

**Shree Investment & Finance Co. Ltd.**  
**Unaudited Interim Financial Statement of FY 2081/82**  
**Condensed Statement of Financial Position**  
As on Ashwin 30, 2081 (October 16, 2024)

Amount in NPR

Particulars	This quarter ending	Immediate previous year ending
<b>Assets</b>		
Cash and cash equivalent	222,033,163	455,741,606
Due from Nepal Rastra Bank	375,016,362	358,667,440
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and advances to B/FIs	193,695,650	212,024,800
Loans and advances to customers	6,137,063,065	5,410,445,227
Investment securities	2,368,434,246	2,426,481,415
Current tax assets	2,366,651	1,144,185
Investment in subsidiaries	-	-
Investment in associates	-	-
Investment property	14,602,600	14,602,600
Property and equipment	143,085,295	137,856,557
Goodwill and Intangible assets	2,499,893	2,694,959
Deferred tax assets	-	-
Other assets	21,467,837	20,055,872
<b>Total Assets</b>	<b>9,480,264,763</b>	<b>9,039,714,660</b>
<b>Liabilities</b>		
Due to Bank and Financial Institutions	165,089,169	44,915,594
Due to Nepal Rastra Bank	226,199,863	186,875,064
Derivative financial instruments	-	-
Deposits from customers	7,649,582,621	7,373,425,075
Borrowing	-	-
Current tax liabilities	-	-
Provisions	-	-
Deferred tax liabilities	19,412,379	12,225,474
Other liabilities	57,737,741	80,850,762
Debt securities issued	-	-
Subordinated liabilities	-	-
<b>Total liabilities</b>	<b>8,118,021,773</b>	<b>7,698,291,970</b>
<b>Equity</b>		
Share capital	981,683,200	981,683,200
Share premium	-	-
Retained earnings	(9,115,283)	23,826,005
Reserves	389,675,073	335,913,485
<b>Total equity attributable to equity holders</b>	<b>1,362,242,990</b>	<b>1,341,422,690</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,362,242,990</b>	<b>1,341,422,690</b>
<b>Total liabilities and equity</b>	<b>9,480,264,763</b>	<b>9,039,714,660</b>

**Shree Investment & Finance Co. Ltd.**

**Unaudited Interim Financial Statement of FY 2081/82**

**Condensed statement of Profit or Loss and Comprehensive Income**

for the Quarter ended on Ashwin 30, 2081 (October 16, 2024)

Particulars	Current Year		Previous Year	
	This Quarter	Up to this Quarter (YTD)	This Quarter	Up to this Quarter (YTD)
Interest income	252,568,106	252,568,106	255,531,301	255,531,301
Interest expense	169,763,365	169,763,365	198,635,917	198,635,917
<b>Net interest income</b>	<b>82,804,741</b>	<b>82,804,741</b>	<b>56,895,384</b>	<b>56,895,384</b>
Fee and commission income	12,212,213	12,212,213	7,343,458	7,343,458
Fee and commission expense	22,327	22,327	6,209	6,209
<b>Net fee and commission income</b>	<b>12,189,887</b>	<b>12,189,887</b>	<b>7,337,249</b>	<b>7,337,249</b>
<b>Net interest, fee and commission income</b>	<b>94,994,627</b>	<b>94,994,627</b>	<b>64,232,633</b>	<b>64,232,633</b>
Net trading income	-	-	-	-
Other operating income	1,506,351	1,506,351	731,284	731,284
<b>Total operating income</b>	<b>96,500,978</b>	<b>96,500,978</b>	<b>64,963,918</b>	<b>64,963,918</b>
Impairment charge/(reversal) for loans and other losses	58,756,919	58,756,919	34,013,241	34,013,241
<b>Net operating income</b>	<b>37,744,060</b>	<b>37,744,060</b>	<b>30,950,676</b>	<b>30,950,676</b>
<b>Operating expense:</b>				
Personnel expenses	18,333,550	18,333,550	17,474,487	17,474,487
Other operating expenses	11,572,826	11,572,826	11,392,311	11,392,311
Depreciation & amortization	1,907,405	1,907,405	1,668,114	1,668,114
<b>Operating Profit</b>	<b>5,930,278</b>	<b>5,930,278</b>	<b>415,765</b>	<b>415,765</b>
Non-operating income	-	-	-	-
Non-operating expense	-	-	-	-
<b>Profit before income tax</b>	<b>5,930,278</b>	<b>5,930,278</b>	<b>415,765</b>	<b>415,765</b>
Income tax expense				
Current Tax	1,779,083	1,779,083	124,729	124,729
Deferred Tax Income/ (Expenses)	-	-	-	-
<b>Profit for the period</b>	<b>4,151,195</b>	<b>4,151,195</b>	<b>291,035</b>	<b>291,035</b>
<b>Other comprehensive income</b>	<b>16,769,445</b>	<b>16,769,445</b>	<b>(4,228,930)</b>	<b>(4,228,930)</b>
<b>Total comprehensive income</b>	<b>20,920,640</b>	<b>20,920,640</b>	<b>(3,937,894)</b>	<b>(3,937,894)</b>
<b>Basic Earnings per Share</b>		1.69		0.12
<b>Diluted Earnings per Share</b>		1.69		0.12
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	20,920,640	20,920,640	(3,937,894)	(3,937,894)
Non-controlling interest	-	-	-	-
<b>Total</b>	<b>20,920,640</b>	<b>20,920,640</b>	<b>(3,937,894)</b>	<b>(3,937,894)</b>

