

29TH
ANNUAL REPORT



नेपाल फाईनान्स लिमिटेड
Nepal Finance Limited

“नेपाल राष्ट्र बैंकबाट “ग” वर्गको इजाजतपत्रप्राप्त संस्था”

२९^{औं} वार्षिक प्रतिवेदन

आ.व. २०७७/०७८

BOARD OF DIRECTORS



Prof. Hirendra Man Pradhan
Chairman



Chandra Kumar Rai
Director
(Promoter)



Diprash Shakya
Director
(Promoter)



Rajan Prajapati
Director
(Promoter)



Laxmi Maharjan
Director
(Public)



Rojina Shrestha
Director
(Public)



Anand Krishna Tamrakar
Independent Director

प्रोक्सी फाराम

श्री संचालक समिति
नेपाल फाइनेन्स लिमिटेड,
कमलादी, काठमाडौं ।

बिषय : प्रतिनिधि नियुक्त गरेको बारे ।

महाशय,

..... जिल्ला म.न.पा./उप.म.न.पा./न.पा./गा.पा. वडा नं. बस्ने
म/हामी ले त्यस वित्तीय संस्थाको शेयरवालाको हैसियतले मिति २०७९/०९/०३ गतेका दिन
हुन गईरहेको २९ औं वार्षिक साधारण सभामा स्वयं उपस्थित भई छलफल तथा निर्णयमा सहभागी हुन नसक्ने भएकोले उक्त
सभामा भाग लिन तथा मतदान गर्नका लागि जिल्ला म.न.पा./उप.म.न.पा./न.पा./गा.पा. वडा
नं. बस्ने त्यस संस्थाको शेयरवाला श्री लाई मेरो/हाम्रो प्रतिनिधि
मनोनित गरी पठाएको छु/छौं ।

प्रतिनिधिको

दस्तखतः

नामः

हितग्राहि खाता नं.:

निवेदकको

दस्तखतः

नाम :

ठेगाना :

शेयर धनी नं.:

हितग्राहि खाता नं.:

शेयर संख्या:

मिति :

नेपाल फाइनेन्स लिमिटेड

प्रवेश-पत्र

शेयरधनीको नाम :

शेयरधनी नं./हितग्राहि खाता नं.:

शेयर संख्या :

नेपाल फाइनेन्स लि.को मिति २०७९/०९/०३ गतेका दिन हुने २९ औं वार्षिक साधारण सभामा उपस्थित हुन जारी गरिएको
प्रवेश पत्र ।

शेयरधनीको हस्ताक्षर:

कम्पनी सचिव:



नेपाल फाइनेन्स लिमिटेडको
(Nepal Finance Limited)
प्रधान कार्यालय कमलादी, काठमाण्डौ
२५ औं वार्षिक साधारण सभा सम्बन्धी सूचना

आदरणीय श्री शेयरधनी महानुभावहरु

यस वित्तीय संस्थाको मिति २०७८/१२/०९ गते बसेको सञ्चालक समितिको ३५२ औं बैठकको निर्णयानुसार यस वित्तीय संस्थाको उन्नतिसँगै वार्षिक साधारण सभा निम्न मिति, स्थान र समयमा निम्न विषयहरुमा छलफल तथा निर्णय गर्न बस्ने भएको हुँदा कम्पनी ऐन, २०६३ को दफा ६७ अनुसार सम्पूर्ण शेयरधनी महानुभावहरुको जानकारी तथा उपस्थितिको लागि यो सूचना प्रकाशित गरिएको छ ।

सभा हुने स्थान, मिति र समय

सभा हुने मिति : २०७९ साल वैशाख ३ गते (तदनुसार अप्रिल १६, २०२२) शनिवार ।

स्थान : होटल एल्लो प्यागोडा, कान्तिपथ, काठमाडौं ।

सभा शुरु हुने समय : विहान ११:०० बजे ।

छलफलका विषयहरु:

क) साधारण प्रस्तावहरु :

१. सञ्चालक समितिको तर्फबाट अध्यक्षज्यूले प्रस्तुत गर्नु हुने समग्र वार्षिक प्रतिवेदन उपर छलफल गरी पारित गर्ने ।
२. लेखापरिक्षण प्रतिवेदन सहितको आ.व.०७७/७८ को वासलात, २०७७/०४/०१ देखि २०७८/०३/३१ सम्मको नाफा-नोक्सान हिसाब तथा सोही अवधिको नगद प्रवाह विवरण (संलग्न अनुसूचीहरु सहित) को छलफल गरी पारित गर्ने ।
३. कम्पनी ऐन, २०६३ को दफा १११ तथा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को दफा ६३ अनुसार आ.व. ०७८/७९ को लेखापरिक्षण गर्न लेखापरिक्षण समितिको सिफारिस अनुसार लेखापरिक्षकको नियुक्ति गर्ने तथा निजको पारिश्रमिक निर्धारण गर्ने ।
४. संस्थाको नियमावली अनुसार संस्थापक शेयरधनीहरुको तर्फबाट संचालक समितिमा प्रतिनिधित्व गर्ने संचालक पद ४ (चार) र सर्वसाधारण शेयरधनीहरुको तर्फबाट संचालक समितिमा प्रतिनिधित्व गर्ने संचालक पद १ (एक) को निर्वाचन गर्ने ।

(ख) विशेष प्रस्ताव:

१. संस्थाले अन्य कुनै उपयुक्त बैंक तथा वित्तीय संस्था एक आपसमा गाभ्ने/गाभिने (Merger) तथा संस्थाले अन्य कुनै उपयुक्त संस्थालाई प्राप्त (Acquisition) गर्ने सम्बन्धमा संस्थाको चल-अचल सम्पत्ति र दायित्व तथा कारोबारको मुल्याङ्कन (Due Diligence Audit-DDA) गर्न मान्यता प्राप्त मुल्याङ्कनकर्ता नियुक्त गरी निजको पारिश्रमिक तोक्ने तथा संस्था गाभ्ने/गाभिने तथा एक्विजिशन गर्ने समझदारीपत्र (Memorandum of Understanding) तर्जुमा गर्ने, हस्ताक्षर गर्ने, अन्तिम सम्झौता तयार पार्ने, हस्ताक्षर गर्ने लगाएतका गाभ्ने/गाभिने तथा एक्विजिशन गर्ने सम्बन्धी आवश्यक सम्पूर्ण प्रक्रिया पुरा गर्न संचालक समितिलाई पूर्ण अख्तियारी प्रदान गर्ने सम्बन्धी विशेष प्रस्ताव पारित गर्ने ।

(ग) विविध

सञ्चालक समितिको आज्ञाले
कम्पनि सचिव



वार्षिक साधारण सभा सम्बन्धी अन्य जानकारी

- साधारण सभालाई ध्यानमा राखी मिति २०७८/१२/१७ गते १ दिन संस्थाको शेयरधनी दर्ता किताब बन्द रहने छ । नेपाल स्टक एक्सचेन्ज लिमिटेडमा २०७८/१२/१६ गतेसम्म कारोबार भई म्यादभित्र यस संस्थाको शेयर रजिष्ट्रार प्रभु क्यापिटल लिमिटेड, कमलादी, काठमाण्डौंमा प्राप्त शेयर नामसारीको लिखतको आधारमा शेयरधनी दर्ता कितावमा कायम शेयरधनीहरूले सो सभामा भाग लिन पाउने छन् ।
- साधारण सभामा भाग लिन इच्छुक शेयरधनी महानुभावहरूले हितग्राही (DMAT) खाता खोलिएका/शेयर प्रमाणपत्र र आफ्नो परिचय खुल्ने प्रमाण वा सोको प्रतिलिपि अनिवार्य रूपमा साथमा लिई आउनुहुन अनुरोध छ ।
- वार्षिक साधारण सभामा भौतिक रूपमा उपस्थित भई भाग लिन इच्छुक शेयरधनी महानुभावहरूको सुविधाको लागि हाजिरी पुस्तिका सभा स्थलमा सभा हुने दिन विहान १०:०० बजेदेखि खुल्ला रहनेछ । कोभिड-१९ को संक्रमणको जोखिमका कारण सभा स्थलमा उपस्थित हुँदा संक्रमणबाट बच्न, बचाउनका लागि आवश्यक पर्ने न्यूनतम सुरक्षाका उपकरणहरू अनिवार्य रूपमा प्रयोग गर्नु हुन अनुरोध छ ।
- सभामा भाग लिनका लागि प्रतिनिधि (प्रोक्सी) नियुक्तगर्न चाहने शेयरधनीहरूले प्रचलित कम्पनी कानूनले तोकेको ढाँचामा प्रतिनिधिपत्र (प्रोक्सी) फारम भरी सभा शुरु हुनुभन्दा कम्तीमा ४८ घण्टा अगाडि संस्थाको केन्द्रीय कार्यालय कमलादी, काठमाण्डौंमा दर्ता गराई सक्नु पर्नेछ । संस्थाको शेयरधनी बाहेक अरुलाई प्रोक्सी दिन र एकभन्दा बढी व्यक्तिलाई आफ्नो शेयर विभाजन गरी तथा अन्य कुनै किसिमबाट छुट्याई प्रोक्सी दिन पाइने छैन, यसरी दिइएको प्रोक्सी बदर हुनेछ ।
- प्रतिनिधि (प्रोक्सी) नियुक्तगरी सकेपछि सम्बन्धित शेयरधनीले प्रतिनिधि फेरबदल गर्न चाहेमा यस अघि दिएको प्रतिनिधि (प्रोक्सी) बदर गरी यो प्रतिनिधि (प्रोक्सी) लाई मान्यता दिइयोस् भन्ने छुट्टै पत्र सहित प्रोक्सी फाराम संस्थाको केन्द्रीय कार्यालयमा सभा शुरु हुनु भन्दा कम्तीमा ४८ घण्टा अगावै दर्ता गराएको अवस्थामा अघिल्लो प्रतिनिधिलाई स्वतः बदर भएको मानी पछिल्लो प्रतिनिधि (प्रोक्सी) लाई मान्यता दिइने छ । प्रतिनिधि नियुक्त गरी सकेको शेयरधनी आफै सभामा उपस्थित भई हाजिरी पुस्तिकामा दस्तखत गरेमा निजले दिएको प्रतिनिधि (प्रोक्सी) स्वतः बदर हुनेछ ।
- एकभन्दा बढी व्यक्तिहरूको संयुक्त नाममा शेयर दर्ता रहेको अवस्थामा सर्वसम्मत वाट प्रतिनिधि चयन गरिएको एकजनाले मात्र वा लगत कितावमा पहिलो नाम उल्लेख भएको व्यक्तिले सभामा भाग लिन सक्ने छन् ।
- नाबालक वा मानसिक सन्तुलन ठीक नरहेको शेयरधनीहरूको तर्फबाट संस्थाको शेयर लगत दर्ता कितावमा संरक्षकको रूपमा नाम दर्ता भइरहेका महानुभावहरूले सभामा भाग लिन प्रतिनिधि तोक्न सक्नु हुनेछ ।
- सभा सम्बन्धमा थप जानकारी आवश्यक परेमा कार्यालय समयभित्र संस्थाको केन्द्रीय कार्यालय कमलादी, काठमाण्डौंमा सम्पर्क राख्न समेत अनुरोध गरिन्छ ।
- वार्षिक साधारण सभामा जिज्ञासा राख्न चाहने शेयरधनी महानुभावहरूले आफुले राख्न चाहेको विषयमा सभाहुनु भन्दा ४८ घण्टा अगावै इमेल (info@nepalfinance.com.np) मार्फत जानकारी दिनु हुन अनुरोध गरिन्छ ।
- वैकका सञ्चालकहरूको निर्वाचन सम्बन्धि कार्यक्रम संस्थाको केन्द्रीय कार्यालय, कमलादीमा स्थापित निर्वाचन अधिकृतको कार्यालयले प्रकाशित गरिनेछ र सो को जानकारी संस्थाको सूचना पाटी तथा संस्थाको आधिकारीक website : www.nepalfinance.com.np मा प्रकाशित गरिने छ ।
- कोभिड-१९ को कारणले सृजना हुनसक्ने सम्भावित असर तथा जोखिमलाई मध्यनजर गरी नेपाल सरकारले पालना गर्नुपर्ने भनी तोकिएका सम्पूर्ण सुरक्षात्मक उपायहरू अवलम्बन गरी वार्षिक साधारण सभा सन्चालन गर्ने प्रबन्ध मिलाईएको छ ।

पुनश्च: शेयरधनी महानुभावहरूले कम्पनीको केन्द्रीय कार्यालय कमलादी, काठमाण्डौंमा उपस्थित भई वार्षिक साधारण सभामा पेश हुने सम्पूर्ण प्रस्तावहरू निरीक्षण गर्न र प्राप्त गर्न सक्ने व्यहोरा समेत जानकारीका लागि सूचित गरिन्छ । वार्षिक साधारण सभामा पेश हुने सम्पूर्ण प्रस्तावहरू संस्थाको website : www.nepalfinance.com.np मा पनि हेर्न सक्नुहुनेछ ।

सञ्चालक समितिको आज्ञाले
कम्पनी सचिव



नेपाल फाइनेन्स लिमिटेडको सञ्चालक समितिको तर्फबाट २५ औं वार्षिक साधारण सभामा प्रस्तुत अध्यक्षज्यूको मन्तव्य

सम्पूर्ण उपस्थित आदरणीय शेयरधनी महानुभावहरू, प्रतिनिधि, तथा विभिन्न नियमनकारी निकायहरूबाट पाल्नुभएका अतिथी महानुभावहरू एवम् पत्रकार मित्रहरू,

यस संस्थाको २९ औं वार्षिक साधारणसभामा म मेरो व्यक्तिगत एवम् यस संस्थाको सञ्चालक समितिको तर्फबाट सवैलाई हार्दिक स्वागत गर्दछु ।

निजी क्षेत्रको लगानीमा नेपालको पहिलो वित्तीय संस्थाको रूपमा स्थापित यस संस्थाले विगतका विविध समस्याहरूलाई सामना र व्यवस्थापन गर्दै हाल नेपालको वित्तीय बजारमा आफुलाई एक सबल र उत्कृष्ट फाइनेन्स कम्पनीको रूपमा प्रस्तुत हुने लक्ष्यका साथ अगसर रहेको यहाँहरूले महशुस गर्नु भएकै होला भन्ने विश्वास लिएको छु । यस कार्यमा हामीलाई शेयरधनी महानुभावहरू साथै स्थानीय लब्ध प्रतिष्ठित व्यक्तित्वहरू, नियमनकारी निकायहरू नेपाल राष्ट्र बैंक, कम्पनी रजिष्ट्रारको कार्यालय, धितोपत्र बोर्ड, नेपाल स्टक एक्सचेन्ज, सिडियस एण्ड क्लियरिङ लि., सहयोगी संस्थाहरू प्रभु क्यापिटल, सञ्चार जगत लगायतबाट प्राप्त सकारात्मक र उत्प्रेरणाजन्य सहयोग एवं सद्भावको प्रशंसा गर्दै आभार प्रकट गर्न चाहान्छु । संस्थालाई एक सुशाशित, अत्याधुनिक प्रविधि मैत्री, प्रतिष्पर्धी, चुस्त, सबल र उत्कृष्ट संस्थाको रूपमा विकास गर्ने सञ्चालक समितिको लक्ष्यलाई कार्यान्वयन गर्न मद्दत गर्ने सम्पूर्ण कर्मचारीहरूलाई समेत धन्यवाद ज्ञापन गर्दछु ।

संस्थाले हाल मुलुकको विभिन्न १० स्थानमा रहेका शाखा कार्यालयहरू र काठमाण्डौ उपत्यकाको कान्तिपथ र कालिमाटीमा रहेका २ वटा विस्तारित काउण्टर मार्फत वित्तीय सेवा प्रवाह गर्दै आइरहेको तथा थप २ वटा शाखा कार्यालय खोल्ने तयारीमा रहेको जानकारी गराउन चाहान्छु ।

