advances (which is in negligible figure), applying EIR method would not be practical and cost effective. Hence, initial service fees and renewal charges have been recognized during the period when such income accrue rather than being included within the component of interest income under EIR method.

#### ***Fee and commission income***

Fees and commission income that are integral to the effective interest rate on a financial asset are included in measurement of effective interest rate. Other fees and commission income including management fee, service charges are recognized as the related services are performed.

#### ***Dividend income***

Dividend on investment in resident company is recognized when the right to receive payment is established. Dividend income are presented in other operating 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 instruments.

#### ***Net income from other financial instrument at fair value through Profit or Loss***

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in Net gain or loss on financial assets and liabilities designated at fair value through profit or loss is recognized in statement of Profit or Loss. Interest earned or incurred is accrued in Interest income or Interest expense, respectively, using the effective interest rate (EIR), while dividend income is recorded in

other operating income when the right to the payment has been established.

### **3.10 Interest expense**

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Institution's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

### **3.11 Employees Benefits**

#### **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 prevailing Bonus Act 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;
- non-monetary benefits

#### **b) Post-Employment Benefit Plan**

Post-employment benefit plan includes followings:

##### **i. Defined Contribution Plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as personnel expense in profit or loss in the periods during which the related service are rendered by employees. Pre-paid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value. The following are the defined contribution plan provided by the Institution to its employees:

##### **a) Employees Provident Fund**

In accordance with law, 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 contributes monthly at a pre-determined rate (currently, 10% of the basic salary plus grades). Institution does not assume any future liability for provident fund benefits other than its annual contribution.

##### **ii. Defined Benefit Plan**

The Institution provides Gratuity Plan and Leave Encashment Plan (in terms of Annual Leave and Sick Leave) as defined benefits to its employees. These benefits are post-employment benefit plans and are paid based on length of service. These benefit plans are funded whereas the Institution makes earmark investment of these funds. The gratuity plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed year of service.

Further, employees of the Institution are entitled to avail Annual Leave and Sick Leave. The employees can carry forward the un-availed leave and are entitled to encash the cumulative at the time of the retirement. The obligation under these plans are calculated by a qualified actuary every

year using projected unit credit method.

The following are the defined benefit plans provided by the Institution to its employees:

**a) Gratuity**

Institution provides for gratuity on accrual basis covering eligible employees in terms of Employee Service Byelaws of the Institution. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed years of service. The Institution accounts for the liability for gratuity as per the actuarial valuation.

**b) Leave Salary**

The employees of the Institution are entitled to carry forward a part of their unavailed / unutilized leave subject to a maximum limit. The employees can encash unavailed/ unutilized leave partially in terms of Employee Service Byelaws of the Institution. The Institution accounts for the liability for accumulated leave as per the actuarial valuation.

**c) Termination Benefits**

Termination benefits are recognized as expense when the Institution is demonstrably committed, without realistic possibility of withdrawal, to a formal plan to provide termination benefits to employees as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognized if the Institutions made an offer for voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be measured reliably. If the benefits are payable in more than 12 months after the reporting date, they are discounted to their present value.

### **3.12 Leases**

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

***The Institution as a Lessee:***

Finance leases that transfer to the Institution substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in Finance cost in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Institution will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases that do not transfer to the Institution substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognized in the year in which such benefits accrue. Contingent rentals are recognized as an expense in the period in which they are incurred.

### ***The Institution as a lessor***

Leases in which the Institution does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

In para 33, lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

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

Institution operates its branches under operating lease agreements. Operating lease rentals payable are charged to the profit and loss on a straight-line basis over the period of the lease.

For the reporting period the Institution did not have a finance lease in the capacity of the lessor or in the capacity of a lessee and it also did not have an operating lease in the capacity of the lessor.

### **3.13 Share capital and reserves**

The Institution classifies the capital instruments as equity instruments or financial liabilities in accordance with the substance with the contractual terms of the instruments. Equity is defined as residual interest in total assets of an entity 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.

The Institution is required to maintain the capital adequacy ratio imposed by the regulator. The ratio is fixed at 8.00% for current year and the Institution has maintained the ratio equal to 12.54%. Incremental costs directly attributable to issue of an equity instruments are deducted from the equity.

The reserves include retained earnings and other statutory reserves such as general reserve, exchange equalization reserve, regulatory reserve, fair value reserve, revaluation reserve and other reserves.

Regulatory reserve includes any amount derived as result of NFRS convergence with effect in retained earning computed as per NRB Directive No. 4.

### **3.14 Earnings per share including diluted**

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of earnings per share.

### 3.15 Segment reporting

An operating segment is a component of the Institution that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Institution's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

## 4. Explanatory Notes

The explanatory notes and significant disclosure relating to the financial statements are as follows:

### 4.1 Cash and Cash Equivalent

Cash and cash equivalents consist of the total amount of cash in hand, balances with other banks and financial institutions, money at call and short notice.

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Cash in hand	20,310,165	8,268,099	4,985,809
Balance with B/FIs	106,229,000	257,004,688	10,314,000
Money at call and short notice	-	-	152,172,444
Other	-	-	-
<b>Total</b>	<b>126,539,164</b>	<b>265,272,788</b>	<b>167,472,253</b>

### 4.2 Due from Nepal Rastra Bank

Statutory balances held with Nepal Rastra Bank for compulsory cash reserve, securities purchased from Nepal Rastra Bank under resale agreement, other deposits with and receivables from Nepal Rastra Bank has been presented under this account head.

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Statutory Balances with NRB	13,372,750	3,372,750	-
Securities Purchased under re-sale agreement	-	-	-
Other deposit and receivable from NRB	-	-	-
<b>Total</b>	<b>13,372,750</b>	<b>3,372,750</b>	<b>-</b>

### 4.3 Placement with Bank and Financial Institutions

No placement with domestic as well as foreign bank and financial institutions held by the institution during the year.

### 4.4 Derivative Financial Instruments

There were no derivative financial instruments held by the Institution during the year.

### 4.5 Other Trading Assets

There were no trading assets held by the Institution during the year.

### 4.6 Loan and Advances to Banks and Financial Institutions

There were no Loans and Advances provided to Banks and Financial Institutions during the year.

#### 4.7 Loans and advances to customers

Outstanding amount of all loans and advances extended to the customers other than BFIs as well as Bills Purchased and discounted less the amount of impairment allowances has been presented. Loan to employees provided according to employee bye-laws of the Institution has also been presented under this head.