**Shree Investment & Finance Co. Ltd.**  
**Unaudited Interim Financial Statement of FY 2081/82**  
**Condensed statement of Comprehensive Income**  
For the Quarter ended on Ashwin 30, 2081 (October 16, 2024)

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
<b>Profit or loss for the year</b>	<b>4,151,195</b>	<b>4,151,195</b>	<b>291,035</b>	<b>291,035</b>
<b>Other comprehensive income</b>				
<b>a) Items that will not be reclassified to Profit or loss</b>				
• Gains/(losses) from Investments in equity instruments measured at fair value	23,956,350	23,956,350	(6,041,328)	(6,041,328)
• Gains/(losses) on revaluation				
• Actuarial gains/(losses) on defined benefit plans				
• Income tax relating to above items	(7,186,905)	(7,186,905)	1,812,398	1,812,398
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>16,769,445</b>	<b>16,769,445</b>	<b>(4,228,930)</b>	<b>(4,228,930)</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>-</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 period, net of income tax</b>	<b>16,769,445</b>	<b>16,769,445</b>	<b>(4,228,930)</b>	<b>(4,228,930)</b>
<b>Total comprehensive income for the period</b>	<b>20,920,640</b>	<b>20,920,640</b>	<b>(3,937,894)</b>	<b>(3,937,894)</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Bank	20,920,640	20,920,640	(3,937,894)	(3,937,894)
Non-controlling interest		-		
<b>Total comprehensive income for the period</b>	<b>20,920,640</b>	<b>20,920,640</b>	<b>(3,937,894)</b>	<b>(3,937,894)</b>

Statement of Changes in Equity													
For the quarter ended Ashwin 30, 2081 (October 16, 2024)													
												Amount in NPR	
Attributable to equity holders of the company													
Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Rev. Reserve	Retained Earning	Other Reserve		Total	NCI	Total Equity
									Other Reserve	Def. Tax Reserve			
<b>Balance as at Shrawan 1, 2080</b>	<b>981,683,200</b>	-	<b>259,666,517</b>	-	<b>12,326,419</b>	<b>50,453,636</b>	-	<b>50,765,644</b>	<b>3,274,777</b>		<b>1,358,170,193</b>	-	<b>1,358,170,193</b>
Adjustment/Restatement of opening lease equalisation reserve (NFRS 16)								-			-	-	-
<b>Adjusted Restated Balance at Shrawan 1, 2080</b>	<b>981,683,200</b>	-	<b>259,666,517</b>	-	<b>12,326,419</b>	<b>50,453,636</b>	-	<b>50,765,644</b>	<b>3,274,777</b>		<b>1,358,170,193</b>	-	<b>1,358,170,193</b>
<b>Comprehensive Income for the year</b>											-	-	-
<b>Profit for the year</b>	-	-	-	-	-	-	-	66,842,544			<b>66,842,544</b>	-	<b>66,842,544</b>
<b>Other Comprehensive income, net of tax</b>											-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(17,481,766)	-	-			<b>(17,481,766)</b>	-	<b>(17,481,766)</b>
Transfer from fair value reserve due to derecognition in financial security	-	-	-	-	-	-	-	-			-	-	-
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-			-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-			-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)											-	-	-
Adjustment for regulatory reserve during the year	-	-	-	-	-	-	-	-			-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	-	<b>(17,481,766)</b>	-	<b>66,842,544</b>			<b>49,360,778</b>	-	<b>49,360,778</b>
<b>Transfer to reserve during the year</b>	-	-	13,368,509	-	15,365,936	-	-	(47,657,940)	2,390,215		<b>(16,533,279)</b>	-	<b>(16,533,279)</b>
<b>Transfer from the reserve during the year</b>	-	-	-	-	(3,450,758)			3,450,758			-	-	-
<b>Transactions with owners, directly recognized in equity</b>											-	-	-
Right share issued	-	-	-	-	-	-	-	-			-	-	-
Share based payments	-	-	-	-	-	-	-	-			-	-	-
Dividends to equity holders:											-	-	-
Bonus Shares issued	-	-	-	-	-	-	-	-			-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	(49,575,002)			<b>(49,575,002)</b>	-	<b>(49,575,002)</b>
Other											-	-	-
<b>Total contributions by and distributions:</b>	-	-	-	-	-	-	-	<b>(49,575,002)</b>			<b>(49,575,002)</b>	-	<b>(49,575,002)</b>
<b>Balance as at Ashad End, 2081</b>	<b>981,683,200</b>	-	<b>273,035,026</b>	-	<b>24,241,597</b>	<b>32,971,870</b>	-	<b>23,826,005</b>	<b>5,664,992</b>		<b>1,341,422,690</b>	-	<b>1,341,422,690</b>