संस्था संचालनमा आइपर्ने अनेकन उतार चढावहरूलाई पार गर्दै आदरणीय शेयरधनी महानुभाव तथा सम्बद्ध निकायहरूबाट प्राप्त सुझाव एवं मार्गनिर्देशनलाई आत्मसाथ गर्दै अगाडी बढीरहेकोले यस वित्तीय संस्थाले उल्लेखनीय सफलता हासिल गर्दै गइरहेको छ साथै ग्राहकवर्ग तथा आम नागरिकहरूबाट प्राप्त सहयोग, सद्भाव तथा हामीप्रति देखाइएको विश्वासले हामीलाई अगाडी बढ्न थप प्रेरणा मिलेको छ ।

आदरणीय शेयरधनी महानुभावहरू,

यस ऐतिहासिक संस्थालाई पूर्णजिवन प्रदान गरी राष्ट्रको आर्थिक तथा वित्तीय क्षेत्रमा योगदान पुऱ्याउने गरी एक सबल वित्तीय संस्थाको रूपमा स्थापित गर्न एवम् नेपाल राष्ट्र बैंकले तोकेको न्यूनतम चुक्ता पूँजी रू ८० करोडको मापदण्ड पुरा गर्नको लागि गत आ. व. मा १:१.२५ को दरको हकप्रद शेयर जारी एवम् साविक ललितपुर फाइनेन्स लि. लाई प्राप्त पश्चात् हाल संस्थाको चुक्ता पूँजी रू. ४९ करोड ३४ लाख ९६ हजार ३२५ रहेको र साविक ललितपुर फाइनेन्सलाई प्राप्त पश्चात् चुक्ता पूँजीमा वृद्धि भएकोले गत साधारण सभाबाट पारित १:१.७५ (एक शेयर बराबर एक दशमलब सात पाँच शेयर) को हकप्रद शेयर निष्काशनलाई परिमार्जन गरी १:०.७० (एक शेयर बराबर शुन्य दशमलब सात शुन्य शेयर) अर्थात् १०० शेयर बराबर ७० शेयर निष्काशनको प्रस्ताव गत आर्थिक वर्षको सम्मानित साधारण सभाबाट स्वीकृत भएकोमा उक्त हकप्रद शेयर निष्काशनको सम्पूर्ण प्रक्रिया पुरा गरी नेपाल धितोपत्र बोर्डबाट स्वीकृती प्राप्त भईसकेको व्यहोरा समेत यहाँहरू माभ जानकारी गराउँदछु ।

व्यवस्थापनलाई संस्थागत सुशासन र आन्तरिक नियन्त्रण प्रणालीलाई चुस्त बनाई आधुनिक वित्तीय सेवा अनुरूप छरितोपना ल्याउन एवं प्रतिष्पर्धी क्षमता बढाउन सञ्चालक समितिले आवश्यक नीति निर्देशिका तथा कार्यविधीहरूको तर्जुमा गर्दै आएको छ । संस्था समस्याग्रस्त हुँदाको अवस्थाका कारण श्रृजित नोक्सानीलाई परिपूर्ति गरी नाफा दिलाई आदरणीय शेयरधनीहरूलाई उचित मुनाफा दिन यस संस्थाले मुख्यतया : दुईवटा रणनितिलाई अगाडी सारेको छ । जसमा, असल कर्जाको विस्तार र तिब्ररूपमा खराब कर्जा असुली गर्ने रहेका छन् । जस अन्तर्गत कर्जा चुक्तागरी राफसाफ गर्न चाहने ऋणीहरूसंग आपसी सहमतीका आधारमा उचित र सुहाँउदो परिवेशमा कर्जा असुली गर्ने प्रक्रियालाई अगाडी बढाउन कर्जा असुली रणनीति अनुरूप व्याज तथा पेनाल्टीमा केही छुटको समेत व्यवस्था गरी असुली प्रकृत्यालाई अघि बढाईएको छ । आगामि दिनहरूमा बचत परिचालन, कर्जाको विस्तार, खराब कर्जाको असुली र मितव्ययी ढंगले संस्था सञ्चालन गरी संस्थाको मुनाफामा वृद्धि हुने कुरामा विश्वास लिइएको छ ।

अर्थतन्त्रमा मेरूदण्डको रूपमा रहेका बैंक तथा वित्तीय संस्थाहरूको भूमिका आर्थिक विकासमा ठूलो रहने हुनाले यस संस्थाले पनि



वित्तीय पहुँच नपुगेका क्षेत्रहरू जहाँ आर्थिक र वित्तीय क्षेत्रको प्रचुर संभावना रहेको हुन्छ, त्यस्ता क्षेत्रको पहिचान गरी आफ्नो शाखा सञ्जाल विस्तार गर्दै लैजाने लक्ष्य लिएको छ ।

शेयर सदस्य महानुभावहरू,

संस्थाको २०७८ पौष मसान्तसम्मको अपरिष्कृत वित्तीय विवरण अनुसारका केही वित्तीय परिसुचकहरू यहाँहरू समक्ष राख्न चाहन्छु :

रु (हजारमा)

निक्षेप :	१ अरब २३ करोड ३९ लाख ५४ हजार
कर्जा:	१ अरब १७ करोड ३० लाख ५१ हजार
असल कर्जा :	९५ करोड २८ लाख २० हजार
खराब कर्जा :	२२ करोड ०२ लाख ३१ हजार
सरकारी ऋणपत्र तथा ट्रेजरीमा लगानी :	२७ करोड ७१ लाख
तरल सम्पत्ति :	७७ करोड १८ लाख ९५ हजार
पूँजिकोष अनुपात :	४३.४१ प्रतिशत

संस्थाले नेपाल राष्ट्र बैंक लगायत अन्य नियमनकारी निकायहरूले दिएका निर्देशनहरूको अनुपालना गरी शुन्य सहनशीलताको नीति अवलम्बन गरेको छ । संस्थाको व्यवसायिक क्षमता अभिवृद्धि गर्नको लागि थप आधुनिक प्रविधिहरूको अवलम्बन गरिने र कर्मचारीहरूलाई उचित रूपमा तालिम, गोष्ठिमा सहभागी गराउँदै लगिने रणनिति रहेको छ । जोखिम व्यवस्थापनलाई मध्यनजर गरी विभिन्न जोखिम न्यूनिकरणका उपायहरू अवलम्बन गरिएको छ र गरिदै लगिने छ ।

संस्थाले वित्तीय बजारमा विश्वासको वातावरण श्रृजना गरी आफ्नो व्यावसायिक कार्यलाई दृढताका साथ अगाडी बढाउँदै आईरहेको छ भने, आफ्ना ग्राहक वर्गको हित संरक्षण गर्दै उच्चस्तरिय आधुनिक बैंकिंग सेवा प्रदान गर्न कटिबद्ध रहेको छ । सोही अनुरूप संस्थाले बैंकिङ्ग क्षेत्रमा भित्रिएका Mobile Banking, SMS Banking, Chip Based ATM Card, Go-AML Software, Connect IPS, IPS, RTGS, HR Management System आदिको उपयोग गर्नुको साथै भईरहेका प्रविधिहरूको स्तरोन्नती गर्ने व्यवस्था मिलाएको छ । साथै संस्थामा भएका सम्पूर्ण बैंकिंग औजारहरूको अधिकतम उपयोग गर्नेगरी कार्यसंचालन व्यवस्था मिलाइएको छ ।

आगामि दिनहरूमा अझ गुणस्तरीय, अत्याधुनिक र वृहत सञ्जालद्वारा वित्तीय सेवा प्रदान गर्दै संस्थाको मुनाफामा वृद्धि गरी शेयरधनीहरूको मुल्य अभिवृद्धि गर्न अनवरत रूपमा प्रयत्नरत रहने प्रतिबद्धता व्यक्त गर्दछु । यसको अलवा आजको यस साधारण सभामा राखिएका विषय सूचिमा सक्रिय रूपले छलफलमा सहभागी भई पारित गरिदिनुहुन समेत हार्दिक अनुरोध गर्दछु ।

अन्त्यमा,

आफ्नो व्यस्त समयको बावजुद पनि यस संस्थाप्रति असिम माया राखी उपस्थित हुनु भएका शेयरधनी महानुभावज्यूहरू, विभिन्न संघ संस्थाका प्रतिनिधीज्यूहरू, पत्रकारज्यूहरू, पर्यवेक्षकज्यूहरू तथा सम्पूर्ण अतिथि महानुभावहरूमा हार्दिक आभार प्रकट गर्दछु ।

धन्यवाद !

प्रा. हिरेन्द्रमान प्रधान
अध्यक्ष
सञ्चालक समिति
मिति: २०७९/०१/०३



२५ औं वार्षिक साधारणसभामा सञ्चालक समितिको तर्फबाट प्रस्तुत वार्षिक प्रतिवेदन

आदरणीय शेयरधनी महानुभावहरू,

नेपाल फाइनेन्स लिमिटेडको २९ औं वार्षिक साधारणसभामा यहाँहरूलाई स्वागत गर्न पाउँदा हामी सञ्चालक समितिका सबै सदस्यहरू हर्षित छौं। कम्पनी ऐन, २०६३ को दफा १०९(४) मा व्यवस्था भए अनुरूप यसै साथ संलग्न सञ्चालक समितिबाट स्वीकृत भै नेपाल राष्ट्र बैंकबाट समेत स्वीकृत भएको र लेखापरीक्षण भएको २०७८ आषाढ मसान्तसम्मको वासलात, आर्थिक वर्ष २०७७/७८ को नाफा-नोक्सान हिसाब तथा नगदप्रवाह विवरण र उक्त वित्तीय विवरणहरूसँग सम्बन्धित अनुसूचीहरू तथा उक्त दफामा उल्लेख भएको निम्नानुसारको सञ्चालक समितिको प्रतिवेदन प्रस्तुत गर्दछु।

नेपाल फाइनेन्स लिमिटेडको वार्षिक प्रतिवेदन आ.व.२०७७/७८ को रहेको छ। उक्त आ.व.को लेखा परिक्षकमा श्री एम खनाल एण्ड कम्पनी (एफ सि ए श्री महेश खनाल) संस्थाको मिति २०७८ भाद्र २६ गते सम्पन्न २८ औं वार्षिक साधारण सभाबाट नियुक्त भएकोमा आ.व. २०७७/७८ को एनएफआरएस विधि बमोजिको लेखा परिक्षण प्रतिवेदन तयार गरिएको छ।

विगत र यस अवधिको गतिविधिको समिक्षा:

(रकम रू हजारमा)

विवरण	आ.व.०७७/७८	आ.व.०७६/७७
चुक्ता पूंजी	४९३,४९६	१३५,८००
जगेडा तथा कोषहरू	४९०,६३६	२७५,४०३
निक्षेप दायित्व तथा सापटी	७११,२९६	२०९,३२१
कर्जा	५६४,८८१	११९,४९७
जोखिम भारित सम्पती	७३२,९०८	१५६,०५२
संचालन मुनाफा	२५०,४३	२६,३६९
मुनाफा	५०,७६५	४४,६१५
कर्जा नोक्सानी व्यवस्था	२४७,९२५	८३,७९८

क) आर्थिक वर्ष २०७७/७८ को कारोबारको सिंहावलोकन

(रकम रू हजारमा)

विवरण	आषाढ मसान्त		(कमि)/बृद्धि	
	२०७८	२०७७	रकम	प्रतिशत
कुल सम्पत्ति	१,४५५,२५३	४७३,०९५	९८२,१५८	२०७.६०
कुल निक्षेप	७११,२९६	२०९,३२१	५०१,९७५	२३९.८१
कुल खुद कर्जा	३१६,६३१	३५,९८९	२८०,६४१	६७९.७९
कुल लगानी	११३,९८७	२६,८०६	८७,१८१	३२५.२२
ब्याज आमदानी	३७,०२०	२९,७३४	७,२८६	२४.५१
ब्याज खर्च	१६,६५१	२,६८३	१३,९६८	५२०.५५
खुद ब्याज आमदानी	२०,३६९	२७,०५०	(६.६८)	(.०२)
अन्य संचालन आमदानी (कमिशन तथा डिस्काउन्ट आमदानी समेत)	८,१६५	१,४७५	६,६९०	४५३.५६
कर्मचारी खर्च	२०,००४	१०,०५७	९,९४७	९८.९१
अन्य संचालन खर्च	२५,७०६	८,३३०	१७,३७६	२०८.५८



संभावित नोक्सानी व्यवस्था	२४७,९२५	८३,८४८	१६४,०७७	१९५.६८
नोक्सानी व्यवस्था बाट फिर्ता	४६,२८९	१९,००४	२७,२८४	१४३.५७
गैरसंचालन आम्दानी				
संचालन मुनाफा	२५,०४३.	२६,३६९	(२६)	(.१०)
कर	(२५,७२१)	(१८,२४५)	(७,४७४)	४०.९७
करपछिको खुद मुनाफा	५०,७६५	४४,६१५	६,१४९	१३.७८

सूचकाङ्कहरू	आषाढ मसान्त		(कमि)/बृद्धि
	२०७८	२०७७	
पूँजी पर्याप्तता (प्रतिशत)	६४.३५	५६.५२	२०.२४
निष्क्रिय कर्जा/कुल कर्जा (प्रतिशत)	४६.३५	६८.६३	(२३.२८)
कर्जानोक्सानी व्यवस्था/निष्क्रिय कर्जा (प्रतिशत)	१००	१००	
प्रति शेयर आम्दानी (रु.)	१०.२९	३२.८५	२६.६२
खुद नाफा/कुल आम्दानी प्रतिशत	५५.०८	५६.४२	(२.३८)
नेटवर्थ प्रति शेयर (रु.)	१३७.४६	१७०.८०	(१९.५२)

१. निक्षेप संकलन :

आ.व.२०७७/७८ मा संस्थाको कुल निक्षेप रु. ७१ करोड १२ लाख ९६ हजार रहेको छ ।

२. कर्जा तथा सापट :

आ.व.२०७७/७८ मा संस्थाको कुल कर्जा तथा सापट रु. ५६ करोड ४८ लाख ८१ हजार रहेको छ ।

३. ब्याज आम्दानी :

आ.व.२०७७/७८ मा नियमित एवम् संस्थामा रहेको खराब कर्जा असुलीका लागि भएका प्रयासहरूबाट रु. ३ करोड ७० लाख २० हजार व्याज आम्दानी गरिएको छ ।

४. ब्याज खर्च :

आ.व. २०७७/७८ मा संस्थाले निक्षेप दायित्वका लागि . रु.१ करोड ६६ लाख ५१ हजार मात्र व्याज खर्च गरिएको छ ।

५. खुद ब्याज आम्दानी :

आ.व. २०७७/७८ मा संस्थाले कुल रु.२ करोड ०३ लाख ६९ हजार खुद ब्याज आम्दानी गरेको छ ।

६. अन्य संचालन आम्दानी :

आ.व. २०७७/७८ मा संस्थाले कुल रु. ८१ लाख ६५ हजार संचालन आम्दानी गरेको छ ।

७. संचालन खर्च:

आ.व. २०७७/७८ मा संस्थाको कुल संचालन खर्च रु.२ करोड ५७ लाख ६ हजार भएको छ ।

८. संचालन मुनाफा:

आ.व.२०७७/७८ मा संचालन मुनाफा रु. २ करोड ५० लाख ४३ हजार भएको छ ।

९. सम्पूर्ण कारोबार पछिको खुद मुनाफा:

आ.व.२०७६/७७ मा संस्थाको सम्पूर्ण कारोबार पछिको खुद मुनाफा रु.४ करोड ४६ लाख रहेकोमा आ.व.२०७७/७८ मा १३.६८ प्रतिशतले वृद्धि भई रु. ५ करोड ७ लाख ६५ हजार मात्र हुन गएको छ ।

१०. पूँजी कोषको पर्याप्तता:

आ.व.२०७७/७८ को अन्त्यमा पूँजी कोषको अनुपात ६४.३५ प्रतिशत कायम रहेको छ, जुन नेपाल राष्ट्र बैंकको निर्देशन बमोजिम कायम गर्नु पर्ने न्यूनतम ११ प्रतिशत भन्दा बढी रहेको छ ।



११. सम्पत्तिको गुणस्तर :

संस्थामा रहेको जम्मा कर्जा लगानी कर्जाका लागि शतप्रतिशत कर्जा नोक्सानी रहेको र उक्त खराब कर्जाहरूको असुलीका लागि प्रयास भइरहेको छ ।

ख) राष्ट्रिय तथा अन्तर्राष्ट्रिय परिस्थितिबाट कम्पनीको बैकिङ्ग व्यवसाय कारोबारमा परेको असर

१. राष्ट्रिय परिस्थितिबाट कम्पनीको बैकिङ्ग व्यवसाय कारोबारमा परेको असर

बैकिङ्ग क्षेत्रका परिसूचक

समीक्षा वर्षमा बैंक तथा वित्तीय संस्थाहरूबाट निजी क्षेत्रमा प्रवाहित कर्जा २७.३ प्रतिशतले बढेको छ । अघिल्लो वर्ष यस्तो कर्जा १२ प्रतिशतले बढेको थियो । समीक्षा वर्षमा बैंक तथा वित्तीय संस्थाहरूको निक्षेप २१.४ प्रतिशतले बढेको छ । अघिल्लो वर्ष यस्तो निक्षेप १८.७ प्रतिशतले बढेको थियो । २०७८ असारमा बैंक तथा वित्तीय संस्थाहरूको कुल निक्षेपमा चल्ती, बचत र मुद्दतीको अंश क्रमशः १०.४ प्रतिशत, ३४.२ प्रतिशत र ४७.० प्रतिशत रहेको छ । अघिल्लो वर्ष यस्तो अंश क्रमशः १० प्रतिशत, ३१.९ प्रतिशत र ४८.६ प्रतिशत रहेको थियो । २०७८ असार मसान्तमा बैंक तथा वित्तीय संस्थाहरूको कुल निक्षेपमा संस्थागत निक्षेपको अंश ४२.७ प्रतिशत रहेको छ । २०७७ असार मसान्तमा यस्तो निक्षेपको अंश ४४.३ प्रतिशत रहेको थियो

समग्रमा बढ्दो आयात, घट्दो विप्रेषण आम्दानी, शिथिल सरकारी खर्च, कर्जाको बढ्दो माग तथा कर्जा निक्षेपको नीतिमा राष्ट्र बैंकले गरेको परिवर्तनले गर्दा आगामी दिनमा तरलता भार हुन गई बैंकहरूको व्यवसाय विस्तारमा प्रतिकुल असर पर्ने देखिन्छ ।

२. अन्तर्राष्ट्रिय परिस्थितिबाट व्यवसाय कारोबारमा परेको असर

सन् २०२० मा ३.२ प्रतिशतले संकुचन भएको विश्व अर्थतन्त्र सन् २०२१ मा ६.० प्रतिशतले विस्तार हुने अन्तर्राष्ट्रिय मुद्रा कोषको अनुमान छ । सन् २०१९ मा विश्व अर्थतन्त्र २.८ प्रतिशतले विस्तार भएको थियो । सन् २०२० मा विकसित मुलुकहरूको मुद्रास्फीति ०.७ प्रतिशत रहेकोमा सन् २०२१ मा २.४ प्रतिशत रहने कोषको प्रक्षेपण छ । उदीयमान तथा विकासशील मुलुकहरूको मुद्रास्फीति सन् २०२० मा ५.१ प्रतिशत रहेकोमा सन् २०२१ मा ५.४ प्रतिशत रहने प्रक्षेपण छ । सन् २०२० मा विश्व व्यापार आयतन ८.३ प्रतिशतले संकुचन भएकोमा सन् २०२१ मा ९.७ प्रतिशतले विस्तार हुने प्रक्षेपण छ । सन् २०२० मा पेट्रोलियम पदार्थको मूल्यमा ३२.७ प्रतिशतले कमी आएकोमा सन् २०२१ मा ५६.६ प्रतिशतले वृद्धि भई प्रति ब्यारल अमेरिकी डलर ६२ हुने प्रक्षेपण छ । कोभिड-१९ महामारीले गर्दा एकातर्फ अधिकांश मुलुकहरूमा राजस्व परिचालन संकुचित भएको छ भने अर्कोतर्फ सार्वजनिक खर्चमा भएको बढोत्तरीका कारण कुल गार्हस्थ्य उत्पादनसँग सार्वजनिक ऋणको अनुपात विश्वव्यापी रूपमा बढेको छ । सन् २०१९ मा यस्तो अनुपात ८३.७ प्रतिशत रहेकोमा सन् २०२० मा ९७.३ प्रतिशत पुगेको छ । कोभिड-१९ महामारीबाट प्रभावित अर्थतन्त्रको पुनरुत्थानका लागि केन्द्रीय बैंकहरूले लचिलो मौद्रिक नीति अवलम्बन गर्दै परिमाण्तात्मक सहजीकरण, पुनरुत्थान लक्षित सम्पत्ति खरिद, पुनरकर्जा एवम् दीर्घकालीन तरलता सुविधा जस्ता उपकरणहरू प्रयोगमा ल्याएका छन् । यस्ता उपकरणहरूको प्रयोगबाट केन्द्रीय बैंकहरूको वासलातको आकार वृद्धि हुनुका साथै मौद्रिक विस्तार उल्लेख्य भएको छ

केन्द्रीय तथ्याङ्क विभाग नेपालका अनुसार आर्थिक वर्ष २०७७/७८ मा ४.०१ प्रतिशत आर्थिक वृद्धि भएको अनुमान छ । कृषि क्षेत्रको वृद्धि २.६४ प्रतिशत, उद्योग क्षेत्रको ५.०५ प्रतिशत तथा सेवा क्षेत्रको वृद्धि ४.४३ प्रतिशत रहेको छ ।

आर्थिक वर्ष २०७७/७८ मा वार्षिक औसत उपभोक्ता मुद्रास्फीति ३.६० प्रतिशत रहेको छ । अघिल्लो आर्थिक वर्ष यस्तो मुद्रास्फीति ६.१५ प्रतिशत रहेको थियो ।

आर्थिक वर्ष २०७७/७८ मा कुल वस्तु निर्यात ४४.४ प्रतिशतले वृद्धि भई रू. १४१ अर्ब १२ करोड पुगेको छ । अघिल्लो वर्ष यस्तो निर्यात ०.६ प्रतिशतले वृद्धि भएको थियो ।

आर्थिक वर्ष २०७७/७८ मा कुल वस्तु आयात २८.७ प्रतिशतले वृद्धि भई रू. १,५३९ अर्ब ८४ करोड पुगेको छ । अघिल्लो वर्ष यस्तो आयात १५.६ प्रतिशतले घटेको थियो । वस्तु आयात गरिने मुलुकका आधारमा भारत, चीन तथा



अन्य मुलुकबाट भएको आयात क्रमशः ३२.१ प्रतिशत, २८.६ प्रतिशत र १९.६ प्रतिशतले वृद्धि भएको छ। आर्थिक वर्ष २०७७/७८ मा विप्रेषण आप्रवाह ९.८ प्रतिशतले वृद्धि भई रु. ९६१ अर्ब ५ करोड पुगेको छ। अधिल्लो वर्ष विप्रेषण आप्रवाह ०.५ प्रतिशतले घटेको थियो। अमेरिकी डलरमा विप्रेषण आप्रवाह ८.२ प्रतिशतले वृद्धि भई ८ अर्ब १५ करोड पुगेको छ। अधिल्लो वर्ष यस्तो आप्रवाह ३.३ प्रतिशतले घटेको थियो। २०७७ असार मसान्तमा रु. १४०१ अर्ब ८४ करोड बराबर रहेको कुल विदेशी विनिमय सञ्चिति ०.२ प्रतिशतले कमी आई २०७८ असार मसान्तमा रु. १३९९ अर्ब ३ करोड कायम भएको छ। अमेरिकी डलरमा यस्तो सञ्चिति २०७७ असार मसान्तमा ११ अर्ब ६५ करोड रहेकोमा २०७८ असार मसान्तमा ०.९ प्रतिशतले वृद्धि भई ११ अर्ब ७५ करोड पुगेको छ।

ग) प्रतिवेदन तयार भएको मितिसम्म चालु वर्षको उपलब्धि र भविष्यमा गर्नुपर्ने कुराको सम्बन्धमा सञ्चालक समितिको धारणा।

चालु आर्थिक वर्ष २०७८/७९ को पुस मसान्तसम्मको यस वित्तीय संस्थाको कारोबारको स्थिति निम्नानुसार रहेको छ।

(रकम रु हजारमा)

विवरण	आ.ब.२०७८/७९ को पुस मसान्त
कुल निक्षेप दायित्व	१,२३३,९५४.००
कुल कर्जा तथा सापटी	१,१७३,०५१.००
ब्याज आमदानी	६६,६६१.००
अन्य संचालन आमदानी (कमिशन तथा डिस्काउन्ट आमदानी समेत)	६,२१६.००
ब्याज खर्च	३२,२५६.००
अन्य खर्च	१७,७९५.००
संचालन नाफा/(नोक्सान)	३३,२९३.००

संस्थाले आफ्नो व्यवसाय विस्तार गर्ने रणनीति अनुरूप २०७७ साल माघदेखि शाखा विस्तार गर्दै आएको र साविक ललितपुर फाईनेन्सलाई प्राप्त गरी आषाढ २७ गतेबाट एकिकृत कारोबार सम्पन्न गरेको यहाँहरूलाई अवगत नै छ। यसरी हाल संस्थाले विभिन्न स्थानमा रहेका १० वटा शाखा र २ वटा विस्तारित काउण्टर कान्तिपथ र कालिमाटी स्थित विस्तारित काउण्टर मार्फत आफ्नो व्यवसाय गर्दै आईरहेकोमा विश्वमा फैलिएको कोरोना कोभिड १९ भाइरसको दोश्रो र तेश्रो लहरका कारण आर्थिक गतिविधिलाई पूर्ण रूपमा संचालन गर्न कठिन भइरहेको सन्दर्भमा अपेक्षाकृत व्यवसाय गर्न नसकेको तथापी निक्षेप तथा कर्जा सापटीमा क्रमिक रूपमा वृद्धि भइरहेको छ।

घ) भविष्यमा गर्नुपर्ने कार्यको सम्बन्धमा सञ्चालक समितिको धारणा।

सेवा विस्तार

संस्थाले आफ्ना सेवाग्राहीको मागबमोजिम नयाँ तथा परिमार्जित समयसापेक्ष सेवाहरू सञ्चालनमा ल्याएको छ। ग्राहकको चाहनाअनुरूप ग्राहकवर्ग समक्ष नवीनतम, भरपर्दो तथा गुणस्तरीय सेवा प्रदान गर्दै आइरहेको छ। यसको निमित्त प्रविधिमा भइरहेको विकास र व्यापार-व्यवसायमा भएको परिवर्तनअनुरूप आफ्नो जनशक्तिलाई सक्षम बनाउँदै ग्राहकवर्गलाई समयसापेक्ष सेवा प्रदान गर्ने प्रयास गरिएको छ। साथै संस्थाले ग्राहकहरूको आवश्यकता- अनुरूप नयाँ निक्षेप र कर्जा योजनाहरू तर्जुमा गरी लागू गर्ने तथा बजारमा आउने परिवर्तनअनुरूप ब्याजदरमा समसामयिक परिवर्तन गर्ने गरेको छ। कृषि, घरेलु तथा साना उद्योग तथा विपन्न वर्गमा लगानी बढाउन प्रथामिकता दिइएको छ र आगामी वर्षहरूमा यस क्षेत्रमा अझ उच्च प्रथामिकता दिई लगानी योजनाहरू संचालन गरिनेछ।



प्रविधि विकास

यस संस्थाले सूचना प्रविधिमा आधारित सेवाहरूलाई समयानुकूल स्तरोन्नती गर्दै जानेछ। सूचना प्रविधिमा आधारित सेवाहरूलाई थप सुरक्षित र भरपर्दो बनाउन आवश्यक लगानीको व्यवस्था गरेको छ। वित्तीय बजारमा उपलब्ध नविनतम सेवाहरूलाई विश्लेषण गरी ग्राहकको चाहना बमोजिमका सेवा र प्रविधिहरू अवलम्बन गरिनेछ। ग्राहकहरूलाई प्रविधिमैत्री बनाउन विभिन्न माध्यमबाट जानकारी प्रदान गर्ने र सचेतना जागृत गर्ने कार्यहरू गरिनेछ। सोही अनुरूप संस्थाले बैंकिङ्ग क्षेत्रमा भित्रिएका Mobile Banking, SMS Banking, Chip Based ATM Card, Go-AML Software, Connect IPS, IPS, RTGS, HR Management System आदिको उपयोग गर्नुको साथै भई रहेका प्रविधिहरूको स्तरोन्नती गर्ने व्यवस्था मिलाएको छ। साथै संस्थामा भएका सम्पूर्ण बैंकिङ्ग औजारहरूको अधिकतम उपयोग गर्नेगरी कार्यसंचालन व्यवस्था मिलाइएको छ।

शाखा बिस्तार

संस्थाले कार्य क्षेत्र तथा सञ्जाल बिस्तार तथा व्यवसाय वृद्धि गर्नको लागि संभाव्यताको अध्ययन गरी आवश्यकता अनुसार शाखा बिस्तार गर्ने नीति अवलम्बन गरिने छ। यसरी बिस्तारित शाखा सञ्जालले देशको सुगम क्षेत्रमा मात्र नभई दुर्गम क्षेत्रमा समेत बैंकिङ्ग सुविधाको पहुँच पुग्ने गरी बिस्तार गर्ने नीति अवलम्बन गरिनेछ। सोही अनुरूप आगामी वर्षहरूमा समेत व्यवसायलाई वृद्धि गर्नको लागि टेवा पुग्ने गरी देशका विभिन्न स्थानहरूमा शाखा बिस्तारको कार्यलाई निरन्तरता दिइने छ। हाल संस्थाले देशका विभिन्न १० स्थानमा शाखा संजाल तथा २ वटा बिस्तारित काउण्टर मार्फत आफ्ना सेवाहरू प्रदान गरिरहेको छ। साथै यसै आर्थिक वर्ष भित्रसम्म २ वटा शाखा कार्यालय स्थापना गरी कारोवार शुरु गर्ने योजना रहेको छ।

संस्थागत सामाजिक उत्तरदायित्व

यस संस्थाले गत आर्थिक वर्षदेखि आफ्नो खुद मुनाफाको १% रकम संस्थागत सामाजिक उत्तरदायित्व बहन गर्न खर्च गर्ने कोषमा जम्मा गर्दै आएको र हालसम्म उक्त कोषमा रु. १५ लाख ८१ हजार २ सय ९५ जम्मा भएको छ। संस्थागत सामाजिक उत्तरदायित्व बहनअर्न्तगत नेपाल राष्ट्र बैंकबाट जारी भएको परिपत्र बमोजिम खर्च गर्ने संबन्धमा यस संस्थाले सामाजिक उत्तरदायित्व खर्च कार्यविधि संचालक समितिबाट पारित गरीसकेको र सोही कार्यविधि अनुसार विभिन्न किसिमका कार्यक्रमहरू सञ्चालन गरी संस्थागत सामाजिक उत्तरदायित्व बहन गर्ने नीति लिएको छ।