Particulars		As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Loans and advances measured at amortized cost		3,005,871,231	2,409,480,682	1,813,516,829
Less:	Impairment allowances	<b>(177,318,157)</b>	<b>(93,906,478)</b>	<b>(26,994,688)</b>
	Collective Allowances	(34,266,504)	(21,954,615)	(6,393,776)
	Individual Allowances	(143,051,653)	(71,951,863)	(20,600,912)
<b>Net amount</b>		<b>2,828,553,074</b>	<b>2,315,574,204</b>	<b>1,786,522,141</b>
Loans and advances measured at FVTPL		-	-	-
<b>Total</b>		<b>2,828,553,074</b>	<b>2,315,574,204</b>	<b>1,786,522,141</b>

#### 4.7.1 Analysis of Loans and advances- By Currency

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Nepalese rupee	2,828,553,074	2,315,574,204	1,786,522,141
Indian rupee	-	-	-
United State dollar	-	-	-
Great Britain pound	-	-	-
Euro	-	-	-
Japanese yen	-	-	-
Chinese yen	-	-	-
Other	-	-	-
<b>Total</b>	<b>2,828,553,074</b>	<b>2,315,574,204</b>	<b>1,786,522,141</b>

#### 4.7.2 Allowances for Impairment

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Specific allowance for impairment</b>			
<b>Balance at Shrawan 1</b>	71,951,863	20,600,912	11,874,764
Impairment loss for the year	71,099,791	51,350,951	8,726,148
Charge for the year	-	-	-
Recoveries/reversal during the year	-	-	-

Write-offs	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-
Other Movement	-	-	-
<b>Balance at Asadh end</b>	<b>143,051,653</b>	<b>71,951,863</b>	<b>20,600,912</b>
<b>Collective allowance for Impairment</b>			
<b>Balance at Shrawan 1</b>	21,954,615	6,393,776	15,379,992
Impairment loss for the year	12,311,889	15,560,839	(8,986,216)
Charge/(reversal) for the year	-	-	-
Exchange rate variance on foreign currency	-	-	-
Other movement	-	-	-
<b>Balance at Asadh end</b>	<b>34,266,504</b>	<b>21,954,615</b>	<b>6,393,776</b>
<b>Total Allowance for impairment</b>	<b>177,318,157</b>	<b>93,906,478</b>	<b>26,994,688</b>

#### 4.8 Investment securities

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Investment securities measured at amortized cost	-	-	-
Investment Securities measured at FVTOCI	2,000,000	2,000,000	1,000,000
<b>Total</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>

##### 4.8.1 Investment in Unquoted Equity

	As at 31st Ashadh 2078		Restated As at 31st Ashadh 2077		Restated As at 31st Ashadh 2076	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Investment in unquoted equity</b>						
Nepal Finsoft Company Ltd	2,000,000	2,000,000	2,000,000	2,000,000	1,000,000	1,000,000
<b>Total</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Grand Total</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>

#### 4.9 Current Tax Assets and Liabilities

Current tax assets	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Current tax assets</b>			
Current year income tax assets	-	-	-

Tax assets of prior periods	-	-	-
<b>Total</b>	-	-	-
<b>Current tax Liabilities</b>			
Current year income tax liabilities	-	5,174,145	10,747,914
Tax Liabilities of prior periods	-	-	-
<b>Total</b>	-	<b>5,174,145</b>	<b>10,747,914</b>
<b>Total</b>	-	<b>(5,174,145)</b>	<b>(10,747,914)</b>

#### 4.10 Investment in Subsidiaries

There was no Investment by Institution in Subsidiaries.

#### 4.11 Investment in Associates

There was no Investment by Institution in Associates.

#### 4.12 Investment Properties

This also includes land, land and building acquired as non-banking assets by the Institution but not sold. After The Institution has measured Investment properties are measured at cost, however no depreciation has been charged as no such properties has been used by the Institution. There was no Investment properties held by the Institution during the year.

#### 4.13 Property and Equipment

All assets of long-term nature (fixed) like land, building, IT equipment, fixtures and fittings, office equipment and appliances, vehicles, machinery, leasehold developments and capital work in progress owned by the Institution has been presented under this head.

Particulars	Land	Building	Leasehold Properties	Computer and Accessories	Vehicles	Furniture & Fixture	Machinery	Office Equipment	Other Assets	Total
<b>Cost</b>										
<b>Balance as on Shrawan 1, 2075</b>	-	-	-	-	753,312	5,264,889	-	8,016,682	3,440,102	17,474,985
<b>2075-76</b>										
Addition during the Year	-	-	-	-	2,081,550	2,944,640	-	5,814,362	1,489,264	12,329,816
Acquisition	-	-	-	-	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	101,701	101,701
<b>Balance as on 31st Ashadh 2076</b>	-	-	-	-	2,834,862	8,209,529	-	13,831,044	5,031,067	29,906,502
<b>2076-77</b>										
Addition during the Year	-	-	118,548	-	168,151	542,489	-	-	4,499,869	5,329,056.69
Acquisition	-	-	-	-	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	1,066,092	-	1,818,643	(4,035,193)	-
<b>Balance as on 31st Ashadh 2077</b>	-	-	118,548	-	3,003,013	9,818,109	-	15,649,687	5,495,743	34,085,101
<b>2077-78</b>										
Addition during the Year	-	-	28,000	-	5,303,952	751,118	-	842,887	95,280	7,021,237
Acquisition	-	-	-	-	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
<b>Balance as on 31st Ashadh 2078</b>	-	-	146,548	-	8,306,965	10,569,227	-	16,492,574	5,591,023	24,399,807
<b>Depreciation and Impairment</b>										
Balance as on 1st Shrawan 2075	-	-	-	-	459,825	2,557,301	-	3,709,602	1,098,658	7,825,386

<b>2075-76</b>	-	-	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	-	-	477,694	1,237,830	-	2,188,497	410,852	4,314,873.00
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	221,629	221,629.00
<b>As on Ashadh end 2076</b>	-	-	-	-	<b>937,519</b>	<b>3,795,131</b>	-	<b>5,898,099</b>	<b>1,731,139</b>	<b>12,361,888</b>
<b>2076-77</b>										
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	23,710	-	413,099	1,204,596	-	1,950,318	752,921	4,344,643
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>As on Ashadh end 2077</b>	-	-	<b>23,710</b>	-	<b>1,350,618</b>	<b>4,999,727</b>	-	<b>7,848,417</b>	<b>2,484,060</b>	<b>16,706,531</b>
<b>2077-78</b>										
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	7,000	-	1,060,790	139,454	-	152,586	16,716	1,376,547
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-
<b>As on Ashadh end 2078</b>	-	-	<b>30,710</b>	-	<b>2,411,408</b>	<b>5,139,181</b>	-	<b>8,001,003</b>	<b>2,500,776</b>	<b>5,638,570</b>
<b>Capital Work in Progress</b>										
<b>2076.03.31</b>	-	-	-	-	-	-	-	-	-	-
<b>2077.03.31</b>	-	-	-	-	-	-	-	-	-	-
<b>2078.03.31</b>	-	-	-	-	-	-	-	-	-	-
<b>Net Book Value as on 31st Ashadh 2076</b>	-	-	-	-	<b>1,897,343</b>	<b>4,414,398</b>	-	<b>7,932,945</b>	<b>3,299,928</b>	<b>17,544,615</b>
<b>Net Book Value as on 31st Ashadh 2077</b>	-	-	<b>94,838</b>	-	<b>1,652,395</b>	<b>4,818,383</b>	-	<b>7,801,271</b>	<b>3,011,683</b>	<b>17,378,571</b>
<b>Net Book Value as on 31st Ashadh 2078</b>	-	-	<b>92,129</b>	-	<b>5,895,557</b>	<b>5,430,046</b>	-	<b>6,541,254</b>	<b>2,337,326</b>	<b>18,761,238</b>

#### 4.14 Goodwill and Intangible Assets

There was no Goodwill and Intangible Assets held by the Institution during the year.