Balance as at Shrawan 1, 2081	981,683,200	-	273,035,026	-	24,241,597	32,971,870	-	23,826,005	5,664,992		1,341,422,690	-	1,341,422,690
Adjustment/Restatement												-	
<b>Adjusted Restated Balance at Shrawan 1, 2080</b>	<b>981,683,200</b>	<b>-</b>	<b>273,035,026</b>	<b>-</b>	<b>24,241,597</b>	<b>32,971,870</b>	<b>-</b>	<b>23,826,005</b>	<b>5,664,992</b>		<b>1,341,422,690</b>	<b>-</b>	<b>1,341,422,690</b>
<b><u>Comprehensive Income for the year</u></b>											-	-	-
<b>Profit for the year</b>	-	-	-	-	-	-	-	4,151,195			4,151,195	-	4,151,195
<b>Other Comprehensive income, net of tax</b>											-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	16,769,445	-	-			16,769,445	-	16,769,445
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-			-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-			-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-			-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)													
Adjustment for regulatory reserve during the year	-	-	-	-	-	-	-	-			-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,769,445</b>	<b>-</b>	<b>4,151,195</b>	<b>-</b>		<b>20,920,640</b>	<b>-</b>	<b>20,920,640</b>
<b>Transfer to reserve during the year</b>	<b>-</b>	<b>-</b>	<b>830,239</b>	<b>-</b>	<b>39,266,416</b>	<b>-</b>	<b>-</b>	<b>(40,543,241)</b>	<b>346,246</b>		<b>(100,340)</b>	<b>-</b>	<b>(100,340)</b>
<b>Transfer from the reserve during the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,450,758)</b>	<b>-</b>	<b>-</b>	<b>3,450,758</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Transactions with owners, directly recognized in equity</u></b>											-	-	-
Right share issued	-	-	-	-	-	-	-	-			-	-	-
Share based payments	-	-	-	-	-	-	-	-			-	-	-
Dividends to equity holders:											-	-	-
Bonus Shares issued	-	-	-	-	-	-	-	-			-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-			-	-	-
Other													
<b>Total contributions by and distributions:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at Ashwin End, 2081</b>	<b>981,683,200</b>	<b>-</b>	<b>273,865,265</b>	<b>-</b>	<b>60,057,255</b>	<b>49,741,315</b>	<b>-</b>	<b>(9,115,283)</b>	<b>6,011,238</b>	<b>-</b>	<b>1,362,242,990</b>	<b>-</b>	<b>1,362,242,990</b>