ड) औद्योगिक वा व्यवसायिक सम्बन्ध

यस वित्तीय संस्थाको औद्योगिक तथा व्यवसायिक प्रतिष्ठानहरू, बैंक तथा वित्तीय संस्थाहरू, नेपाल राष्ट्र बैंक, नेपाल धितोपत्र बोर्ड, नेपाल धितोपत्र विनिमय बजार तथा कम्पनी रजिष्ट्रारको कार्यालय लगायत नेपाल सरकारका निकायहरूसँग सुमधुर सम्बन्ध रहिआएको छ। ग्राहक सन्तुष्टि नै संस्थाको मूल लक्ष्य रहेकोले ग्राहक सम्बन्ध सुदृढीकरणमा संस्थाको व्यवस्थापन लगायत सबै कर्मचारीहरू सजग रहेका छन्। यस वित्तीय संस्था र आफ्ना ग्राहकहरू बीच सुमधुर सम्बन्ध कायम रहेको तथा संस्थाको सेवाको गुणस्तर उच्च राख्न मानव संशाधन विकासमा यथेष्ट जोड दिइएको शेयरधनी महानुभावहरूलाई अवगत गराउन चाहन्छौं।

च) सञ्चालक समितिमा भएको हेरफेर र सोको कारण

समीक्षा अवधिमा सञ्चालक समितिमा कुनै पनि हेरफेर नभएको तथा हाल कायम रहेको सञ्चालक समितिको संरचना निम्नानुसार रहेको छ।

१.	प्रा.श्री हिरेन्द्रमान प्रधान	अध्यक्ष	संस्थापक समुह
२.	श्री चन्द्रकुमार राई	सञ्चालक	संस्थापक समुह
३.	श्री दिप्रश शाक्य	सञ्चालक	संस्थापक समुह
४.	श्री राजन प्रजापती	सञ्चालक	संस्थापक समुह
५.	श्री लक्ष्मी महर्जन	सञ्चालक	सर्वसाधारणका तर्फबाट
६.	श्री रोजीना श्रेष्ठ	सञ्चालक	सर्वसाधारणका तर्फबाट
७.	श्री आनन्द कृष्ण ताम्राकार	सञ्चालक	स्वतन्त्र संचालक



छ) कारोबारलाई असर पार्ने मुख्य कुराहरू

संस्थाको कारोबारलाई असर पार्न सक्ने विभिन्न किसिमका जोखिमहरूलाई तल प्रस्तुत गरिएको छ ।

१. नेपाल सरकार वा नेपाल राष्ट्र बैंकले बैंक तथा वित्तीय संस्था सम्बन्धी नीतिमा परिवर्तन गर्दा श्रृजना हुन सक्ने संभावित जोखिमहरू ।
 २. निक्षेप तथा कर्जा लगानीको ब्याजदरमा हुने परिवर्तनबाट असर गर्ने जोखिमहरू ।
 ३. यथा समयमा कर्जा असुली नभई उत्पन्न हुने जोखिमहरू ।
 ४. देशको आर्थिक अवस्थामा आउने परिवर्तनबाट पर्न सक्ने जोखिमहरू ।
 ५. अन्तर्राष्ट्रिय बजारमा हुने मन्दीबाट नेपाली बजारमा पर्नसक्ने असरबाट हुनसक्ने आर्थिक जोखिमहरू ।
 ६. पूँजीबजारमा आउन सक्ने उतारचढावबाट हुनसक्ने जोखिमहरू ।
- यी चुनौती र अवसरहरूलाई ध्यानमा राख्दै संस्थाले आफ्नो सेवाको दायरा तथा गुणस्तर वृद्धि गर्दै लैजाने, थप सेवाहरू प्रदान गर्ने तथा नयाँ बजारहरू र नयाँ क्षेत्रहरूमा आफ्नो सेवाहरू विस्तार गर्दै लैजाने रणनीति लिनेछ ।

मिति: २०७९।०९।०३

प्रा. हिरेन्द्रमान प्रधान
अध्यक्ष



कम्पनी ऐन, २०६३ को दफा १०५ अनुसारको अतिरिक्त विवरण

- (क) विगत वर्षको कारोबारको सिंहावलोकन :
सञ्चालक समितिको प्रतिवेदनमा उल्लेख गरिएको ।
- (ख) राष्ट्रिय तथा अन्तराष्ट्रिय परिस्थितिबाट कम्पनीको कारोबारलाई कुनै असर परेको भए सो असर :
संस्था समस्याग्रस्त अवस्थाबाट फुकुवा भएपश्चात संस्थाको व्यावसायिक गतिविधिमा उल्लेख्य रुपमा सुधार भइरहेको छ । तथापी विश्वमा फैलिएको कोभिड १९ का कारण भएका लकडाउन तथा बन्दाबन्दीका कारण व्यवसायमा प्रत्यक्ष असर परिरहेको छ ।
- (ग) प्रतिवेदन तयार भएको मितिसम्म चालू वर्षको उपलब्धि र भविष्यमा गर्नु पर्ने कुराको सम्बन्धमा सञ्चालक समितिको धारणा :
सञ्चालक समितिको प्रतिवेदनमा उल्लेख गरिएको ।
- (घ) कम्पनीको औद्योगिक वा व्यावसायिक सम्बन्ध :
सञ्चालक समितिको प्रतिवेदनमा उल्लेख गरिएको ।
- (ङ) सञ्चालक समितिमा भएको हेरफेर र सोको कारण :
सञ्चालक समितिको प्रतिवेदनमा उल्लेख गरिएको ।
- (च) कारोबारलाई असर पार्ने मुख्य कुराहरू :
सञ्चालक समितिको प्रतिवेदनमा उल्लेख भएका विषय र बुँदा नं. (ख) मा उल्लेख भए बमोजिम ।
- (छ) लेखापरीक्षण प्रतिवेदनमा कुनै कैफियत उल्लेख भएको भए सो उपर सञ्चालक समितिको प्रतिक्रिया :
नियमित कारोबारमा देखिएका सामान्य कैफियतबाहेक प्रचलित कानून उल्लंघन हुने कुनै नकारात्मक कुराहरू लेखापरीक्षण प्रतिवेदनमा उल्लेख भएको छैन । प्राप्त प्रतिक्रिया र सुझावहरूमा सञ्चालक समितिको ध्यानाकर्षण भएको छ र सुधारका निम्ति आवश्यक कदम पनि चालिसकिएको छ ।
- ज) लाभांश बाँडफाँड गर्न सिफारिस गरिएको रकम :
गरिएको छैन ।
- झ) शेयर जफत गरिएको भए जफत भएको शेयर संख्या, त्यस्तो शेयरको अंकित मूल्य, त्यस्तो शेयरको जफत हुनुभन्दा अगावै सो वापतको कम्पनीले प्राप्त गरेको जम्मा रकम त्यस्तो शेयर जफत भएपछि सो शेयर बिक्री गरी कम्पनीले प्राप्त गरेको रकम तथा जफत भएको शेयर बापत रकम फिर्ता गरेको भए सोको विवरण :
यस अवधिमा वित्तीय संस्थाले कुनै शेयर जफत गरेको छैन ।
- ञ) विगत आर्थिक वर्षमा कम्पनी र यसको सहायक कम्पनीको कारोबारको प्रगति र सो आर्थिक वर्षको अन्तमा रहेको स्थितिको पुनरावलोकन :
यस वित्तीय संस्थाको सहायक कम्पनी नरहेकोले यस प्रकारको कारोबार रहेको छैन ।
- ट) कम्पनी तथा त्यसको सहायक कम्पनीले आर्थिक वर्षमा सम्पन्न गरेका प्रमुख कारोबारहरू र सो अवधिमा कारोबारमा आएको कुनै महत्वपूर्ण परिवर्तन :
यस वित्तीय संस्थाको कुनै सहायक कम्पनी रहेको छैन । वित्तीय संस्थाले यस आर्थिक वर्षमा सम्पन्न गरेको प्रमुख कारोबार हरूको विवरण यस प्रतिवेदनको बुँदा नं. (क) मा विगत वर्षको आर्थिक कारोबारको सिंहावलोकनअन्तर्गत समावेश गरिएको छ ।
- ठ) विगत आर्थिक वर्षमा कम्पनीको आधारभूत शेयरधनीहरूले कम्पनीलाई उपलब्ध गराएको जानकारी :
गत वर्षमा कम्पनीका आधारभूत शेयरधनीहरूबाट कम्पनीलाई कुनै प्रकारको जानकारी गराईएको छैन ।



- ड) विगत आर्थिक वर्षमा कम्पनीका सञ्चालक तथा पदाधिकारीहरूले लिएको शेयरको स्वामित्व विवरण र कम्पनीको शेयर कारोबारमा निजहरू संलग्न रहेको भए सो सम्बन्धमा निजहरूबाट कम्पनीले प्राप्त गरेको जानकारी :
केहि नभएको
- ढ) विगत आर्थिक वर्षमा कम्पनीसाग सम्बन्धित सम्झौताहरूमा कुनै सञ्चालक तथा निजको नजिकको नातेदारको व्यक्तिगत स्वार्थको बारेमा उपलब्ध गराइएको जानकारीको व्यहोरा :
वित्तीय संस्थासँग सम्बन्धित सम्झौताहरूमा कुनै सञ्चालक तथा निजको नजिकको नातेदारको व्यक्तिगत स्वार्थको बारेमा जानकारी प्राप्त भएको छैन ।
- ण) कम्पनीले आफ्नो शेयर आफैले खरिद गरेको भए त्यसरी आफ्नो शेयर खरिद गर्नुको कारण, त्यस्तो शेयरको संख्या र अंकित मूल्य तथा त्यसरी शेयर खरिद गरे वापत कम्पनीले भुक्तानी गरेको रकम ।
वित्तीय संस्थाले आफ्नो शेयर आफै खरिद गरेको छैन ।
- त) आन्तरिक नियन्त्रण प्रणाली भए वा नभएको र भएको भए सोको विस्तृत विवरण ।
वित्तीय संस्थामा आवश्यकता अनुरूपको आन्तरिक नियन्त्रण प्रणाली रहेको छ र यसलाई समयसापेक्ष रूपमा परिमार्जन गर्दै लगाएको छ । विभिन्न तहमा सम्पन्न हुने काम-कारवाही एक तह माथिको कर्मचारीहरूबाट परीक्षण हुने व्यवस्था मिलाइएको छ । संस्थाका विभिन्न कर्मचारीहरू तथा पदाधिकारीहरूको अख्तियारी सीमा तोकिएको छ । विभिन्न कारोबारको प्रकृतिअनुरूप पर्याप्त आन्तरिक नियन्त्रण प्रणाली व्यवस्था गरिएको छ । आन्तरिक नियन्त्रण प्रणालीलाई अभि प्रभावकारी बनाउन संस्थामा Compliance Department रहेको छ ।
आन्तरिक नियन्त्रण प्रणाली सहित अन्य कुराहरूको उच्चस्तरबाट रेखदेख गर्न गैरकार्यकारी सञ्चालकको संयोजकत्वमा जोखिम व्यवस्थापन समिति, लेखापरीक्षण समिति र एएमएल सिएफटि कमिटी समेत रहेको छ ।
संस्थाले आफ्ना सबै तहका सबै शाखाका कर्मचारीहरूको क्षमता तथा ज्ञान वृद्धिका लागि सुचारु रूपले विभिन्न तालिम तथा सीप विकासका कार्यक्रमहरू संचालन गर्ने गरेको छ । उक्त कार्यबाट कर्मचारीहरूको क्षमता तथा ज्ञान वृद्धि गरी संचालनबाट हुने जोखिम न्यूनीकरण गर्ने गरिएको छ । संस्थाले आफ्नो ग्राहक पहिचान (Know your Customer) को मापदण्ड तथा मुद्रा शुद्धीकरण (Anti money laundering) सम्बन्धी नीति, विद्यमान औद्योगिक प्रचलन, प्रचलित कानून तथा नेपाल राष्ट्र बैंकबाट जारी निर्देशनका आधारमा तर्जुमा गरी लागू गरेको छ । साथै संस्थाका विद्यमान नीतिहरूलाई समय सापेक्ष रूपमा परिमार्जन तथा पुर्नलेखन गरी सम्बन्धित निकायबाट स्वीकृत समेत गरी लागू गरिएको छ ।
- थ) विगत आर्थिक वर्षको व्यवस्थापन तथा संचालन खर्चको विवरण :
वित्तीय संस्थाको आर्थिक वर्ष २०७७/७८ को व्यवस्थापन खर्चतर्फ कर्मचारी खर्च रु.२०,००४,९०५.०९ र अन्य सञ्चालन खर्च रु.२५,७०६,९०७.७५ गरी जम्मा व्यवस्थापन तथा सञ्चालन खर्च रु.४५,७११,८१२.८४ भएको छ ।
- द) लेखापरीक्षण समितिका सदस्यहरूको नामावली, निजहरूले प्राप्त गरेको पारिश्रमिक, भत्ता तथा सुविधा, सो समितिले गरेको काम-कारवाहीको विवरण र सो समितिले कुनै सुझाव दिएको भए सो को विवरण :
यस संस्थाको सञ्चालक समितिले कम्पनी ऐन, बैंक तथा वित्तीय संस्था सम्बन्धी ऐन तथा नेपाल राष्ट्र बैंकको निर्देशनको अधीनमा रहि गैरकार्यकारी सञ्चालकको संयोजकत्वमा १ सञ्चालक सदस्य र आन्तरिक लेखापरीक्षण विभागका प्रमुख सदस्य सचिव रहने गरी लेखापरीक्षण समिति गठन गरेको छ । यस समितिमा निम्न पदाधिकारीहरू रहेका छन् ।
- | | |
|---------------------|------------|
| श्री राजन प्रजापती | संयोजक |
| श्री लक्ष्मी महर्जन | सदस्य |
| श्री विशाल थापा | सदस्य सचिव |
- लेखापरीक्षण समितिका सदस्यहरूले आ.व. २०७७/७८ मा लिएको कूल बैठक भत्ता रु.२०, ५००/- रहेको छ । लेखापरीक्षण समितिले आन्तरिक लेखापरीक्षण प्रतिवेदन र लेखा परीक्षकको प्रारम्भिक लेखापरीक्षण प्रतिवेदनमाथि छलफल गरी व्यवस्थापनलाई आवश्यक निर्देशन जारी गर्ने र सञ्चालक समितिमा सिफारिस गर्ने गरेको छ । साथै समय समयमा संस्थाको वित्तीय अवस्थाको बारेमा विस्तृत जानकारी लिई आवश्यक निर्देशन जारी गर्ने गरेको छ । आ.व. २०७७/७८ मा जम्मा ३ वटा बैठक सम्पन्न गरी सोको प्रतिवेदन समितिको बैठकमा जानकारी तथा सिफारिस गरिएको छ ।



- ध) सञ्चालक, प्रबन्ध सञ्चालक, कार्यकारी प्रमुख, कम्पनीको आधारभूत शेयरधनी वा निजका नजिकका नातेदार वा निज संलग्न रहेको फर्म, कम्पनी वा संगठित संस्थाले कम्पनीलाई कुनै रकम बुझाउन बाँकी भए सो कुरा :
वित्तीय संस्थाको सञ्चालक, प्रबन्ध सञ्चालक, कार्यकारी प्रमुख, कम्पनीका आधारभूत शेयरधनी वा निजको नजिकका नातेदार वा निज संलग्न रहेको फर्म, कम्पनी वा संगठित संस्थाले कम्पनीलाई कुनै रकम बुझाउन बाँकी रहेको छैन । तथापी संस्थाका निवर्तमान प्रमुख कार्यकारी अधिकृत श्री रविचन्द्रमान प्रधानलाई नेपाल राष्ट्र बैंकले निजबाट असुल गर्नका लागि भएको निर्देशन बमोजिमको रकम रु.४२,५४,०७०।९३ बुझाउन बाँकी रहेकोमा सो सम्बन्धमा सम्मानित अदालतमा मुद्धा विचाराधिन रहेको र निजबाट असुल गर्नपर्ने रकम संस्थासँग सुरक्षित रहेको छ ।
- न) सञ्चालक, प्रबन्ध सञ्चालक, कार्यकारी प्रमुख तथा पदाधिकारीहरूलाई भत्ता तथा सुविधाको रकम :
वित्तीय संस्थाका सञ्चालक, कार्यकारी प्रमुख तथा पदाधिकारीहरूलाई आ.व.२०७७/७८ मा भुक्तानी गरिएको पारिश्रमिक तथा भत्ता सुविधाको रकम निम्नानुसार रहेको छ ।