#### 4.15 Deferred Tax Assets / Liabilities Current Year 2077-78

Particulars	Tax base	Accounting Base	Difference
<b>Through PL</b>			
WDV on Assets	-	-	-
Loans and advances to customer	-	-	-
Leave Encashment	-	10,700,794	(10,700,794)
Gratuity provision	-	10,151,338	(10,151,338)
Lease Rental payable	-	-	-
<b>Through OCI</b>			
Actuarial Gain/Loss	-	(16,298)	16,298
Fair Value reserve(Investment in shares)	-	-	-
<b>Total</b>			<b>(20,835,834)</b>
<b>Tax rate</b>			<b>30%</b>
Defered tax (Assets)/Liabilities			(6,250,750)
Opening defered tax assets			(6,901,236)
<b>Defered Tax Expense/(Income) to be recognised</b>			<b>650,485</b>
<b>Defered Tax Expense/(Income) to be recognised Through OCI</b>			<b>4,889</b>
<b>Defered Tax Expense/(Income) to be recognised Through PL</b>			<b>645,596</b>

#### Previous Year 2076-77

Particulars	Tax base	Accounting Base	Difference
<b>Through PL</b>			
WDV on Assets	-	-	-
Loans and advances to customer	-	-	-
Leave Encashment	-	3,973,266	(3,973,266)
Gratuity provision	-	8,367,984	(8,367,984)
Lease Rental payable	-	-	-
<b>Through OCI</b>			
Actuarial Gain/Loss		-	-
Fair Value reserve(Investment in shares)	-	-	-
<b>Total</b>			<b>(12,341,249)</b>
<b>Tax rate</b>			<b>30%</b>
Defered tax (Assets)/Liabilities			(3,702,375)

Opening deferred tax Assets	(977,284)
<b>Deferred Tax Expense/(Income) to be recognised</b>	<b>(2,725,090)</b>
<b>Deferred Tax Expense/(Income) to be recognised Through OCI</b>	<b>-</b>
<b>Deferred Tax Expense/(Income) to be recognised Through PL</b>	<b>(2,725,090)</b>

#### 4.16 Other assets

Particulars	As at 31st Ashad 2078	Restated As at 31st Ashad 2077	Restated As at 31st Ashad 2076
Assets held for sale	-	-	-
Other Non-Banking Assets	-	-	-
Bills Receivable	-	-	-
Accounts receivable	344,859	186,124	111
Accrued income	42,256,966	62,233,288	18,556,057
Prepayments and deposits	320,628	-	511,350
Income tax deposit	21,161,541	8,888,203	12,136,117
Deferred Employee Expenditure	4,219,991	2,979,726	1,451,543
Staff Loan	15,178,155	17,551,433	12,700,432
Other			
Inter Branch Account	-	200	40
Telephone Security	78,789	74,273	37443
Stationery Stock	955,783	520,914	714844
Gold Bullion in Vault	-	-	-
Government Transaction Receivable	-	-	-
DD Paid without Schedule	-	-	-
Other	11,168	1,223,997	2,067,359
<b>Total</b>	<b>84,527,879</b>	<b>93,658,158</b>	<b>48,175,296</b>

#### 4.17 Due to Bank and financial institution

There was no due to bank and financial institutions by the Institution during the year.

#### 4.18 Due to Nepal Rastra Bank

There was no due to Nepal Rastra Bank by the Institution during the year.

#### 4.19 Derivative financial instruments

There was no Derivative financial instruments held by the Institution during the year.

#### 4.20 Deposits from Customers

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Institutions Customers:			
Term deposits			-
Call Deposits	-	-	-
Current Deposits	-	-	-
Other	-	-	-
<b>Sub total:</b>	-	-	-
Individual Customers:			
Term deposits	-	-	-
Saving Deposits	1,158,314,190.23	1,067,907,261.29	726,631,949.00
Current Deposits	-	-	-
Other	-	-	-
<b>Sub total:</b>	<b>1,158,314,190</b>	<b>1,067,907,261</b>	<b>726,631,949</b>
<b>Total</b>	<b>1,158,314,190</b>	<b>1,067,907,261</b>	<b>726,631,949</b>

#### 4.20.1 Currency wise analysis of deposits from customers

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Nepalese rupee	1,158,314,190	1,067,907,261	726,631,949
Indian rupee	-	-	-
United state dollar	-	-	-
Great Britain pound	-	-	-
Euro	-	-	-
Japanese yen	-	-	-
Chinese yuan	-	-	-
Other	-	-	-
<b>Total</b>	<b>1,158,314,190</b>	<b>1,067,907,261</b>	<b>726,631,949</b>

#### 4.21 Borrowing

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Domestic Borrowing:</b>			
Nepal Government	-	-	-
Other institution	1,361,029,298	1,143,215,052	1,027,575,942
Other	-	-	-
<b>Sub total</b>	<b>1,361,029,298.43</b>	<b>1,143,215,051.74</b>	<b>1,027,575,942</b>
<b>Foreign Borrowing:</b>			
Foreign Bank and Financial Institutions	-	-	-
Multilateral Development Bank	-	-	-
Other institutions	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,361,029,298</b>	<b>1,143,215,052</b>	<b>1,027,575,942</b>

#### 4.22 Provisions

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Provisions for redundancy	-	-	-
Provision for restructuring	-	-	-
Pending legal issues and tax litigation	-	-	-
Onerous contract	-	-	-
Other	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### 4.22.1 Movement in Provision

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
<b>Balance at shrawan 1st</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provisions made during the year	-	-	-
Provisions used during the year	-	-	-

Provisions reversed during the year	-	-	-
Unwind of discount	-	-	-
<b>Balance at Ashadh End</b>	-	-	-

#### 4.23 Other liabilities

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Liability for employees defined benefit obligations	15,510,874	11,410,845	1,262,968
Liability for long-service leave	19,347,760	10,051,522	5,921,915
Short-term employee benefits	-	-	-
Bills payable	-	-	5,583,327
Creditors and Accruals	-	-	-
Interest payable on deposit	19,746,047	19,909,003	19,957,516
Interest payable on borrowing	-	-	-
Liabilities on deferred grant income	-	-	-
Unpaid Dividend	-	-	-
Liabilities under finance lease	-	-	-
Employee bonus payable	8,361,951	950,829	3,055,943
Other	7,260,961	7,415,421	46,532,479
<b>Total</b>	<b>70,227,592</b>	<b>49,737,620</b>	<b>82,314,148</b>

##### 4.23.1 Defined benefit obligation

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Present value of unfunded obligations	15,510,874	11,410,845	1,262,968
Present value of funded obligations	-	-	-
<b>Total present value of obligations</b>			
Fair value of plan assets	-	-	-
Present value of net obligations	-	-	-
<b>Recognized liability for defined benefit obligation</b>	-	-	-

##### 4.23.2 Plan Assets

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
-------------	------------------------	---------------------------------	---------------------------------