<b>Shree Investment &amp; Finance Co. Ltd.</b>		
<b>Condensed Consolidated Statement of Cash flows</b>		
<b>At the quarter ended Ashwin 30, 2081</b>		
Particulars	Current Year	Previous Year
	Up to this Quarter (YTD)	Up to this Quarter (YTD)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received (+)	251,842,967	255,531,301
Fees and other income received (+)	12,212,213	7,343,458
Dividend received (+)		
Receipts from other operating activities (+)	817,286	731,284
Interest paid (-)	(169,763,365)	(198,635,917)
Commission and fees paid (-)	(22,327)	(6,209)
Cash payment to employees (-)	-	-
Other expense paid (-)	(29,906,376)	(30,534,911)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>65,180,398</b>	<b>34,429,006</b>
<b>(Increase)/Decrease in operating assets</b>	<b>(697,272,042)</b>	<b>(152,979,085)</b>
Due from Nepal Rastra Bank	(16,348,922)	(16,514,657)
Placement with bank and financial institutions		
Other trading assets		
Loan and advances to bank and financial institutions	18,329,150	24,581,975
Loans and advances to customers	(696,617,838)	(116,179,450)
Other assets	(2,634,432)	(44,866,953)
<b>Increase/(Decrease) in operating liabilities</b>	<b>436,219,473</b>	<b>(1,065,197)</b>
Due to bank and financial institutions	120,173,574	(184,314,861)
Due to Nepal Rastra Bank	39,324,799	(3,144,677)
Deposit from customers	299,157,546	204,958,214
Borrowings		
Other liabilities	(22,436,446)	(18,563,873)
<b>Net cash flow from operating activities before tax paid</b>	<b>(195,872,171)</b>	<b>(119,615,276)</b>
Income taxes paid (-)	-	-
<b>Net cash flow from operating activities</b>	<b>(195,872,171)</b>	<b>(119,615,276)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(39,250,475)	-
Receipts from sale of investment securities	-	-
Purchase of property and equipment	-	(1,050,111)
Receipt from the sale of property and equipment	-	-
Purchase of intangible assets	-	(82,437)
Receipt from the sale of intangible assets		
Purchase of investment properties	-	-
Receipt from the sale of investment properties		
Interest received	725,139	25,413,059
Dividend received	689,066	731,284
<b>Net cash used in investing activities</b>	<b>(37,836,271)</b>	<b>25,011,795</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt from issue of debt securities		
Repayment of debt securities		
Receipt from issue of subordinated liabilities		
Repayment of subordinated liabilities		
Receipt from issue of shares		
Dividends paid	-	-
Interest paid	-	932,863
Other receipt/payment	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>932,863</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(233,708,442)</b>	<b>(93,670,617)</b>
Cash and cash equivalents at beginning of the year	455,741,606	350,953,777
Effect of exchange rate fluctuations on cash and cash equivalents held		
<b>Cash and cash equivalent at Ashwin End 2081</b>	<b>222,033,163</b>	<b>257,283,160</b>

## Shree Investment & Finance Co. Ltd

### Details about the Distributable Profit

At the Quarter ended Ashwin, 2081

Amount in NPR

Particulars	Current Year	Previous Year Corresponding
	Upto This Quarter (YTD)	Upto This Quarter (YTD)
<b>Net profit or (loss) as per statement of profit or loss</b>	4,151,195	291,035
<b>1. Appropriations</b>		
<b><u>1.1 Profit required to be appropriated to:</u></b>	(1,276,825)	(486,408)
a. General Reserve (-)	(830,239)	(58,207)
b. Capital Redemption Reserve (-)	-	-
c. Exchange Fluctuation Fund (-)	-	-
d. CSR Fund (-)	(41,512)	(2,910)
e. Employees Training Fund (-)	(405,074)	(425,291)
f. Other (-)	-	-
<b><u>1.2 Profit required to be transferred to Regulatory Reserve:</u></b>	(35,815,658)	(39,314,318)
a. Transferred to Regulatory Reserve (-)	(39,266,416)	(42,765,076)
b. Transferred from Regulatory Reserve (+)	3,450,758	3,450,758
<b>Net Profit for the period end available for distribution</b>	(32,941,289)	(39,509,691)
Opening Retained Earning as on Shrawan	23,826,005	51,770,734
Adjustment (+/-)		
Distribution (Cash and Bonus dividend)	-	-
<b>Total Distribution profit or loss as on Qtr end date</b>	(9,115,283)	12,261,043

### Ratios as per NRB Directives:

Ratio %	Current Year Upto This Quarter(YTD)	Previous Year Upto This Quarter(YTD)
1. Capital Fund to RWA	17.87%	19.38%
2. Non-Performing Loan(NPL) to Total Loan	3.19%	1.20%
3. Total Loan Loss Provision to Total NPL	92.50%	203.70%
4. Cost of Funds	8.28%	10.60%
5. Credit to Deposit Ratio	79.91%	80.13%
6. Base Rate	10.06%	12.94%
7. Interest Rate Spread	4.38%	4.51%
8. Tier 1 Capital to RWA	16.51%	17.77%
9. Return on Equity	1.22%	0.09%
10. Return on Assets	0.18%	0.01%

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## **1. Basis of preparation of financial statements**

The interim financial statements of the finance company have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) adopted by the Accounting Standards Board of Nepal.