क्र.सं	विवरण	सञ्चालक	प्रमुख कार्यकारी अधिकृत	अन्य कार्यकारी पदाधिकारी
१.	बैठक भत्ता (रु)	७,१३,५००/-	-	-
२.	तलव (रु)	-	१९,२०,०००/-	६,००,०००/-
३.	भत्ता	-	६००,०००/-	१,५०,०००/-
४.	विदा वापतको भुक्तानी			कर्मचारी सेवा नियमावली
५.	दशैँभत्ता	-	२१०,०००/-	
६.	संचयकोष योगदान	-	२१४,४००/-	
७.	बोनस	-	२,३६८,५२६/-	
८.	टेलिफोन, मोबाइल र पत्रपत्रिका	छ	संस्थासँग भएको करार अनुरूप	कर्मचारी सेवा नियमावली अनुरूप
९.	इन्धन	छैन		
१०.	गाडी सुविधा	छैन	छ	छैन
११.	आवास सुविधा	छैन	छैन	छैन
१२.	बीमा	छैन	छैन	छैन

- प) शेयरधनीहरूले बुझिलिन बाँकी रहेको लाभांशको रकम :
शेयरधनीहरूले बुझिलिन बाँकी रहेको लाभांश रकम रु.९६६५/- रहेको । (सो सम्बन्धमा मिति २०७८/१०/१२ गते ३० दिनको म्याद दिई सूचना प्रकाशित गरिएकोमा उक्त म्याद भित्र कुनैपनि शेयरधनीले भुक्तानीको लागि माग दावी गर्नु नभएकोले उक्त रकमलाई लगानीकर्ता संरक्षण जम्मा गर्नको लागि प्रक्रिया अगाडी बढाईसकिएको छ ।)
- फ) दफा १४१ बमोजिम सम्पत्ति खरिद वा बिक्री गरेको कुराको विवरण :
यस आ.व मा कम्पनि ऐन २०६३ को दफा १४१ बमोजिम सम्पत्ति खरिद वा बिक्री गरेको छैन ।
- ब) दफा १७५ बमोजिम सम्बद्ध कम्पनीबीच भएको कारोवारको विवरण :
यस वित्तीय संस्थाको कुनै सम्बद्ध कम्पनी छैन ।
- भ) यस ऐन तथा प्रचलित कानून बमोजिम सञ्चालक समितिको प्रतिवेदनमा खुलाउनु पर्ने अन्य कुनै कुरा :
अन्त्यमा, आर्थिक तथा राजनैतिक क्षेत्रमा देखा परेको विषम परिस्थितिमा समेत यस संस्थाको उद्देश्य प्राप्तिका लागि सहयोग पुऱ्याउनुहुने सम्पूर्ण शेयरधनी महानुभावहरु, निरन्तर रुपमा ग्राहक सेवाप्रति समर्पित कर्मचारीहरु साथै, यस संस्थाको उत्तरोत्तर प्रगतिमा साथ दिने सबै निकायहरूलाई हार्दिक धन्यवाद दिदै यस नेपाल फाइनेन्स लिमिटेडलाई एक सफल तथा सुशासित वित्तीय संस्थाको रुपमा उभ्याउन यो सञ्चालक समिति निरन्तर लागि रहने प्रतिबद्धता व्यक्त गर्दछौं ।
- (म) अन्य आवश्यक कुरा :
नभएको ।



धितोपत्र दर्ता तथा निष्काशन नियमावली, २०७३ को नियम २६ को उपनियम २ सँग सम्बन्धित
अनुसूची १५ बमोजिमको वार्षिक विवरण

१. संचालक समितिको प्रतिवेदन: सम्बन्धित शीर्षक अन्तर्गत राखिएको ।
२. लेखापरीक्षकको प्रतिवेदन : सम्बन्धित शीर्षक अन्तर्गत राखिएको ।
३. लेखापरीक्षण भएका वित्तीय विवरण : सम्बन्धित शीर्षक अन्तर्गत राखिएको ।
४. कानुनी कारवाही सम्बन्धी विवरण :
 - (क) त्रैमासिक अवधिमा संगठित संस्थाले वा संस्थाका विरुद्ध कुनै मुद्दा दायर भएको भए, यस फाइनेन्सको कर्जासँग सम्बन्धित बाहेक अन्य मुद्दा दायर नभएको ।
 - (ख) संगठित संस्थाका संस्थापक वा संचालकले वा संस्थापक वा संचालकको विरुद्धमा प्रचलित नियमका अवज्ञा वा फौजदारी अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर गरेको वा भएको भए, यस फाइनेन्सको जानकारीमा नरहेको ।
५. संगठित संस्थाको शेयर कारोबार तथा प्रगतिका विश्लेषण :
 - (क) धितोपत्र बजारमा भएको संगठित संस्थाको शेयरको कारोबार सम्बन्धमा व्यवस्थापनको धारण : नेपाल स्टक एक्सचेन्ज तथा धितोपत्र बोर्डको सुपरिवेक्षण व्यवस्थाको अधिनमा रही कारोबार रहेको ।
 - (ख) आ.व. २०७७/७८ मा संगठित संस्थाको शेयरको अधिकतम, न्यूनतम र अन्तिम मूल्यका साथै कुल कारोबार शेयर संख्या र कारोबार दिन

त्रैमास	अधिकतम मूल्य रु.	न्यूनतम मूल्य रु.	अन्तिम मूल्य रु.	कुल कारोबार दिन	कुल कारोबार संख्या	कुल कारोबार शेयर संख्या
प्रथम त्रैमास	रु. ३३४.००	रु. १२८.००	रु. ३३४.००	६३	३,५९५	४७४,४५२
दोस्रो त्रैमास	रु. ३६६.००	रु. २०२.००	रु. २४६.००	५८	३,१३४	३३७,९२९
तेस्रो त्रैमास	रु. ३९५.००	रु. २०२.००	रु. ३१२.००	५९	६,६३१	११,२८,३९८
चौथो त्रैमास	रु. ५७०.००	रु. २९४.००	रु. ५७०.००	६५	४,५०२	४९३,४९६

(श्रोत : नेपाल स्टक एक्सचेन्ज)

६. समस्या तथा चुनौति

- क) आन्तरिक समस्या तथा चुनौती
 - आयको विविधिकरण ।
 - वित्तीय स्रोतको लागतमा वृद्धि ।
 - सक्षम कर्मचारी व्यवस्थापन
- ख) बाह्य समस्या र चुनौती
 - बैंक तथा वित्तीय संस्थाको बीच तीव्र प्रतिस्पर्धा ।
 - कर्जाको माग तथा निक्षेप वृद्धिमा सन्तुलन नहुनु ।
 - वित्तीय स्रोतको अभाव ।
 - विगतमा गुमेको शाख:मा वृद्धि
- ग) रणनीति



- निक्षेप तथा कर्जाको विविधिकरण ।
- आय आर्जन गर्ने नयाँ क्षेत्रहरू विस्तार तथा निक्षेप परिचालनमा जोड ।
- समय सापेक्ष प्रविधिमा आधारित नयाँ सेवाहरूको विकास ।
- पूजिँ तथा पूजिँ कोष वृद्धि ।
- अझ मजबुद प्रणाली तथा अनुपालना पद्धतीको विकास ।
- शाखा सञ्जालको विस्तार

७. संस्थागत सुशासन

बैंक तथा वित्तीय संस्था सम्बन्धि ऐन, २०७३, नेपाल राष्ट्र बैंकद्वारा जारी गरिएका निर्देशन तथा परिपत्रहरूको पूर्ण रूपमा पालना गरिएको छ । संस्थागत सुशासनलाई सदैव उच्च प्राथमिकतामा राख्दै र संस्थागत सुशासन सम्बन्धी निर्देशन तथा परिपत्रहरूको पुर्णरूपले पालना गरिने छ ।

आन्तरिक नियन्त्रण प्रणाली व्यवस्थित गर्न लेखापरीक्षण समिति (Audit Committee) गठन गरिएको छ जसले बाह्य र आन्तरिक लेखापरीक्षकबाट दिईएका सुझाव तथा निर्देशनहरूलाई कार्यान्वयन गराउनुका साथै आन्तरिक नियन्त्रण प्रणालीलाई अझ सुदृढ बनाउन व्यवस्थापनलाई सल्लाह र सुझावहरू दिदै आईरहेको छ ।

कारोवारलाई छिटो, छरितो, चुस्त तथा वैज्ञानिक बनाउन तथा अन्य आवश्यक रणनीति तय गर्न व्यवस्थापन समिति, जोखिम व्यवस्थापन समिति, AML/CFT Committee, सम्पत्ती/दायित्व व्यवस्थापन समिति लगायतका विभिन्न समितिहरू क्रियाशिल रहेका छन् ।

नेपाल राष्ट्र बैंकको निर्देशन, स्थलगत निरिक्षण प्रतिवेदन, आन्तरिक तथा बाह्य लेखापरीक्षण प्रतिवेदनमा औँल्याईएका सुझाव तथा निर्देशनहरूलाई यस संस्थाले सदैव पालना गर्दै संस्थागत सुशासनको पूर्ण पालना तथा संस्थालाई अझ सुदृढ बनाउँदै लैजान यस संस्थाको संचालक समिति र व्यवस्थापन प्रतिबद्ध रहेको छ ।



M. Khanal & Co., Chartered Accountants

Kathmandu, Nepal
PAN/VAT No.500094178

Tel:- 5542160
Email:- charteredmahesh.mk@gmail.com

Independent Auditors' Report
To the Shareholders of Nepal Finance Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Nepal Finance Limited, which comprises the statement of financial position as at Ashad 31, 2078 (15 July, 2021), statement of the profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion and the best of our information and according to the explanations given to us, except for the effects of the matters described on the Basis for Qualified Opinion section here in below, the accompanying financial statements present fairly, in all material respects the financial position of the Nepal Finance Limited as at Ashad 31, 2078 (15 July, 2021), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Basis for Qualified opinion

We conducted our audit in accordance with Nepal Standard on Auditing (NSA), generally accepted auditing standards and applicable laws. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section in our report. We are independent of the Nepal Finance Limited in accordance with ICAN's Handbook of Code of Ethics for Professional Ethics together with the ethical requirement that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

During the financial year, the financial institution acquired then M/S Lalitpur Finance Limited and the purchase consideration have been provided in the form of equity shares of the financial institution. The Financial institution has followed the procedures for the business combination as per the Merger and acquisition Bylaws, 2073 issued by Nepal Rastra Bank (NRB). The financial institution has measured identifiable assets acquired and liabilities assumed on cost basis and the purchase consideration transferred at face value.

However, as per Nepal Financial Reporting Standard 3: Business Combination and carve out issued by ICAN, the bank shall measure the identifiable assets acquired, liabilities assumed and consideration transferred at their acquisition date fair value and recognize Goodwill or Bargain purchase gain for the difference between net assets acquired and the consideration provided. Had the financial institution applied NFRS-3 on business combinations related transactions, Goodwill would have been Rs. 16,952,666. Accordingly, this has resulted in understatement of FI's Assets and Goodwill and non-compliance of NFRS-3 Business Combination. Goodwill has been calculated by considering the net worth taken for the purpose of Acquisition by DDA team.

Emphasis of Matter

The financial institution acquired then M/S Lalitpur Finance Ltd. (C class national level Finance Company) during the year 2077-78. Nepal Rastra Bank via letter no. Merger/98/077/78 dated 2078/03/15 has provided approval to Nepal Finance Ltd. for jointly carrying transaction in the name of Nepal Finance Ltd. The financial institutions started joint operation since 27 Ashad 2078 as a Nepal Finance Ltd.

The Finance Company was released from the corrective action/measure of NRB with certain terms on 2076/08/24 after being declared problematic.

The Finance Company has accumulated loss of Rs. 327,723,861.56 including accumulated loss transferred from then M/S Lalitpur Finance Ltd as at Ashad 31, 2078 which is significant and has reduced the value of assets to generate the cash flows.

The Finance Company has huge amount of the loan assets as Non-performing assets in its portfolio. Though it has reduced its non-performing assets as on date, there is still major and the significant portion non-performing loan assets in its portfolio. Non recovery of non-performing loan assets can affect its regular business activity to generate cash flows and to recover its accumulated losses.

Similarly, NRB has given time period of 2 years from the date release from problematic to maintain its capital requirement as per NRB directives. The Finance Company has not maintained such capital requirement till date despite issue of right share and



acquisition of then M/S Lalitpur Finance limited.

If the Finance Company is unable to recover those non-performing loan, suffering significant amount of loss and to maintain such capital requirement within the prescribed time period in future, then it indicates the material uncertainty exists that cast significant doubt on the Finance Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these matters.

S. No.	Key Audit Matters	Auditor's Response
1	<p><u>Interest Income Recognition</u></p> <p>Interest income of the Finance Company is recognized on accrual basis subject to the Interest Income Recognition Guidelines 2019 issued by NRB. The guidelines requires suspension of interest income recognition on accrual basis for loans and advances which are more than 3 months in arrears and where the "net realizable value" of security is insufficient to cover payment of principal and accrued interest and for loans and advances where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral; In absence of system capability to suspend recognition of income on the basis of overdue status of loans and net realizable value of collateral, manual calculation is required to suspend interest income recognition. This creates risk of improper application of the guidelines and determination of the Net Realizable Value of the collateral. This may, in turn, have effect on recognition of interest income of The Finance Company. Thus, we have considered it as a key audit matter.</p>	<p>Our audit approach included:</p> <ol style="list-style-type: none"> Obtaining clear understanding of the process of accrual calculation of interest income on loans and advances in the Core Banking Software (CBS) of the Finance Company. For net realizable value of collateral on the sample loan files, we relied on the latest available engineer's valuation of the collateral. Test check of the interest income accrued in the CBS and booked in the financial statements in line with the Guidelines issued by NRB. <p>Our Results: We considered the interest income recognition to be acceptable.</p>
2	<p><u>Valuation of investments at amortized cost and measured at fair value</u></p> <p>Investment of and investment in quoted and unquoted equity instruments.</p> <p>Valuation of the aforesaid securities has been done in accordance with NAS 39 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills is recognized at Amortized cost whereas investments in equity instruments, other than those held for trading, is valued at Fair Value through Other Comprehensive Income on the reporting date.</p> <p>The classification of the investments is based on business model adopted by the management, the nature of cash flows, complexity of calculation and significance of amount involved in such investments. Thus, we have considered it as a Key Audit Matter in our audit.</p>	<p>Our audit approach included:</p> <ol style="list-style-type: none"> Review of investments of the Finance Company and its valuation in accordance with related NFRS and NRB Directives. Assessment of the business model adopted by the management and the nature of expected cash flow of the investments on the basis of available evidences/circumstances and ensured that classification of investment commensurate with nature of cash flows and management intention of holding the investments. For the valuation of investments at amortized cost, we reviewed the Accrued Interest yet to be collected. For investments valued through OCI, we reviewed the fair value considering the closing price in NEPSE as on the reporting date. <p>Our Results: We considered the valuation of investments at amortized cost and measured at fair value to be acceptable.</p>



3	Impairment of Loans and Advances	
	<p>The Finance Company measures impairment allowance on loans and advances at the higher of:</p> <ul style="list-style-type: none"> • Amount derived as per the provisions set forth in the Unified Directives issued by Nepal Rastra Bank along with circulars issued for loan loss provisioning; and • Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model. <p>NRB directives set provision on loans and advances at prescribed rates based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts and so on. As per NAS 39, impairment allowances is made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for group of loans that are not considered individually significant.</p> <p>Hence impairment of loans and advances under incurred loss model requires assessment of future cash flows as well as historical loss experience of portfolios whereas impairment of loans and advances under NRB norms requires assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as a key audit matter.</p>	<p>Our audit approach included:</p> <ol style="list-style-type: none"> a. Review of the overdue status of loans and advances based on data extracted from the system and reports submitted to NRB. b. Sample credit files were reviewed in regards to utilization of loans and advances for intended purpose by way of scrutiny of financial statements, accounts movement, account turnover and so on. c. Grouping of homogeneous group of loans was reviewed on the basis of nature and purpose of loans and data of historical loss experience in portfolios were assessed on the basis of loan loss provisions of the defined group in the past. <p>Our Results: We considered the impairment of loans and advances to be acceptable.</p>

Our opinion is not modified in respect of this matter.