Equity securities	-	-	-
Government bonds	-	-	-
Bank deposits	-	-	-
Other	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 4.23.3 Movement in the present value of defined benefit obligations

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Defined benefit obligation at shrawan 1st	11,410,845	1,262,968	1,262,968
Actuarial losses	(16,298)	367,320	-
Benefit paid by the plan	-	-	-
Current service cost and interest	4,116,327	9,780,557	-
<b>Defined benefit obligation at Ashadh end</b>	<b>15,510,874</b>	<b>11,410,845</b>	<b>1,262,968</b>

#### 4.23.4 Movement in the fair value of plan assets

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Fair value of plan assets at shrawan 1st	-	-	-
Contributions paid into the plan	-	-	-
Benefit paid during the year	-	-	-
Actuarial (losses) gains	-	-	-
Expected return on plan assets	-	-	-
<b>Fair value of plan assets at Ashadh end</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 4.23.5 Amount recognized in profit or loss

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Current service cost	8,210,344	12,556,896	3,184,505
Interest on obligation	1,102,027	582,450	151,156
Expected return on plan assets	-	-	-
<b>Total</b>	<b>9,312,371</b>	<b>13,139,346</b>	<b>3,335,661</b>

#### 4.23.6 Amount recognized in other comprehensive income

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Acturial (gain)/loss	(16,298.00)	367,320.00	-
<b>Total</b>	<b>(16,298.00)</b>	<b>367,320.00</b>	<b>-</b>

#### 4.23.7 Actuarial assumptions

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077	As at 31st Ashadh 2076
	Gratuity	Gratuity	Gratuity
Discount rate	4.50%	4.50%	4.50%
Expected return on plan assets	0.00%	0.00%	0.00%
Future salary increase	4.00%	4.00%	4.50%
Expected Average remaining working lives (years)	-		
Withdrawal rate	12.00%	12.00%	12.00%

#### 4.24 Debt securities issued

No debt securities have been issued by the Institution.

#### 4.25 Subordinated Liabilities

No Subordinated Liabilities has been issued by the Institution.

#### 4.26 Share Capital

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Ordinary shares	312,875,411.35	277,563,000	108,000,000
Convetible preference share(Equity component)	-	-	-
Irredemable preference share(Equity component)	-	-	-
Perpetual debt(Equity component only)	-	-	-
<b>Total</b>	<b>312,875,411.35</b>	<b>277,563,000.00</b>	<b>108,000,000</b>

#### 4.26.1 Ordinary Shares

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Authorized capital:			
5,000,000 ordinary share of Rs.100 each	500,000,000	500,000,000	500,000,000
Issued capital:			
10,80,000 ordinary share of Rs.100 each	-	-	108,000,000
27,75,630 ordinary share of Rs.100 each	-	277,563,000	-

31,28,754.11 ordinary share of Rs.100 each	312,875,411	-	-
Subscribed and paid of capital:			
10,80,000 ordinary share of Rs.100 each	-	-	108,000,000
27,75,630 ordinary share of Rs.100 each	-	277,563,000	-
31,28,754.11 ordinary share of Rs.100 each	312,875,411	-	-
<b>Total</b>	<b>312,875,411.35</b>	<b>277,563,000.00</b>	<b>108,000,000</b>

#### 4.26.2 Ordinary share ownership

Particulars	As at 31st Ashadh 2078		Restated As at 31st Ashadh 2077		Restated As at 31st Ashadh 2076	
	Percent	Amount	Percent	Amount	Percent	Amount
<b>Domestic ownership:</b>	100.00%	<b>312,875,411</b>	100.00%	<b>252,330,000</b>	100.00%	<b>120,960,000</b>
Nepal Government	0.00%	-	0.00%	-	0.00%	-
"A" class licensed institutions	0.00%	-	0.00%	-	0.00%	-
Other licensed institutions	0.00%	-	0.00%	-	0.00%	-
Other institutions	0.64%	2,002,403	0.00%	-	0.00%	-
Public	35.48%	111,008,196	35.48%	89,530,000	60.00%	72,576,000
Other	63.88%	199,864,813	64.52%	162,800,000	40.00%	48,384,000
<b>Foreign ownership</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>
<b>Total</b>	<b>100.00%</b>	<b>312,875,411</b>	<b>100.00%</b>	<b>252,330,000</b>	<b>100.00%</b>	<b>120,960,000</b>

#### 4.26.3 Proposed Distributions (Dividend and Bonus Share)

The Board has recommended 13 percent bonus share and 0 percent cash dividend for the purpose of tax on bonus share of the existing paid up capital for the reported Fiscal Year 2077/78. This proposal of the board of directors is subject to the approval from NRB and ratification by the Annual General meeting of the shareholders. The proposed distribution shall be recognized in the equity in the period in which they are paid.

#### 4.27 Reserves

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077	Restated As at 31st Ashadh 2076
Statutory General Reserve	39,669,819	30,456,959	26,094,150
Other Reserves	-	-	11,744
Client Protection Fund	50,711,577	57,106,668	5,017,794
Corporate social responsibility reserve	694,383	819,498	681,087
Employee training fund	-	-	-
Investment adjustment reserve	-	-	-

<b>Regulatory Reserve</b>	(58,454,596)	(257,124)	
Actuarial Reserve	(11,409)	257,124	-
Institutional Development Fund	-	-	-
Exchange equilisation reserve	-	-	-
Deferred Tax Reserve	10,534,674	5,923,951	2,079,773
Capital reserve	-	-	-
Fair value reserve	-	-	-
<b>Total</b>	<b>43,144,449</b>	<b>94,307,075</b>	<b>33,884,548</b>

#### **4.27.1 General Reserve**

General Reserve is created as per Section 44 of the Banks and Financial Institutions Act 2073 equivalent to 20% of the net profit earned during the year until the reserve is twice the paid-up share capital of the Institution after which 10% of the net profit earned during the year shall be set aside as General Reserve.

Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank.

#### **4.27.2 Client protection fund**

As per Clause 6.14 of Microfinance Directive, 2076 issued by NRB, every micro finance must allocate 1% of its profit to Client Protection Fund.

#### **4.27.3 Corporate Social Responsibility Fund**

The fund created for the purpose of corporate social responsibility by allocating profit of 1% has been presented under this account head.

#### **4.27.4 Exchange Equalization Reserve**

Exchange Fluctuation Reserve is the reserve created as per Section 44 of the Banks and Financial Institutions Act 2073 equivalent to 25% of the foreign exchange gain realized on the translation of foreign currency to the reporting currency during the year other than Indian Rupees. Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank other than to set off revaluation loss incurred, if any during the year.

#### **4.27.5 Capital Reserve**

The assets received under grant has been booked under Property and Equipment by creating a capital reserve of equal amount. The annual depreciation is deducted every year from this reserve till the useful life of assets. The balance of capital reserve depicts Written down Value of the Grant Assets.

#### **4.27.6 Fair Value Reserve**

The fair value reserve comprises the cumulative net change in the fair value of financial assets that are measured at fair value and the changes in fair value is recognized in other comprehensive income, until the assets are derecognized. The cumulative amount of changes in fair value of those financial assets has been presented under this account head.

#### **4.28 Contingent Liabilities and Commitment**

The institution has currently no any contingent liability.