## **2. Statement of compliance**

These interim financial statements, which comprise of the statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity, statement of cash flows and notes there to have been prepared in all material aspects in accordance with requirements applicable Nepal Financial Reporting Standards (NFRS) and the relevant presentation requirements thereof as laid down by the Institute of Chartered Accountants of Nepal (ICAN), and comply with requirements of Company Act, 2063 of Nepal and applicable directives issued by Nepal Rastra Bank.

## **3. Use of Estimates, assumptions and judgements**

The preparation of the interim financial statements in accordance with NFRS requires management to make critical judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from these estimates. Estimates, judgements and assumptions are evaluated periodically and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized prospectively.

Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgements, are set out in the relevant disclosure notes for the following as:

- Impairment of loans and advances
- Classification of financial assets and liabilities
- Fair value of financial instruments
- Taxation & deferred tax
- Defined benefit obligations
- Provisions, commitments and contingencies

## **4. Changes in Accounting Policies**

There are no changes in accounting policies and method of computation since the publication of annual accounts for the year ended 15<sup>th</sup> July 2019.



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## 5. Significant Accounting Policies

### 5.1 Basis of Measurement

The interim financial statements are prepared on a historical cost basis except for the following items which were measured or recognized as stated:

- Financial assets and liabilities are measured at fair value at its initial recognition. Subsequent recognition of FVTOCI and FVTPL financial instruments are measured at fair value.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation after deducting the net of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

### 5.2 Basis for Consolidation

The financial institution has no any control or significant influence over any other entity for consolidation of financial statements or using equity method for accounting for investment in associates respectively.

### 5.3 Cash & Cash Equivalent

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

### 5.4 Financial Assets and Financial Liabilities

The bank classifies its financial assets and financial liabilities into the following measurement categories:

#### **Financial Assets**

- a) Financial assets held at fair value through profit or loss;
- b) Financial assets held at fair value through other comprehensive income, and
- c) Financial assets held at amortized cost.

#### **Financial Liabilities**

- a) Held at fair value through profit or loss, or
- b) Held at amortized cost.

#### *a. Recognition*

The financial 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 an instrument. The financial institution initially recognizes loans and advances, deposits; and debt securities/subordinated liabilities issued on the date that they are originated which is the date that

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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 Bank commits to purchase/acquire the financial assets. Regular purchase and sale of financial assets are recognized on trade date.

*b. De recognition*

▪ *De recognition of Financial Assets*

The financial 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 Bank 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 financial 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 Statement of Profit or Loss.

The financial 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. Transfer of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

▪ *De-recognition of Financial Liabilities*

A financial liability is derecognized when, and only when it is extinguished (i.e. when the obligation specified in contract is discharged, cancelled or expired). If the liability is renegotiated with the original lender on substantially different contractual terms, the original liability is derecognized and new liability is recognized.

The difference between the carrying amount of a liability (or portion) extinguished or transferred to another party (including related unamortized cost) and the amount paid for it (including any noncash assets transferred or liability assumed), should be included in Statement of Profit or Loss for the period.

*c. 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 Group has access at that date.

The fair value of a liability reflects its non-performance risk. When available, the bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market

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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 bank 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.

*d. Impairment*

At each reporting date, the financial institution assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through the Statement of 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 Bank on terms that the Bank 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 Bank considers to re-structure 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.

However, in case of loans and advances, impairment loss is measured as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per NAS 39 para 63.

*e. Trading Assets*

The financial institution classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

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*f. Derivatives assets and derivative liabilities*

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorized as trading unless they are designated as hedging instruments.

Derivatives are initially recognized and subsequently measured at fair value, with revaluation gains recognized in profit and loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognized within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognized fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities.

## **5.5 Property, Plant and Equipment**

All Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably.

At each balance sheet date, the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the Statement of Profit or Loss.

Low value assets costing up to Rs. 5,000/- each are charged as operational expenses in the year of purchase.

## **5.6 Investment property and noncurrent Assets held for sale**

### *a. Investment property*

Investment property is the land or building or both held either for rental income or for capital appreciation or for both, but not sold in ordinary course of business and owner-occupied property.

### *b. Non-Current Assets held for sale*

Non-current assets (or disposal groups) are classified as assets held for sale and carried at lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortized while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in the statement of Profit or Loss.