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

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

In preparing the financial statements, management is responsible for assessing the Finance Company ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intend to liquidate the Finance Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Finance Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Finance Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Finance Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Finance Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the statutory audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

In our opinion, the statement of financial position as at Ashad 31, 2078 (15 July, 2021), statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended have been prepared in accordance with the provisions of Companies Act 2063 and conform to the books of accounts of the Nepal Finance Limited and the books of accounts and records are properly maintained in accordance with the prevailing laws, except the following instances.

During the course of our audit, we come across the following cases with non-compliance of directives issued or instructions given by Nepal Rastra Bank or other prevailing laws as the Nepal Finance Limited was released from the problematic financial institution and corrective measure/action by Nepal Rastra Bank on 2076/08/26.

- Under NRB Directive No: 10/2076, no organization registered under cooperatives act can hold promoter shares in any financial institution of any class approved by NRB where as Shubashree Co-operative Limited hold promoter share in Nepal Finance Limited.
- The Finance Company has to transfer unclaimed dividend which is not claimed up to 5 years from the date of approval from AGM to investor protection fund as per section 182 (9) of Company Act 2063 where as dividend that are payable for more than 5 years are lying in the account as under depositing it to the "Investor protection fund"
- NRB had instructed the Finance Company to make proper arrangement to conduct the system audit on regular basis. However, the Finance Company has not made any such arrangement.
- As per Rule 56(4) (ka) of Labour Rules 2075, the financial institution is required to submit labour audit report to the Labour Relation Committee (LRC) and Nepal Rastra Bank, Financial Institution has not complied with such provision.
- Non-Performing Loan is beyond the limit prescribed by Nepal Rastra Bank.
- The Finance Company has not maintained capital requirement as per NRB Directives.

During the course of our audit, we did not come across the cases, except above mentioned cases with non-compliance of directives issued or /instructions given by Nepal Rastra Bank, where the Board of Directors or the representative or any employee of the Nepal Finance Limited has acted deliberately contrary to the provisions of law or caused loss or damage to the entity or misappropriated the fund of the entity, nor have we been informed of any such case by management.



Mahesh Khanal, FCA
For: M. Khanal & Co.,
Chartered Accountants
UDIN: 220103CA00102ZNK4E

Place: Kathmandu, Nepal
Date: January 03, 2022



Nepal Finance Ltd
Statement of Financial Position
As on 31 Asar 2078

Particulars	Note	Current Year	Previous Year
Assets			
Cash and Cash Equivalents	4.1	724,866,935.49	265,617,721.93
Due from Nepal Rastra Bank	4.2	86,508,927.08	4,542,461.03
Placement with Bank and Financial Institutions	4.3	-	-
Derivative Financial Instruments	4.4	-	-
Other Trading Assets	4.5	-	-
Loans and Advances to BFIs	4.6	24,602,802.86	4,950,000.00
Loans and Advances to Customers	4.7	292,028,692.46	31,039,623.57
Investment Securities	4.8	113,987,892.72	26,806,798.42
Current Tax Assets	4.9	28,483,433.04	13,870,087.75
Investment in Subsidiaries	4.10	-	-
Investment in Associates	4.11	-	-
Investment Property	4.12	110,136,567.00	92,936,567.00
Property and Equipment	4.13	22,690,180.40	8,399,394.84
Goodwill and Intangible Assets	4.14	13,371,630.58	-
Deferred Tax Assets	4.15	24,840,422.89	19,587,159.62
Other Assets	4.16	13,736,312.38	5,345,357.24
Total Assets		1,455,253,796.90	473,095,171.04
Liabilities			
Due to Bank and Financial Institutions	4.17	54,000,025.93	-
Due to Nepal Rastra Bank	4.18	-	-
Derivative Financial Instruments	4.19	-	-
Deposits from Customers	4.20	657,296,665.97	209,321,057.33
Borrowings	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	653,960.00	253,960.00
Deferred Tax Liabilities	4.15	-	-
Other Liabilities	4.23	64,937,229.87	31,575,654.39
Debt Securities Issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
Total Liabilities		776,887,881.77	241,150,671.72
Equity			
Share Capital	4.26	493,496,438.00	135,800,500.00
Share Premium		21,957,194.55	-
Retained Earnings		(327,723,861.56)	(179,259,595.00)
Reserves	4.27	490,636,144.14	275,403,595.00
Total equity attributable to equity holders		678,365,915.14	231,944,500.00
Non-controlling interest			
Total equity		678,365,915.14	231,944,500.00
Total liabilities and equity		1,455,253,796.90	473,095,171.04
Contingent liabilities and commitment	4.28		
Net assets value per share		137.46	170.80

As per our attached report of even date

Bishal Thapa
Head-Accounts & Finance

Uddhab Raj Thapaliya
Chief Executive Officer

Prof. Hirendra Man Pradhan
Chairman

Diprash Shakya
Director

Chandra Kumar Rai
Director

Rajan Prajapati
Director

Laxmi Maharjan
Director

Rojina Shrestha
Director

Anand Krishna Tamrakar
Independent Director

FCA Mahesh Khanal
M.Khanal & Co,
Dhobighat ,Lalitpur



Nepal Finance Ltd
Statement of Profit or Loss
For the year ended 31 Asar 2078

Particulars	Note	Current Year	Previous Year
Interest Income	4.29	37,020,830.48	29,734,187.56
Interest Expense	4.30	16,651,554.81	2,683,349.54
Net Interest Income		20369275.67	27050838.02
Fee and Commission Income	4.31	2,952,129.50	309,500.00
Fee and Commission Expense	4.32	-	738,826.53
Net Fee and Commission Income		2,952,129.50	(429,326.53)
Net Interest, Fee and Commission Income		23,321,405.17	26,621,511.49
Net Trading Income	4.33	-	-
Other Operating Income	4.34	5,213,430.84	1,166,794.30
Total Operating Income		28534836.01	27788305.79
Impairment Charge/ (Reversal) for Loans and Other Losses	4.35	(45,965,212.08)	(18,954,486.45)
Net Operating Income		74,500,048.09	46,742,792.24
Operating Expense			
Personnel Expenses	4.36	20,004,905.09	10,057,093.35
Other Operating Expenses	4.37	25,706,907.75	8,330,712.62
Depreciation & Amortisation	4.38	3,732,854.48	1,985,164.04
Operating Profit		25,055,380.78	26,369,822.23
Non Operating Income	4.39	1,009,719.62	-
Non Operating Expense	4.40	1,021,159.53	-
Profit Before Income Tax		25,043,940.87	26,369,822.23
Income Tax Expense	4.41		
Current Tax		-	-
Deferred Tax		(25,721,368.16)	(18,245,611.40)
Profit for the Period		50,765,309.02	44,615,433.64
Profit Attributable to:			
Equity-holders of the Company		50,765,309.02	44,615,433.64
Non-Controlling Interest			
Profit for the Period		50,765,309.02	44,615,433.64
Earnings per Share			
Basic Earnings per Share		10.29	32.85
Diluted Earnings per Share		10.29	32.85

As per our attached report of even date

Bishal Thapa
Head-Accounts & Finance

Uddhab Raj Thapaliya
Chief Executive Officer

Prof. Hirendra Man Pradhan
Chairman

Diprash Shakya
Director

Chandra Kumar Rai
Director

Rajan Prajapati
Director

Laxmi Maharjan
Director

Rojina Shrestha
Director

Anand Krishna Tamrakar
Independent Director

FCA Mahesh Khanal
M.Khanal & Co,
Dhobighat ,Lalitpur

a) Items that will not be reclassified to profit or loss



नेपाल फाइनेन्स लिमिटेड
Nepal Finance Limited

Nepal Finance Ltd
Statement of Other Comprehensive Income
For the year ended 31 Asar 2078

Particulars	Current Year	Previous Year
Profit for the year	50,765,309.02	44,615,433.64
Other Comprehensive Income, Net of Income Tax	-	-
a) Items that will not be reclassified to profit or loss		
Gains/(losses) from investment in equity instruments measured at fair value	50,941,104.72	(16,195,450.00)
(Gains/(losses) from investment in equity instruments measured at fair value Then Lalitpur Finance)	9,478,347.00	
Gains/(losses) on revaluation	-	-
Actuarial gains/(losses) on defined benefit plans	-	-
Income tax relating to above items	(18,125,835.52)	4,858,635.00
Net other comprehensive income that will not be reclassified to profit or loss	42,293,616.20	(11,336,815.00)
b) Items that are or may be reclassified to profit or loss		
Gains/(losses) on cash flow hedge	-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-
Income tax relating to above items	-	-
Reclassify to profit or loss	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-
c) Share of other comprehensive income of associate accounted as per equity method	-	-
Other Comprehensive Income for the year, Net of Income Tax	42,293,616.20	(11,336,815.00)
Total Comprehensive Income for the Period	93,058,925.22	33,278,618.64
Total Comprehensive Income attributable to:		
Equity-Holders of the Company		
Non-Controlling Interest		
Total Comprehensive Income for the Period	93,058,925.22	33,278,618.64

As per our attached report of even date

Bishal Thapa
Head-Accounts & Finance

Uddhab Raj Thapaliya
Chief Executive Officer

Prof. Hirendra Man Pradhan
Chairman

Diprash Shakya
Director

Chandra Kumar Rai
Director

Rajan Prajapati
Director

Laxmi Maharjan
Director

Rojina Shrestha
Director

Anand Krishna Tamrakar
Independent Director

FCA Mahesh Khanal
M.Khanal & Co,
Dhobighat ,Lalitpur



Nepal Finance Ltd
Statement of Changes in Equity
For the year ended 31 Asar 2078

Particulars	Attributable to Equity-Holders of the Finance Company								Non-Controlling Interest	Total Equity			
	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning			Other Reserve	Total	
Balance at Shrawan 01, 2076	135,800,500.00		57,392,409.92		94,426,442.73	20,596,344.30		(195,450,142.97)	85,900,327.05	198,665,881.03	198,665,881.03		198,665,881.03
Comprehensive Income for the year													
Profit for the year													
Other Comprehensive Income, Net of Tax													
Gains/(losses) from investment in equity instruments measured at fair value													44,615,433.64
Gains/(losses) on revaluation													(11,336,815.00)
Actuarial gains/(losses) on defined benefit plans													
Gains/(losses) on cash flow hedge													
Exchange gains/(losses) arising from translating financial assets of foreign operation)													
Total Comprehensive Income for the year			8,923,086.73		18,945,255.70	(11,336,815.00)		(28,424,885.21)	556,542.78	33,278,618.64	(0.00)		33,278,618.64
Transfer to Reserves during the year													
Transfer from Reserves during the year													
Transactions with Owners, directly recognized in Equity													
Share Issued													
Share Based Payments													
Dividend to Equity-Holders													
Bonus Shares Issued													
Cash Dividend Paid													
Other: Calls in advance													
Total Contributions by and Distributions													
Balance at Asar 31, 2077	135,800,500.00		66,315,496.65		113,371,698.43	9,259,529.30		(179,259,594.55)	86,456,869.82	231,944,499.67			231,944,499.67
Balance at Shrawan 01, 2077	135,800,500.00		66315496.65		113,371,698.43	9,259,529.30		(179,259,594.55)	86,456,869.82	231,944,499.67			231,944,499.67
Adjustment/Restatement			152,316,603.00		13,068,855.00	3,168,273.00		(174,220,302.00)	50,535,543.00	44,868,972.00			44,868,972.00
Provision for NBA net of defer tax													
Comprehensive Income for the year													
Profit for the year													
Other Comprehensive Income, Net of Tax													
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 hedge													
Exchange gains/(losses) arising from translating financial assets of foreign operation)													
Total Comprehensive Income for the year			10,153,061.80		1,311,856,643	32,054,070.17		(23,968,942.53)	697,314.29	82,819,379.19	(0.00)		82,819,379.19
Transfer to Reserves during the year			1,029,915.20					4,119,660.80		5,149,576.00			4,119,660.80
Transfer from Reserves during the year													
Transactions with Owners, directly recognized in Equity													
Share Issued	357,695,938.00									357,695,938.29			357,695,938.58
Share Based Payments													
Dividend to Equity-Holders													
Bonus Shares Issued													
Cash Dividend													
Other: share premium													
Total Contributions by and Distributions													
Balance at Asar 31, 2078	493,496,438.00		229,815,075.73		139,559,119.16	44,481,872.47		(327,723,861.56)	76,780,076.78	678,365,915.14			678,365,915.14
Balance at Shrawan 01, 2078	493,496,438.00		229,815,075.73		139,559,119.16	44,481,872.47		(327,723,861.56)	76,780,076.78	678,365,915.14			678,365,915.14
Share Issued													
Share Based Payments													
Dividend to Equity-Holders													
Bonus Shares Issued													
Cash Dividend													
Other: share premium													
Total Contributions by and Distributions													
Balance at Asar 31, 2078	493,496,438.00		229,815,075.73		139,559,119.16	44,481,872.47		(327,723,861.56)	76,780,076.78	678,365,915.14			678,365,915.14



Nepal Finance Ltd
Statement of Cash Flows
For the year ended 31 Asar 2078

Particulars	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	37,020,830.48	29,734,187.56
Fee and Other Income Received	2,952,129.50	309,500.00
Dividend Received	753,909.72	1,002,352.22
Receipts from Other Operating Activities	4,459,521.12	164,442.08
Interest Paid	(16,651,554.81)	(2,683,349.54)
Commissions and Fees Paid	-	(738,826.53)
Cash Payment to Employees	(20,087,711.11)	(10,057,093.35)
Other Expenses Paid	21,169,170.60	10,623,773.83
Operating Cash Flows before Changes in Operating Assets and Liabilities	29,616,295.50	28,354,986.27
(Increase) Decrease in Operating Assets		
Due from Nepal Rastra Bank	(81,966,466.05)	(52,471.92)
Placement with Banks and Financial Institutions	-	-
Other Trading Assets	-	-
Loans and Advances to BFIs	(19,652,802.86)	(4,950,000.58)
Loans and Advances to Customers	(260,989,068.89)	(31,039,623.57)
Other Assets	(27,593,563.31)	(30,607,806.04)
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financial Institutions	54,000,025.93	-
Due to Nepal Rastra Bank	-	-
Deposit from Customers	447,975,608.64	164,511,462.06
Borrowings	-	-
Other Liabilities	33,844,381.50	(2,542,030.50)
Net Cash Flow from Operating Activities before Tax Paid	175,234,410.47	123,674,515.72
Income Tax Paid	23,739,280.68	18,245,611.40
Net Cash Flow from Operating Activities	198,973,691.15	141,920,127.12
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(87,181,382.32)	16,195,449.58
Receipts from Sale of Investment Securities	-	-
Purchase of Property and Equipment	(18,023,639.15)	(4,574,902.56)
Receipts from Sale of Property and Equipment	(11,439.91)	-
Purchase of Intangible Assets	(13,371,631.06)	-
Purchase of Investment Properties	-	-
Receipts from Sale of Investment Properties	(17,200,000.00)	-
Interest Received	-	-
Dividend Received	-	-
Net Cash Used in Investing Activities	(135,788,092.42)	11,620,547.02
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Issue of Debt Securities	-	-
Repayments of Debt Securities	-	-
Receipts from Issue of Subordinated Liabilities	-	-
Repayments of Subordinated Liabilities	-	-
Receipt from Issue of Shares	357,695,938.00	-
Dividends Paid	-	-
Interest Paid	-	-
Other Receipts/Payments	38,367,676.94	(11,336,814.77)
Net Cash from Financing Activities	396,063,614.94	(11,336,814.77)
Net Increase (Decrease) in Cash and Cash Equivalents	459,249,213.67	142,203,859.38
Cash and Cash Equivalents at Shrawan 01, 2077	265,617,721.84	123,413,862.46
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-
Cash and Cash Equivalents at Asar 31, 2078	724,866,935.49	265,617,721.84