#### **4.29 Interest Income**

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>
Cash and cash equivalents	-	-
Due from Nepal Rastra Bank	-	-
Placement with Banks and Financial Institutions	6,352,898	10,970,850
Loans and Advances to Bank and Financial Institutions	-	-
Loans and advances to customers	461,480,293	381,941,779
Investment securities	-	-
Loans and advances to staff	-	-
Other	1,257,943	643,707
<b>Total interest income</b>	<b>469,091,134</b>	<b>393,556,337</b>

#### 4.30 Interest Expenses

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>
Due to Bank and Financial Institutions	81,838,951	124,868,941
Due to Nepal Rastra Bank	-	-
Deposits from customers	52,514,726	57,390,883
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	2,759,324	-
<b>Total interest expense</b>	<b>137,113,000</b>	<b>182,259,824</b>

#### 4.31 Fees and Commission Income

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>
Loan Administration fees	-	-
Service fees	56,411,608	33,645,644
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	-	-
Prepayment and swap fees	-	-
Investment banking fees	-	-
Assets management fees	-	-
Brokerage fees	-	-
Remittance fees	-	-
Commission on letter of credit	-	-

Commission on Guarantee Contracts issued	-	-
Commission on share underwriting/issued	-	-
Locker rental	-	-
Other Fees and Commission Income	4,609,442	3,601,685
<b>Total Fees and Commission Income</b>	<b>61,021,050</b>	<b>37,247,329</b>

#### 4.32 Fees and Commission Expense

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other Fees and Commission Expense	-	-
<b>Total Fees and Commission Expense</b>	<b>-</b>	<b>-</b>

#### 4.33 Net trading income

There was no trading income earned by the Institution during the year.

#### 4.34 Other operating income

There was no other operating income earned by the Institution during the year.

#### 4.35 Impairment charge/(reversal) for loan and other losses

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
Impairment charge/(reversal) on loan and advances to B/FIs	-	-
Impairment charge/(reversal) on loan and advances to customer	83,411,680	47,406,521
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with bank and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment property	-	-
<b>Total impairment charge/(reversal) for loan and other losses</b>	<b>83,411,680</b>	<b>47,406,521</b>

#### 4.36 Personnel Expense

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>
Salary	69,540,865	61,366,743
Allowances	40,703,691	31,456,406
Gratuity expenses	10,151,338	8,367,984
Provident fund	5,681,162	4,743,309
Uniform	2,128,000	1,736,000
Training & Development Expense	83,159	831,907
Leave encashment	10,700,794	3,973,266
Medical	2,006,093	2,285,734
Insurance	-	-
Employees Incentive	-	-
Cash-settled share-based payments	-	-
Pension Expense	-	-
Finance expenses under NFRS	-	-
Other Expenses Related to Staff	662,663	-
<b>Sub-Total</b>	<b>141,657,764</b>	<b>114,761,349</b>
Employees Bonus	8,361,951	52,744
<b>Total personnel expenses</b>	<b>150,019,715</b>	<b>114,814,093</b>

#### 4.37 Other operating expense

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>
Directors' fee	59,000	828,708
Directors' expense	490,740	59,347
Auditors' remuneration	452,000	480,250
Other audit related expense	199,719	160,942
Professional and legal expense	10,435	45,600
Office administration expense	23,788,459	24,491,179
Operating lease expense	16,116,383	14,377,456
Operating expense of investment properties	-	-
Client Protection Fund Expense	-	-
Corporate Social Responsibility Expense	-	-
Onerous lease provision	-	-
Other	-	-
<b>Total other operating expense</b>	<b>41,116,735</b>	<b>40,443,482</b>

##### 4.37.1 Office Administration Expense

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>
Water and electricity	1,034,854	1,020,767
Repair and maintenance		
(a) Building	-	-
(b) Vehicle	642,905	175,169
(c) Computer and accessories	-	-
(d) Office equipment and furniture	-	-
(e) Other	-	292,391
Office Expenses	495,037	256,791
Insurance	649,405	322,496
Postage, telex, telephone, fax	3,857,666	5,134,598
Printing and Stationery	1,860,728	1,486,114
Newspaper, books and journals	4,160	28,784
Advertisement	139,721	447,695
Donation	-	4,100
Security Expense	-	-
Deposit and loan guarantee premium	-	-
Travel allowance and expense	7,761,904	7,827,418
Entertainment	-	-
Annual/Special general meeting expense	280,375	131,320
Other	6,710,610	5,512,088
Share issue Expenses	250,000	1,713,145
Technical Service Fees	1,000	-
Transfer Commission	100,093	138,304
<b>Total office administration expense</b>	<b>23,788,459</b>	<b>24,491,179</b>

#### 4.38 Depreciation & Amortization

<b>Particulars</b>	<b>As at 31st Ashadh 2078</b>	<b>Restated As at 31st Ashadh 2077</b>
Depreciation on Property and Equipment	5,638,570	5,495,101
Depreciation on investment property	-	-
Amortisation of intangible assets	-	-
<b>Total depreciation and amortisation</b>	<b>5,638,570</b>	<b>5,495,101</b>

#### 4.39 Non-operating income

There was no non operating income earned by the Institution during the year.

#### 4.40 Non-Operating Expenses

There was no non-operating expense incurred by the Institution during the year.

#### 4.41 Income tax Expense

Particulars	As at 31st Ashadh 2078	Restated As at 31st Ashadh 2077
<b>Current tax expense</b>	<b>29,193,254</b>	<b>1,633,605</b>
Current year	29,193,254	1,633,605
Adjustment for prior years	-	-
<b>Deferred tax expense</b>	<b>645,596</b>	<b>(2,725,090)</b>
Origination and reversal of temporary differences	645,596	(2,725,090)
Changes in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
<b>Total income tax expense</b>	<b>29,838,850</b>	<b>(1,091,485)</b>

## 5. Disclosures and Additional Information

### 5.1 Risk Management

The Institution in compliance with Nepal Rastra Bank Directive No.6 "Corporate Governance" has established a Risk Management Committee. Such committee comprised of following members as on date of the report:

	Members of Risk Management Committee	Designation
1	Keshav Narayan Pradhan	Coordinator
2	Anurag Wagle	Member
3	Krishna Prasad Sharma	Member
4	Yan Prasad Aryal	Secretary

The committee shall meet at least once every 3 months and also as per necessity based on circumstances. The committees play the advisory roles in the issues of risk of the Institution after overseeing the various risks relating to liquidity, credit, operation, capital etc. The committee's major function is to identify and minimize the Liquidity Risk, Credit Risk, Operating Risk, Marketing Risk and IT Risk

#### Management Committee:

The Management Committee represented by all key Business and Function Heads of Institution that manages Institution's operation on day to day basis. This committee meets as and when required. The strategies of Institution are decided and monitored on regular basis and decision is taken collectively by this committee. The CEO chairs committee. As at the date of this report, the committee comprises of following Members:

	Members of Management Committee	Designation
--	---------------------------------	-------------

1	Keshav Narayan Pradhan	Managing Director
2	Krishna Bahadur Khand	Chairman
3	Bikash Gauchan	Director
4	Shanta Kumari Upreti	Director
5	Chandra Bahadur Chhetri	Director
6	Bishwa Raj Nepal	Director
7	Anurag Wagle	Director

### 5.2 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.

### 5.3 Market Risk

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

### 5.4 Liquidity Risk

Liquidity has been actively monitored at an appropriate frequency. Routine reporting, Trend Analysis and Budget Variance Analysis was in place to BOD and through the 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.