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## **5.7 Goodwill and Intangible assets**

Intangible assets include externally generated capitalized software enhancements. Intangible assets are reviewed at each reporting date to assess whether there is any indication that they are impaired. If any such indication exists the recoverable amount of the asset is determined and, in the event, that the asset's carrying amount is greater than its recoverable amount, it is written down immediately. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

## **5.8 Income tax**

### *a. Current income tax*

Current income tax which is payable on taxable profits is recognized as an expense in the period in which the profits arise.

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. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in Nepal.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

### *b. Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

## **5.9 Deposit, Debt Securities issued and subordinated liabilities**

The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity period.

## **5.10 Provisions**

Provisions are recognized when the financial institution has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the financial institution determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in Statement of Profit or Loss net of any reimbursement in other operating expenses.

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## 5.11 Revenue Recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed. Revenue comprises of interest income, fees and commission, foreign exchange income, cards income, disposal income, etc. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Financial Institution and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The bases of income recognition are as below:

### *a. Interest income*

Interest income on FVTOCI assets and financial assets held at amortized cost shall be recognized using the Company's normal interest rate which is very close to effective interest rate using effective interest rate method. For income from loans and advances to customers, initial charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Company considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

### *b. Fees and Commission*

Fees and commission income including management fee, service charges, are recognized as the related services are performed.

### *c. Dividend Income*

Dividend on investment in resident company is recognized when the right to receive payment is established. Dividend income are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity instruments.

### *d. Net trading income*

Gain and losses arising in changes in fair value of financial instrument held at fair value through profit or loss are included in Statement of Profit or Loss in the period in which they arise.

### *e. Interest Expenses*

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 Company's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

### *f. Employees Benefits*

Short-term employee benefits, such as salaries, paid absences, performance-based cash awards and social security costs are recognized over the period in which the employees provide the related services. The Financial Institution's Statement of Financial Position includes the net surplus or deficit, being the difference between the fair value of scheme assets and the discounted value of scheme liabilities at the reporting date in case of defined benefit obligations.

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## 5.12 Share Capital and Reserve

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

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

The reserves include retained earnings and other statutory reserves such as general reserve, corporate social responsibility reserve, investment adjustment reserve, regulatory reserve etc.

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

## 6. Related party Disclosures

Followings have been identified as related parties for the company under NAS 24

Particulars	30 <sup>th</sup> Ashwin 2081	30 <sup>th</sup> Ashwin 2080
<b>Directors</b>		
Director's Board Meeting Allowances	171,000	98,000
<b>Chief Executive Officer</b>		
Remuneration & Benefits paid (Including Bonus)	2,125,110	1,950,100

## 7. Events after interim period

There are no such material events after balance sheet date affecting status of the Bank as on Ashwin End, 2081.

## 8. Effect of changes in the composition of the entity during the interim period including merger and acquisition

There are no changes in composition of the entity during the interim period.

## 9. Segment Reporting

An operating segment is a component of the Financial Institution that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relating to transactions with any of the Financial 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.

### a. Information about profit or loss, assets and liabilities

Particulars	Head Office	Branch Offices	Total
Revenue from external customers	168,605,150	97,681,520	266,286,670
Intersegment revenues	-	-	-
Net Revenue	168,605,150	97,681,520	266,286,670
Interest Revenue	158,642,846	93,925,259	252,568,106
Interest Expenses	113,725,754	56,037,611	169,763,365
Net Interest revenue	44,917,092	37,887,649	82,804,741
Depreciation and amortization	1,389,962	517,444	1,907,405
Segment profit/(loss)	21,348,544	(15,418,266)	5,930,278
Entity's interest in the profit or loss of associates accounted for using equity method			-
Impairment Charge/(Reversal)	15,177,053	43,579,865	58,756,919
Segment assets	6,890,621,893	2,589,642,870	9,480,264,763
Segment liabilities	5,214,051,224	2,903,970,549	8,118,021,773

### b. Information about geographical areas

Particular	Koshi Province	Bagmati Province	Gandaki Province	Lumbini Province	Karnali Province	Total
Interest Income	17,582,866	172,460,269	16,798,820	42,449,364	3,276,786	252,568,106
Fees & Commission Income	309,250	10,905,326	420,250	525,263	52,125	12,212,213
Other Operating Income	12,098	1,320,361	86,443	52,459	34,990	1,506,351
Total Revenue	17,904,214	184,685,956	17,305,513	43,027,086	3,363,901	266,286,670
Percentage%	6.72%	69.36%	6.50%	16.16%	1.26%	100.00%