As per our attached report of even date

Bishal Thapa Head-Accounts & Finance	Uddhab Raj Thapaliya Chief Executive Officer	Prof. Hirendra Man Pradhan Chairman	Diprash Shakya Director	Chandra Kumar Rai Director
Rajan Prajapati Director	Laxmi Maharjan Director	Rojina Shrestha Director	Anand Krishna Tamrakar Independent Director	FCA Mahesh Khanal M.Khanal & Co, Dhobighat ,Lalitpur



Nepal Finance Ltd
Statement of Distributable Profit or Loss
For the year ended 31 Asar 2078
(As per NRB Regulation)

Particulars	Current Year	Previous Year
Net profit or (loss) as per statement of profit or loss	50,765,309.02	44,615,433.64
Opening Retained Earning	(179,259,595.00)	(195,450,143.46)
Opening Retained Earning(Previous Lalitpur Finance)	(174,220,302.00)	
Appropriations:		
a. General reserve	10,153,061.80	8,923,086.73
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	507,653.09	446,154.34
e. Employees' training fund	189,661.20	110,388.44
f. Other	-	-
>Deferred Tax Reserve	4,119,660.80	
Profit or (loss) before regulatory adjustment	(309,445,303.07)	(160,314,339.33)
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(179,535.82)	(352,637.30)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	1,836,883.00	(347,007.00)
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	5,785,462.93	-
e. Deferred tax assets recognised (-)/ reversal (+)	(25,721,368.16)	(18,245,611.40)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Distributable profit or (loss)	(327,723,861.56)	(179,259,595.00)

As per our attached report of even date

Bishal Thapa
Head-Accounts & Finance

Uddhab Raj Thapaliya
Chief Executive Officer

Prof. Hirendra Man Pradhan
Chairman

Diprash Shakya
Director

Chandra Kumar Rai
Director

Rajan Prajapati
Director

Laxmi Maharjan
Director

Rojina Shrestha
Director

Anand Krishna Tamrakar
Independent Director

FCA Mahesh Khanal
M.Khanal & Co,
Dhobighat ,Lalitpur



SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

1. Reporting Entity

Nepal Finance Limited is a limited liability company domiciled in Nepal which has been in operation in Nepal since 2049/04/07 BS. The Finance Company is registered with the Office of Company Registrar as a public limited company and carries out banking activities in Nepal under the license from Nepal Rastra Bank as Class “Ga” licensed institution (National Level). It's registered, and corporate office are at Kamaladi, Kathmandu, Nepal.

The Finance Company offers maximum banking services of banking products and services including loans and advances, deposits etc. to wide range of clients encompassing individuals, corporates, large public sector companies, government corporations, etc. as authorized by the Nepal Rastra Bank (Central Bank of Nepal).

The Finance Company is listed on Nepal Stock Exchange and its stock symbol is “NFS”.

2. Basis of Preparation

The financial statements of the Finance Company have been prepared on accrual basis of accounting except the Cash Flow information, which is prepared on a cash basis, using the direct method. The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts of the group and separate financial statements as stated above of the Finance Company. The accounting policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

2.1. Statement of Compliance

The financial statements have been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and as per the provisions of Bank and Financial Institutions Act, 2073 in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2077.

2.2. Reporting Period

Reporting Period is a period from the first day of Shrawan (mid July) of any year to the last day of Ashadh (mid July) of the next year as per Nepali calendar.

	Nepali Calendar	English Calendar
Current Year	2077/78	2020/21
Previous Year	2076/77	2019/20
Current Year Period	Shrawan 01, 2077 to Ashadh 31, 2078	July 17, 2020 to July 15, 2021
Previous Year Period	Shrawan 01, 2076 to Ashadh 31, 2077	July 17, 2019 to July 16, 2020

2.3. Functional and Presentation Currency

The financial statements of the Group are presented in Nepalese Rupees (NPR), which is the currency of the primary economic environment in which the company operates. Financial information is presented in Nepalese Rupees. There was no change in the presentation and functional currency during the year under review. The figures are rounded to nearest integer, except otherwise indicated.

2.4. Use of Estimates, Assumptions and Judgment

The Finance Company, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Finance Company is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate. The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed. The NFRS requires the Finance Company to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Finance Company applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.



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

2.5. Changes in Accounting Policies

The Company has consistently applied the accounting policies to all the periods presented in these financial statements except for new or revised statements and interpretations implemented during the year. The nature and effect of new standards and interpretations are discussed in note that follows

2.6. New Reporting standards issued but not effective

For the reporting of financial instruments, NAS 32 Financial Instruments Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been complied for the classification of Financial Instruments. Few carve-outs on applicable Accounting Standards as provided by the Institute of Chartered Accountants of Nepal have been used by the Finance Company, the quantitative and qualitative impact of the same have been disclosed in detail in Notes to the Accounts. Further, NAS 17 Leases has not been incorporated in this financial statement regarding operating lease since the effect of the same was considered not material by the management. Further, a number of new standards and amendments to the existing standards and interpretations have been issued by International Accounting Standard Board after the pronouncements of NFRS with varying effective dates. Those become applicable when Accounting Standard Board Nepal incorporates them within NFRS.

2.7. Discounting

Non- current assets and liabilities are discounted where discounting is material. Interest income and expenses have been recognized on unwinding of financial assets and liabilities respectively.

2.8. 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 Finance Company. 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.

2.9. Going Concern

The Board has made an assessment of the company’s ability to continue as a going concern and satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.10. Prior Period Errors

Prior Period Errors are omissions or misstatements in an entity’s financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the affected prior years’ financial statements. Sometimes such changes may not be practicable. In such cases, it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period.

3. Significant Accounting Policies

The principal accounting policies applied by the Finance Company 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 of the Finance Company have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- ♦ Available for sale investments (quoted) are measured at fair value.
- ♦ Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.
- ♦ Financial assets and financial liabilities held at amortized cost are measured using a rate that is a close approximation of effective interest rate.

3.2 Basis of consolidation

a. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method as per the requirements of Nepal Financial Reporting Standard - NFRS 03 (Business Combinations). The Finance Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling



interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is immediately recognized in the profit or loss.

The Finance Company elects on a transaction-by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Finance Company incurs in connection with a business combination are expensed as incurred.

The Finance Company has applied Exemptions for NFRS 3 as stated in Appendix C as follows:

A first-time adopter may elect not to apply NFRS 3 retrospectively to past business combinations (business combinations that occurred before the date of transition to NFRSs). However, if a first-time adopter restates any business combination to comply with NFRS 3 it shall restate all later business combinations and shall also apply NFRS 10 from that same date.

However, the Finance Company does not have control over any other entity for consolidation of Financial Statements.

Investments in Shares made by the Finance Company are financial investments and have been described under 4.8 in Notes.

b. Non-Controlling Interest (NCI)

The finance company presents non-controlling interests in its consolidated statement of financial position within equity, separately from the equity of the owners of the parent. The group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The proportion allocated to the Nepal Finance Ltd. and non-controlling interests are determined on the basis of present ownership interests.

However, Finance Company does not have a Subsidiary. So the non-controlling interest has not been calculated separately.

c. Subsidiaries

Subsidiaries are entities that are controlled by the Finance Company. The Finance Company is presumed to control an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date the Finance Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control mentioned above.

The Financial Statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Finance Company and continue to be consolidated until the date when such control ceases. The Financial Statements of the Finance Company's Subsidiaries are prepared for the same reporting year as per the Finance Company, using consistent accounting policies.

However, Finance Company does not have any subsidiary.

d. Loss of Control

When the Finance Company loses control over a Subsidiary, it derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position. The Finance Company recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant NFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with relevant NFRS or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Finance Company recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

However, Finance Company does not have any subsidiary.

e. Special Purpose Entity (SPE)

An entity may be created to accomplish a narrow and well-defined objective (eg. to effect a lease, research and development activities or a securitization of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal



arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Examples of SPEs include entities set up to effect a lease, a securitization of financial assets, or R&D activities. Nepal Financial Reporting Standard 10 Consolidated Financial Statement is applicable in relation to consolidation of special purpose entity.

The Finance Company does not have any special purpose entity.

f. Transaction elimination on consolidation

In consolidating a subsidiary, the group eliminates full intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the subsidiary and the Finance Company (profits or losses resulting from intra-group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full).

The Finance Company does not have any subsidiary.

3.3. Cash and cash equivalents

Cash and Cash Equivalents include cash in hand, balances with banks and money at call and at short notice. These are subject to insignificant risk of changes in their fair value and are used by the Finance Company in the management of short term commitments.

Details of the Cash and Cash Equivalents are given in Note 4.1 to the Financial Statements.

3.4. Financial assets and Financial Liabilities

Initial Recognition

a. Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date on which the Finance Company becomes a party to the contractual provisions of the instrument. This includes 'regular way trades'. Regular way trade means purchases or sales of financial assets that required delivery of assets within the time frame generally established by regulation or convention in the market place.

b. Recognition and Initial Measurement of Financial Instruments

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss, as per the Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement). Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Profit or Loss.

Classification and Subsequent Measurement of Financial Instruments

Classification and Subsequent Measurement of Financial Assets

At the inception, a financial asset is classified into one of the following:

- (a) Financial assets at fair value through profit or loss
 - i. Financial assets held for trading
 - ii. Financial assets designated at fair value through profit or loss
- (b) Held to Maturity Financial Assets
- (c) Loans and Receivables
- (d) Financial assets available for sale

The subsequent measurement of financial assets depends on their classification.

(a) Financial Assets at Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.



(a) (i) Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category also includes derivative financial instruments entered into by Finance Company that are not designated as hedging instruments in hedge relationships as defined by Nepal Accounting Standards (NAS) 39 “Financial Instruments: Recognition and Measurement.

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in ‘Net trading income’. Dividend income is recorded in ‘Net trading income’ when the right to receive the payment has been established

Finance Company evaluates its held for trading asset portfolio, other than derivatives, to determine whether the intention to sell them in the near future is still appropriate. When Finance Company is unable to trade these financial assets due to inactive markets and management’s intention to sell them in the foreseeable future significantly changes, the Finance Company may elect to reclassify these financial assets. Financial assets held for trading include instruments such as government securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

(a) (ii) Financial Assets Designated at Fair Value through Profit or Loss

Finance Company designates financial assets at fair value through profit or loss in the following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the assets.
- The assets 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 assets contain one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or losses are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in ‘Net gain or loss on financial instruments designated at fair value through profit or losses’ in the Statement of Profit or Loss. Interest earned is accrued under ‘Interest income’, using the effective interest rate method, while dividend income is recorded under ‘Other operating income’ when the right to receive the payment has been established.

The Finance Company has not designated any financial assets upon initial recognition as designated at fair value through profit or loss.

(b) Held to Maturity Financial Assets

Held to Maturity Financial Assets are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Finance Company has the intention and ability to hold to maturity. After the initial measurement, held to maturity financial investments are subsequently measured at amortized cost using the effective interest rate, less impairment. The amortization is included in ‘Interest income’ in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss.

(c) Loans and Receivables from Customers

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Finance Company intends to sell immediately or in the near term and those that the Finance Company, upon initial recognition, designates as fair value through profit or loss.
- Those that the Finance Company, upon initial recognition, designates as available for sale
- Those for which the Finance Company may not recover substantially all of its initial investment through contractual cash flows, other than because of credit deterioration.



After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. Within this category, loans and advances to the customers have been recognized at amortized cost using the method that very closely approximates effective interest rate method. The amortization is included in 'Interest Income' in the Statement of Profit or Loss. The losses arising from impairment are recognized in 'Impairment charge / reversal for loans and other losses' in the Statement of Profit or Loss.

(d) Financial Assets Available for Sale

Available for sale financial assets include equity and debt securities. Equity Investments classified as 'Available for Sale' are those which are neither classified as 'Held for Trading' nor 'Designated at fair value through profit or loss'. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity through 'Other comprehensive income / expense' in the 'Available for sale reserve'. When the investment is disposed of the cumulative gain or loss previously recognized in equity is recognized in the Statement of Profit or Loss under 'Other operating income'. Where Finance Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in-first-out basis. Interest earned whilst holding 'Available for sale financial investments' is reported as 'Interest income' using the effective interest rate. Dividend earned whilst holding 'Available for sale financial investments' are recognized in the Statement of Profit or Loss as 'other operating income' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss under 'Impairment charge for loans and other losses' and removed from the 'Available for sale reserve'.

Financial assets under AFS that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security are recognized in income statement and other changes in the carrying amount are recognized in other comprehensive income.

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield, option volatilities and currency rates. When such evidence exists, the Finance Company recognizes a trading gain or loss on inception of the financial instrument, being the difference between the transaction price and fair value.

When unobservable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value from the transaction price as indicated by the valuation model is not recognized immediately in the income statement. Instead, it is recognized over the life of the transaction on an appropriate basis, when the inputs become observable, the transaction matures or is closed out, or when the Finance Company enters into an offsetting transaction.

Classification and Subsequent Measurement of Financial Liabilities

At the inception, Finance Company determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

- (a) Financial liabilities at fair value through profit or loss
 - i. Financial liabilities held for trading
 - ii. Financial liabilities designated at fair value through profit or loss

- (b) Financial liabilities at amortized cost

(a) Financial Liabilities at Fair Value through Profit or Loss

Financial Liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.



(a) (i) Financial Liabilities Held for Trading

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instrument entered into by Finance Company that are not designated as hedging instruments in hedge relationships as defined by Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement).

a) (ii) Financial Liabilities Designated at Fair Value through Profit or Loss

Finance Company designates financial liabilities at fair value through profit or loss at following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the liabilities.
- The 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 liability contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

(b) Financial Liabilities At Amortized Cost

Financial instruments issued by Finance Company that are not classified as fair value through profit or loss are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in Finance Company having an obligation either to deliver cash or another financial asset to another Finance Company, or to exchange financial assets or financial liabilities with another Finance Company under conditions that are potentially unfavorable to the Finance Company or settling the obligation by delivering variable number of Finance Company's own equity instruments.

After initial recognition, such financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Within this category, deposits and debt instruments with fixed maturity period have been recognized at amortized cost using the method that very closely approximates effective interest rate method. The amortization is included in 'Interest Expenses' in the Statement of Profit or Loss. Gains and losses are recognized in the Statement of Profit or Loss when the liabilities are derecognized.

Reclassification of Financial Instruments

3.4.1. (a) Reclassification of Financial Instruments 'At fair value through profit or loss',

Finance Company does not reclassify derivative financial instruments out of the fair value through profit or loss category when it is held or issued.

Non-derivative financial instruments designated at fair value through profit or loss upon initial recognition are not reclassified subsequently out of fair value through profit or loss category.

Finance Company may, in rare circumstances reclassify financial instruments out of fair value through profit or loss category if such instruments are no longer held for the purpose of selling or repurchasing in the near term notwithstanding that such financial instruments may have been acquired principally for the purpose of selling or repurchasing in the near term. Financial assets classified as fair value through profit or loss at the initial recognition which would have also met the definition of 'Loans and Receivables' as at that date is reclassified out of the fair value through profit or loss category only if Finance Company has the intention and ability to hold such asset for the foreseeable future or until maturity.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Any gain or loss already recognized in respect of the reclassified financial instrument until the date of reclassification is not reversed to the Statement of Profit or Loss.