## 5.2 Capital Management

The company's objective is to prudently manage shareholder capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholder, undertake share buybacks, issue new shares and make borrowings in the short term.

## 5.3 Segment Analysis

The Institution's operation is managed centrally through Head Office. All strategic, financial and operational policies and operations are controlled and directed from the head office. The Institution operates in seven provinces though has a single jurisdiction.

## 5.4 Share options and share based payment

There is no share-based payment made by the Institution.

## 5.5 Contingent liabilities and commitment

The Institution discloses amount as contingent liabilities when it undertakes to make a payment on

behalf of its customers for guarantee issued as part of its transaction's for which no obligation will arise at the end of the reporting period. Other contingent liability can arise in respect of taxes and other regulatory liabilities. Though Institution has been complying with applicable laws and regulation it may be subject to regulatory action which may result in material financial liability to the Institution and are difficult to predict. None of such material claim exist at the end of reporting date.

When the Institution has confirmed its intention to provide funds to a customers or on behalf of a customers in the form of loans and advances, future guarantee and the Institution has not made the payment at the end of reporting period, those instruments are included financial statements as commitment

### 5.9 Related Parties Disclosures

Followings are the related parties to the Institution as per NAS 24" Related Parties Disclosures":

#### **Key Management Personnel (KMP)**

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director.

The key management of the Institution includes members of its Board of Directors, Chief Executive Officer and other higher-level employee of the Institution. The name of the key management personnel who were holding various positions in the office during the year (As at Ashad end 2078) were as follows:

<b>Name of the Key Management Personnel</b>	<b>Post</b>
Keshav Narayan Pradhan	Managing Director
Phanindra Pandey	Chief Manager
Harsh Bahadur Santyal	Chief Manager
Krishna Prasad Sharma	Officer
Yam Prasad Aryal	Officer

#### 5.9.1 Compensation to Key Management Personnel

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and Allowances paid to the Chief Executive Officer is based on the contract entered by the Institution with him whereas compensation paid to other member of KMP are governed by Employees Byelaws and decisions made by management time to time in this regard. In addition to salaries and allowances, non- cash benefits like vehicle facility, subsidized rate employees' loan, and termination benefits are also provided to KMP.

### 5.1 Merger and acquisition

No any Merger and acquisition has taken in the years presented.

### 5.2 Additional disclosures of non-consolidated entities

There are no further disclosures to be made as per NFRS requirements.

### 5.3 Events after reporting date

There are no other events after Reporting Date affecting financial status as on Ashad end, 2078.

### 5.4 Valuation Hierarchy

Following tables demonstrates the valuation hierarchy of Institution's Assets and Liabilities. This fair value may differ from the actual amount that may be received or paid on settlement, realization or maturity of those Financial Assets and Liabilities.

#### **Fair Value of Financial Assets and Liabilities Measured at Fair Value**

The fair value measurement hierarchy is as follows:

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

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

**Level 3** portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

Fair Value Disclosure	Level 1			Level 2			Level 3		
	As on 2078.03.31	As on 2077.03.31	As on 2076.03.31	As on 2078.03.31	As on 2077.03.31	As on 2076.03.31	As on 2078.03.31	As on 2077.03.31	As on 2076.03.31
Particulars									
Quoted Equity shares	-	-	-	-	-	-	-	-	-
Unquoted Equity							2,000,000	2,000,000	1,000,000

#### 5.14 Impairment of financial assets

At each reporting date, the Institution has assessed whether there exists objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Institution on terms that the Institution would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In case of financial difficulty of the borrower, the Institution considers to restructure loans rather

than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

#### 5.14.1 Use of Carve Outs for Financial Assets

##### a. For Impairment Calculation

An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 of NAS 39: Financial Instruments: Recognition and Measurement, to determine the amount of any impairment loss unless the entity is bank or financial institutions registered as per Bank and Financial Institutions Act, 2073. Bank and Financial Institutions shall measure impairment loss on loan and advances as higher of amount derived as per prudential norms prescribed by Nepal Rastra Bank and amount determined as per paragraph 63. However, bank and financial institutions shall apply paragraph 63 of NAS 39: Financial Instruments: Recognition and Measurement to determine the amount of impairment loss on financial assets other than loan and advances.

The Institution for the financial years 2077/78 has assessed the impairment under NFRS impairment model and under NRB Directives. Since the impairments under NRB directives are more than under NFRS, the Institution has recognized impairment calculated under NRB directives. Following table below depicts the calculation of impairment allowance as per NFRS and as per NRB Directives:

#### Impairment as per NAS 39

Particulars	For the year 2078.03.31	For the year 2077.03.31	For the year 2076.03.31
Loans and advances to Customers (excluding staff loan, AIR and impairment) (A)	3,005,871,231	2,409,480,682	1,813,516,829
Less:			
<b>Impairment allowances (a + b)</b>	<b>(177,318,157)</b>	<b>(93,906,478)</b>	<b>(26,994,688)</b>
Collective Allowances (a)	(34,266,504)	(21,954,615)	(6,393,776)
Individual Allowances (b)	(143,051,653)	(71,951,863)	(20,600,912)
<b>Impairment as percentage of Total Loans and advances</b>	<b>4.76%</b>	<b>2.99%</b>	<b>1.14%</b>

Particulars	For the year 2078.03.31	For the year 2077.03.31	For the year 2076.03.31
Loan Loss Provision as per NRB Directive- Alternative 1	177,318,157	93,906,478	26,994,688
Impairment Loss as per NFRS -Alternative 2	29,138,202	22,409,481	1,944,372

Loss provision recognized in financial statements (higher of the two alternative)	177,318,157	93,906,478	26,994,688
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### 5.15 First Time Adoption of NFRS

The Financial Statements for the year ending 31st Asadh 2078 are the first set of Financial Statements prepared under NFRS by the Institution which includes the Comparative Financial Statements and Statement of Financial Position of transition date beside the complete set of Financial Statements for the Fiscal Year 2075/76 under NFRS.

Significant changes from the accounting policies adopted under previous GAAP (i.e. Nepal Rastra Bank Directives and Nepal Accounting Standard) and the adoption of NFRS has been disclosed in the respective segments including the impact.

NFRS 1 "First-Time Adoption of Nepal Financial Reporting Standards allows the first time adopters certain exemption from the retrospective application of certain NFRS, when such exemption has been adopted same has been disclosed in respective segment.

### Adjustment due to NFRS Adoptions

#### 1. Reconciliation of Statement of Financial Position reported for 31nd Asadh 2076 due to the adoption of NFRS

Particulars	As per GAAP	As per NFRS	Difference	Remarks
<b>ASSETS</b>				
Cash and cash equivalents	167,472,253	167,472,253	-	
Due from Nepal Rastra Bank	-	-	-	
Placement with Bank and Financial Institutions	-	-	-	
Derivative Financial Instruments	-	-	-	
Other Trading Assets	-	-	-	
Loans and advances to B/FIs	-	-	-	
Loans and advances to customers	1,786,522,141	1,786,522,141	-	
Investment securities	1,000,000	1,000,000	-	
Current tax assets	-	-	-	
Investment in subsidiaries	-	-	-	
Investment in associates	-	-	-	
Investment property	-	-	-	
Property and Equipment	17,544,615	17,544,615	-	
Goodwill and Intangible assets	-	-	-	

Deferred Tax Assets	2,775,285	2,775,285	-	
Other assets	26,619,239	48,175,296	21,556,057	Balance of Deferred Employee benefit Expenses and accrued interest
<b>Total Assets</b>	<b>2,001,933,533</b>	<b>2,023,489,590</b>	<b>21,556,057</b>	
		<b>Restated As at 31st Ashadh 2076</b>		
<b>Liabilities</b>		-	-	
Due to Bank and Financial Institutions	-	-	-	
Due to Nepal Ratsra Bank	-	-	-	
Derivative Financial Instrument	-	-	-	
Deposits from customers	726,631,949	726,631,949	-	
Borrowings	1,027,575,942	1,027,575,942	-	
Current Tax Liabilities	10,747,914	10,747,914	-	
Provisions	-	-	-	
Deferred Tax Liabilities	-	-	-	
Other liabilities	81,220,886	82,314,148	1,093,262	Gratuity and Leave Expenses booked on basis of actuarial valuation.
Debt securities issued	-	-	-	
Subordinated Liabilities	-	-	-	
<b>Total liabilities</b>	<b>1,846,176,691</b>	<b>1,847,269,953</b>	<b>1,093,262</b>	
<b>Equity</b>		-	-	
Share Capital	108,000,000	108,000,000	-	
Share Premium	-	-	-	
Retained Earnings	47,756,842	34,335,089	(13,421,753)	Net changes due to NFRS implementation
Reserves	-	33,884,548	33,884,548	Net changes due to NFRS implementation
<b>Total equity attributable to equity holders</b>	<b>155,756,842</b>	<b>176,219,637</b>	<b>20,462,795</b>	
<b>Non-controlling interest</b>	-	-	-	
<b>Total Equity</b>	<b>155,756,842</b>	<b>176,219,637</b>	<b>20,462,795</b>	
<b>Total Liabilities and Equity</b>	<b>2,001,933,533</b>	<b>2,023,489,590</b>	<b>21,556,057</b>	
Contingent Liabilities and commitment		-	-	
Net Assets Value Per share	215.78	163.17	(52.61)	Net changes due to NFRS implementation

2. Reconciliation of Statement of Financial Position reported for 31Asadh 2077 due to the adoption of NFRS

Particulars		As per GAAP	As per NFRS	Difference	Remarks
<b>ASSETS</b>					
	Cash and cash equivalents	265,272,788	265,272,788	-	
	Due from Nepal Rastra Bank	3,372,750	3,372,750	-	
	Placement with Bank and Financial Institutions	-	-	-	
	Derivative Financial Instruments	-	-	-	
	Other Trading Assets	-	-	-	
	Loans and advances to B/FIs	-	-	-	
	Loans and advances to customers	2,315,574,204	2,315,574,204	-	
	Investment securities	2,000,000	2,000,000	-	
	Current tax assets	-	-	-	
	Investment in subsidiaries	-	-	-	
	Investment in associates	-	-	-	
	Investment property	-	-	-	
	Property and Equipment	17,378,571	17,378,571	-	
	Goodwill and Intangible assets	-	-	-	
	Deferred Tax Assets	6,901,236	4,176,145	(2,725,090)	Net changes due to NFRS implementation
	Other assets	31,424,870	93,658,158	62,233,288	Balance of Deferred Employee benefit Expenses and accrued interest
<b>Total Assets</b>		<b>2,641,924,419</b>	<b>2,701,432,616</b>	<b>59,508,198</b>	
<b>Liabilities</b>			-	-	

	Due to Bank and Financial Institutions	-	-	-	
	Due to Nepal Ratsra Bank	-	-	-	
	Derivative Financial Instrument	-	-	-	
	Deposits from customers	1,067,907,261	1,067,907,261	-	
	Borrowings	1,143,215,052	1,143,215,052	-	
	Current Tax Liabilities	5,174,145	5,174,145	-	
	Provisions	-	-	-	
	Deferred Tax Liabilities	-	-	-	
	Other liabilities	45,970,336	49,737,620	3,767,284	Gratuity and Leave Expenses booked on basis of actuarial valuation.
	Debt securities issued	-	-	-	
	Subordinated Liabilities	-	-	-	
	<b>Total liabilities</b>	<b>2,262,266,794</b>	<b>2,266,034,078</b>	<b>3,767,284</b>	
	<b>Equity</b>				
	Share Capital	277,563,000	277,563,000	-	
	Share Premium	-	-	-	
	Retained Earnings	7,787,549	63,528,463	55,740,914	Net changes due to NFRS implementation
	Reserves	94,307,075	94,307,075	-	
	<b>Total equity attributable to equity holders</b>	<b>379,657,624</b>	<b>435,398,538</b>	<b>55,740,914</b>	
	<b>Non-controlling interest</b>				
	<b>Total Equity</b>	<b>379,657,624</b>	<b>435,398,538</b>	<b>55,740,914</b>	
	<b>Total Liabilities and Equity</b>	<b>2,641,924,418</b>	<b>2,701,432,616</b>	<b>59,508,198</b>	
	Contingent Liabilities and commitment	-	-	-	
	Net Assets Value Per share	220.28	156.86	(63.41)	Net changes due to NFRS implementation

**3. Reconciliation of Statement of Financial Position reported for 31<sup>st</sup> Asadh 2078 due to the adoption of NFRS**

<b>Particulars</b>	<b>As per GAAP</b>	<b>As per NFRS</b>	<b>Difference</b>	<b>Remarks</b>
<b>ASSETS</b>				
Cash and cash equivalents	126,539,164	126,539,164	-	
Due from Nepal Rastra Bank	13,372,750	13,372,750	-	
Placement with Bank and Financial Institutions	-	-	-	
Derivative Financial Instruments	-	-	-	
Other Trading Assets	-	-	-	
Loans and advances to B/FIs	-	-	-	
Loans and advances to customers	2,828,553,074	2,828,553,074	-	
Investment securities	2,000,000	2,000,000	-	
Current tax assets	-	-	-	
Investment in subsidiaries	-	-	-	
Investment in associates	-	-	-	
Investment property	-	-	-	
Property and Equipment	18,761,238	18,761,238	-	
Goodwill and Intangible assets	-	-	-	
Deferred Tax Assets	4,365,117	3,714,631	(650,485)	Net changes due to NFRS implementation
Other assets	42,270,913	84,527,879	42,256,966	Balance of Deferred Employee benefit Expenses and accrued interest
<b>Total Assets</b>	<b>3,035,862,255</b>	<b>3,077,468,735</b>	<b>41,606,480</b>	
<b>Liabilities</b>				
Due to Bank and Financial Institutions	-	-	-	
Due to Nepal Ratsra Bank	-	-	-	
Derivative Financial Instrument	-	-	-	
Deposits from customers	1,158,314,190	1,158,314,190	-	

Borrowings	1,361,029,298	1,361,029,298	-	
Current Tax Liabilities	26,657,135	26,657,135	-	
Provisions	-	-	-	
Deferred Tax Liabilities	-	-	-	
Other liabilities	65,525,554	70,227,592	4,702,038	Gratuity and Leave Expenses booked on basis of actuarial valuation.
Debt securities issued	-	-	-	
Subordinated Liabilities	-	-	-	
<b>Total liabilities</b>	<b>2,611,526,178</b>	<b>2,616,228,216</b>	<b>4,702,038</b>	
<b>Equity</b>		-	-	
Share Capital	312,875,411	312,875,411	-	
Share Premium	-	-	-	
Retained Earnings	9,199,728	105,220,659	96,020,931	Net changes due to NFRS implementation
Reserves	101,610,453	43,144,449	(58,466,004)	Net changes due to NFRS implementation
<b>Total equity attributable to equity holders</b>	<b>423,685,592</b>	<b>461,240,519</b>	<b>37,554,927</b>	
<b>Non-controlling interest</b>		-	-	
<b>Total Equity</b>	<b>423,685,592</b>	<b>461,240,519</b>	<b>37,554,927</b>	
<b>Total Liabilities and Equity</b>	<b>3,035,211,770</b>	<b>3,077,468,735</b>	<b>42,256,965</b>	
Contingent Liabilities and commitment	-	-	-	
Net Assets Value Per share	177.79	147.42	(30.37)	Net changes due to NFRS implementation

#### 4. Reconciliation of Statement of Profit and Loss for Fiscal Year 2077/78 due to the adoption of NFRS

Particulars	As per GAAP	As per NFRS	Difference	Remarks
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Interest income	426,834,168	469,091,134	42,256,966	Interest of loans to customers booked on accrual basis
Interest expense	137,113,000	137,113,000	-	
<b>Net interest income</b>	<b>289,721,168</b>	<b>331,978,134</b>	<b>42,256,966</b>	
Fees and commission income	61,021,050	61,021,050	-	
Fees and commission expense	-	-	-	
<b>Net fee and commission income</b>	<b>61,021,050</b>	<b>61,021,050</b>	-	
<b>Net interest, fee and commission income</b>	<b>350,742,218</b>	<b>392,999,184</b>	<b>42,256,966</b>	
Net trading income	-	-	-	
Other operating income	-	-	-	
<b>Total operating income</b>	<b>350,742,218</b>	<b>392,999,184</b>	<b>42,256,966</b>	
Impairment charge/(reversal) for loans and other losses	83,411,680	83,411,680	-	
<b>Net operating income</b>	<b>267,330,538</b>	<b>309,587,504</b>	<b>42,256,966</b>	
<b>Operating expense</b>				

Personnel expenses	136,955,726	150,019,715	13,063,989	Gratuity and Leave Expenses booked on basis of actuarial valuation. Employee Benefit Expenses on EIR basis.
Other Operating expenses	41,116,735	41,116,735	-	
Depreciation and Amortisation	5,638,570	5,638,570	-	
<b>Operating Profit</b>	<b>83,619,507</b>	<b>112,812,484</b>	<b>29,192,977</b>	
Non operating Income	-	-	-	
Non operating expense	-	-	-	
<b>Profit before income tax</b>	<b>83,619,507</b>	<b>112,812,484</b>	<b>29,192,977</b>	
<u>Income tax expense</u>				
Current Tax	29,193,254	29,193,254	-	
Deferred Tax	2,536,119	2,536,119	-	
<b>Profit for the period</b>	<b>51,890,135</b>	<b>83,619,230</b>	<b>31,729,096</b>	
<b><u>Profit attributable to:</u></b>				
Equity holders of the Bank	256,316,179	83,619,230	(172,696,949)	Net changes due to NFRS implementation

Non-controlling interests	-	-	-	
<b>Profit for the period</b>	<b>256,316,179</b>	<b>83,619,230</b>	<b>(172,696,949)</b>	
<b>Earnings Per Share (EPS)</b>				
Basic EPS	17.09	26.73	9.64	Net changes due to NFRS implementation
Diluted EPS	17.09	26.73	9.64	Net changes due to NFRS implementation

**5. Reconciliation of Statement of Profit and Loss for Fiscal Year 2076/77 due to the adoption of NFRS**

Particulars	As per GAAP	As per NFRS	Difference	Remarks
Interest income	349,879,106	393,556,337	43,677,231	Interest of loans to customers booked on accrual basis
Interest expense	182,259,824	182,259,824	-	
<b>Net interest income</b>	<b>167,619,282</b>	<b>211,296,513</b>	<b>43,677,231</b>	
Fees and commission income	37,247,329	37,247,329	-	
Fees and commission expense	-	-	-	
<b>Net fee and commission income</b>	<b>37,247,329</b>	<b>37,247,329</b>	-	
<b>Net interest, fee and commission income</b>	<b>204,866,611</b>	<b>248,543,842</b>	<b>43,677,231</b>	
Net trading income	-	-	-	
Other operating income	-	-	-	
<b>Total operating income</b>	<b>204,866,611</b>	<b>248,543,842</b>	<b>43,677,231</b>	
Impairment charge/(reversal) for loans and other losses	47,406,521	47,406,521	-	
<b>Net operating income</b>	<b>157,460,090</b>	<b>201,137,321</b>	<b>43,677,231</b>	
<b>Operating expense</b>				
Personnel expenses	110,994,064	114,814,093	3,820,028	Gratuity and Leave Expenses booked on basis of actuarial valuation. Employee Benefit Expenses on EIR basis.

Other Operating expenses	40,443,482	40,443,482	-	
Depreciation and Amortisation	5,495,101	5,495,101	-	
<b>Operating Profit</b>	<b>527,443</b>	<b>40,384,645</b>	<b>39,857,202</b>	
Non operating Income	-	-	-	
Non operating expense	-	-	-	
<b>Profit before income tax</b>	<b>527,443</b>	<b>40,384,645</b>	<b>39,857,202</b>	
<u>Income tax expense</u>				
Current Tax	1,633,605	1,633,605	-	
Deferred Tax	(4,125,951)	(4,125,951)	-	Net changes due to NFRS implementation
<b>Profit for the period</b>	<b>3,019,788</b>	<b>42,876,991</b>	<b>39,857,202</b>	
<b><u>Profit attributable to:</u></b>				
Equity holders of the Bank	3,019,788	42,876,991	39,857,202	Net changes due to NFRS implementation
Non-controlling interests	-	-	-	
<b>Profit for the period</b>	<b>3,019,788</b>	<b>42,876,991</b>	<b>39,857,202</b>	
<b><u>Earnings Per Share (EPS)</u></b>				
Basic EPS	59.47	15.45	(44.02)	Net changes due to NFRS implementation
Diluted EPS	59.47	15.45	(44.02)	Net changes due to NFRS implementation