If a financial asset is reclassified, and if Finance Company subsequently increases its estimates of the future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

3.4.1. (b) Reclassification of 'Available for sale' Financial Instruments

Finance Company may reclassify financial assets out of available for sale category as a result of change in intention or ability or in rare circumstances that a reliable measure of fair value is no longer available.



A financial asset classified as available for sale that would have met the definition of loans and receivables at the initial recognition may be reclassified out of available for sale category to the loans and receivables category if Finance Company has the intention and ability to hold such asset for the foreseeable future or until maturity.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Difference between the new amortized cost and the maturity value is amortized over the remaining life of the asset using the effective interest rate. Any gain or loss already recognized in Other Comprehensive Income in respect of the reclassified financial instrument is accounted as follows:

i) Financial assets with fixed maturity :

Gain or loss recognized up to the date of reclassification is amortized to profit or loss over the remaining life of the investment using the effective interest rate. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

ii) Financial assets without fixed maturity :

Gain or loss recognized up to the date of reclassification is recognized in profit or loss only when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

If a financial asset is reclassified, and if Finance Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

3.4.1. (c) Reclassification of ‘Held to Maturity’ Financial Instruments

As a result of a change in intention or ability, if it is no longer appropriate to classify an investment as held to maturity, Finance Company may reclassify such financial assets as available for sale and re-measured at fair value. Any difference between the carrying value of the financial asset before reclassification and fair value is recognized in equity through other comprehensive income.

However, if Finance Company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity [other than in certain specific circumstances permitted in Nepal Accounting Standard - NAS 39(Financial Instruments: Recognition and Measurement)], the entire category would be tainted and would have to be reclassified as ‘Available for sale’. Furthermore, Finance Company would be prohibited from classifying any financial assets as ‘Held to Maturity’ during the following two years. These reclassifications are at the election of management and determined on an instrument by instrument basis.

De-recognition of Financial Assets and Liabilities

3.4.2. (a) De-recognition of Financial Assets

Finance Company derecognizes a financial asset (or where applicable a part of financial asset or part of a group of similar financial assets) when:

- The rights to receive cash flows from the asset have expired; or
- Finance Company has transferred its rights to receive cash flows from the asset or
- Finance Company has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement and either Finance Company has transferred substantially all the risks and rewards of the asset or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

When Finance Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Finance Company’s continuing involvement in the asset. In that case, Finance Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Finance Company has retained.

When Finance Company’s continuing involvement that takes the form of guaranteeing the transferred asset, the



extent of the continuing involvement is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received by Finance Company that Finance Company could be required to repay.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to income statement as gains and losses from investment securities.

3.4.2. (b) 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 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 profit or loss.

3.4.2. (c) Repurchase and Reverse Repurchase Agreements

Securities sold under agreement to repurchase at a specified future date are not de-recognized from the Statement of Financial Position as the Finance Company retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the Statement of Financial Position as a liability with a corresponding obligation to return it, including accrued interest under 'Securities sold under repurchase agreements', reflecting the transaction's economic substance to the Finance Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the Finance Company has the right to sell or re-pledge the securities, the Finance Company reclassifies those securities in its Statement of Financial Position as 'Financial assets held for trading pledged as collateral or 'Financial assets available for sale pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at future date are not recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, under "Reverse repurchase agreements" reflecting the transaction's economic substance to the Finance Company. The difference between the purchase and resale prices is recorded as 'Interest income' and is accrued over the life of the agreement using the effective interest rate. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale with in 'Financial liabilities held for trading' and measured at fair value with any gains or losses included in 'Net trading income'.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when and only when Finance Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under NFRSs or for gains and losses arising from a group of similar transaction such as in trading activity.

Amortized Cost Measurement

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

Fair Value Measurement

'Fair '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 Finance Company has access at that date. The fair value of liability reflects its non-performance risk. When available, the Finance Company measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). 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 on an arm's length basis.

If there is no quoted price in an active market, then the Finance Company 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. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Finance Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price. Where the Finance



Company has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to net open position as appropriate.

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 Finance Company 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.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Finance Company entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Finance Company believes a third-party market participant would take them into account in pricing a transaction.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

The Finance Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Impairment of Financial Assets

Finance Company assesses at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or group of financial assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events, that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.4.3. (a) Impairment of Financial Assets carried at Amortized Cost

For financial assets carried at amortized cost, such as amounts due from banks, held to maturity investments etc., Finance Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. In the event Finance Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics such as collateral type, past due status and other relevant factors and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. 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.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current closely approximates effective interest rate. If the Finance Company has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new closely approximates effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial assets reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

3.4.3. (a) (i) Individually Assessed Financial Assets



The criteria used to determine whether there is objective evidence of impairment include and not limited to:

- Known Cash Flow difficulties experienced by the borrowers;
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial reorganization; and
- A significant downgrading in credit rating by an external credit rating agency.

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of reduction in the established loss estimate. Interest on impaired assets continues to be recognized through the unwinding of the discount.

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 Finance Company. 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 future write off is later recovered, the recovery is credited to the impairment charges for loans and other losses.

When impairment losses are determined for those financial assets where objective evidence of impairment exists, the following common factors are considered:

- Finance Company's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The extent of other creditors' commitments ranking ahead of, or pari-pasu with the Finance Company and the likelihood of other creditors continuing to support the company;
- The realizable value of security and likelihood of successful repossession;

3.4.3. (a) (ii) Collectively Assessed Financial Assets

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans that are not considered individually significant.

Incurred but not yet identified impairment

Individually assessed financial assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Finance Company has incurred as a result of events occurring before the reporting date, which the Finance Company is not able to identify on an individual loan basis and that can be reliably estimated.

These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual financial assets within the group, those financial assets are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical Loss Experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.

Homogeneous groups of Financials Assets

Statistical methods are used to determine impairment losses on a collective basis for homogenous groups of financial assets. Losses in these groups of financial assets are recorded on an individual basis when individual financial assets are written off, at which point they are removed from the group.

Finance Company uses the following method to calculate historical loss experience on collective basis:



After grouping of loans on the basis of homogeneous risks, the Finance Company uses net flow rate method. Under this methodology the movement in the outstanding balance of customers into default categories over the periods are used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date which the Finance Company is not able to identify on an individual loan basis.

Under this methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover inherent loss. These additional macro and portfolio risk factors may include:

- Recent loan portfolio growth and product mix
- Unemployment rates
- Gross Domestic Production (GDP) Growth
- Inflation
- Interest rates
- Changes in government laws and regulations
- Property prices
- Payment status

3.4.3. (a) (iii) Reversal of Impairment

If the amount of an impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by reducing the financial asset Impairment allowance account accordingly. The write-back is recognized in the Statement of Profit or Loss.

3.4.3. (a) (iv) Write-off of Financial Assets Carried At Amortized Cost

Financial assets (and the related impairment allowance accounts) are normally written off either partially or in full, when there is no realistic prospect of recovery. Where there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

3.4.3. (a) (v) Impairment of Rescheduled Loans and Advances

Where possible, the Finance Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the 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 a 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 effective interest rate (EIR).

3.4.3. (a) (vi) Collateral Valuation

The Finance Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Nepal Rastra Bank. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuator and audited financial statements.

3.4.3. (a) (vii) Collateral Legally Repossessed or Where Properties have Devolved to the Finance Company

Legally Repossessed Collateral represents Non-Financial Assets acquired by the Bank in settlement of the overdue loans. The assets are initially recognized at fair value when acquired. The Finance Company's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. The proceeds are used to reduce or repay the outstanding claim. The immovable property acquired by foreclosure of collateral from defaulting customers, or which has devolved on the Finance Company as part settlement of debt, has not been occupied for business use.

These assets are shown as Legally Repossessed Collateral under "Other Assets."

3.4.3. (b) Impairment of Financial Assets – Available for Sale

For available for sale financial investments, Finance Company assesses at each reporting date whether there is objective evidence that an investment is impaired.



In the case of debt instruments, Finance Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the Income Statement. Future interest income is based 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. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized, the impairment loss is reversed through the Income Statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from equity and recognized in the Statement of profit or loss. However, any subsequent increase in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

Finance Company writes-off certain available for sale financial investments when they are determined to be uncollectible.

3.5. Trading Assets

One of the categories of financial assets at fair value through profit or loss is "held for trading" financial assets. All financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short term profit taking are trading assets.

3.6. Derivatives assets and derivative liabilities

A derivative is a financial instrument whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index; that requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and that is settled at a future date.

Forward contracts are the contracts to purchase or sell a specific quantity of a financial instrument, a commodity, or a foreign currency at a specified price determined at the outset, with delivery or settlement at a specified future date. Settlement is at maturity by actual delivery of the item specified in the contract, or by a net cash settlement.

All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value on the statement of financial position regardless of whether they are held for trading or non trading purposes. Changes in fair value on derivatives held for trading are included in net gains/ (losses) from financial instruments in fair value through profit or loss on financial assets/ liabilities at fair value through profit or loss.

Finance Company doesn't deal with any derivative financial instruments.

3.7. Property, Plant and Equipment Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Finance Company applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.



Revaluation Model

The Finance Company has not applied the revaluation model to the any class of freehold land and buildings or other assets. Such properties are carried at a previously recognized GAAP Amount.

On revaluation of an asset, any increase in the carrying amount is recognized in 'Other comprehensive income' and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the Other Comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Finance Company and it can be reliably measured. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

Depreciation

Depreciation is calculated by using the written down value method on cost or valuation of the Property & Equipment other than freehold land and leasehold properties.

The rates of depreciations are given below:

Rate of Depreciation per annum (%)

Asset Category	For the year ended 15 July 2021
Buildings	5%
Motor Vehicles	20%
Computer Equipment	25%
Furniture, Office Equipment	25%
Machinery	15%

Residual Value and estimated useful lives of Property and equipment are reviewed at each year end and adjusted, if appropriate. If any asset is in use even after its full depreciation, such assets are not considered material. And also, the assets are reviewed at each year end for indicators of impairment. If in such review, the carrying amount of any asset is higher than its recoverable amount, the asset is written down to its recoverable amount immediately.

Changes in Estimates

The asset's methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of an asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Finance Company incurs in connection with the borrowing of funds.

De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.



3.8. Goodwill and Intangible Assets

Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Finance Company in previous annual Financial Statements or interim Financial Statements are not recognized as part of the cost of an intangible asset at a later date.

Computer Software & Licenses

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Finance Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Goodwill is measured at cost less accumulated impairment losses.

Amortization of Intangible Assets

Intangible Assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Finance Company. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Finance Company assumes that there is no residual value for its intangible assets.

Asset Category	For the year ended 15 July 2021	For the year ended 15 July 2020
Computer Software	5 years	5 years
Licenses	5 years	5 years

De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on de recognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

3.9. Investment Property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less impairment losses. If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

De-recognition

Investment properties are derecognized when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment in Associates

Associates are those entities in which the Finance Company has significant influence, but not control, over the financial and operating policies. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs.

The Finance Company doesn't have any associates. The Finance Company considers that mere representation of the Finance Company in Board of Directors doesn't indicate significant influence.



3.10 Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Taxes) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Current Tax

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

Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in Subsidiaries, 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 difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

3.11 Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Finance Company's sources of funding. Deposits include non-interest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The fair value of fixed interest bearing deposits is considered as the interest receivable on these deposits plus carrying amount of these deposits. The fair value of debt securities issued is also considered as the carrying amount of these debt securities issued. Sub-or dinated liabilities are liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors. The Finance Company does not have any debt securities issued and subordinated liabilities.

3.12 Provisions

A provision is recognized if, as a result of a past event, the Finance Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that



date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Finance Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provision are not recognized for future operating losses.

Before a provision is established, the Finance Company recognizes any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.13. Regulatory Reserve

Regulatory reserve has been created as required by NRB Directive 4.3 by earmarking certain amounts of the retained earnings in respect of various NFRS adjustments carried out in its first NFRS financial statement. Amount in this reserve is not distributable unless approved by NRB. The details are as follows:

Particulars	2075-76	2076-77	2077-78	Total
In respect of interest income recognized on accrual basis		352,637.30	179,535.82	532,173.12
Short loan loss provision on Non Banking Assets (-)/resersal (+)	92,936,566.73	0.00	-10,945,454.55	81,991,112.18
Bargain Purchase Gain				0.00
Goodwill				0.00
Actiurial loss recognized				0.00
Short provision for possible losses on Investment	1,489,876.00	347,007.00	-1,836,883.00	0.00
In respect of loss on Fair value recognition of investment in securities		0.00	0.00	0.00
In respect of deferred tax Assets recognized		18,245,611.40	25,721,368.16	43,966,979.56
Others(Transferred from then M/S Lalitpur Finance)			13,068,855.00	13,068,855.00
Total	94,426,442.73	18,945,255.70	24,205,333.95	139,559,119.16

3.14 Other Reserves

The other reserves shown in the SOCE of the financial statements comprises of followings:

Particulars	Amount(Rs.)
Opening reserve	86,456,871.78
Add: Merger with Lalitpur Finance	50,535,543.00
Changes during the year:	
Deffered Tax	(60,909,652.18)
Staff Skill Development Fund	189,661.20
Corporate social responsibility reserve	1,581,295.32
Closing Reserve	76,780,076.78

Corporate Social Responsibility Reserve

Particulars	Amount(Rs.)
Opening reserve	1,315,709.34
Add: Merger Lalitpur	917,324.00
Changes during the year	507,653.09
Expenses during the year	(1,159,392.00)
Closing Reserve	1,581,295.32



Staff Skill Development Fund

Particulars	Amount(Rs.)
Opening reserve	210,661.44
Add: Merger Lalitpur	688,819.00
Changes during the year	189,661.20
Paid During Year	(32,960.18)
Closing Reserve	1,056,181.46

3.15 Fair value Reserve

The fair value reserve shown in the SOCE of the financial statements comprises of followings:

Particulars	Amount(Rs.)
Opening reserve	9,259,529.30
Add: Merger Lalitpur	3,168,273
Changes during the year	320,54,070.17
Closing Reserve	44,481,872.47

3.16 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Finance Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Interest Income

For all financial assets measured at amortized cost, interest bearing financial assets classified as Fair value through other comprehensive income, interest income is recorded using the rate that closely approximates the EIR because the Finance Company considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

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

Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income. Loan syndication fees are recognized as revenue when the syndication has been completed and the Finance Company retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory fees and service distribution fees are recognized based on the applicable contracts, usually on a time apportionment basis.

Dividend Income

Dividend income is on equity instruments are recognized in the statement of profit and loss within other income when the Finance Company's right to receive payment is established.

Net Trading Income

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as wells as unrealized changes in fair value of trading assets and liabilities.

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

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No other financial instrument are designated at fair value through profit or loss. The Finance Company has no income under the heading net income from other financial instrument at fair value through profit or loss.

3.17 Interest Expense

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate, interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.



3.18 Employee Benefits

Employee benefits include:

- Short-term employee benefits such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
 - i. Wages, salaries and social security contributions;
 - ii. Paid annual leave and paid sick leave;
 - iii. Profit sharing and bonuses, and
 - iv. Non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;

Short term employee benefits are measured on an undiscounted basis and are expenses as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Finance Company has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- Post-employment benefits, such as the following:
 - i. Retirement benefits (eg: pensions, lump sum payments on retirement); and
 - ii. Other post-employment benefits such as post-employment life insurance and post-employment medical care;
- Other long term employee benefits and
- Termination benefits

Post employments benefits are as follows:

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an Finance Company pays fixed contribution into a separate bank (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to Finance Company by the employees and is recorded as an expense under ‘Personnel expense’ as and when they become due. Unpaid contribution are recorded as a liability under ‘Other Liabilities’.

Finance Company contributed 10% on the salary of each employee to the Employees’ Provident Fund. The above expenses are identified as contributions to ‘Defined Contribution Plans’ as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

Gratuity

The Gratuity benefits for the permanent staffs are provided as per existing employees byelaws. The new Labour Act 2074 is applicable from Bhadra 19, 2074 which requires payment of minimum Gratuity of at least 8.33% of basic salary to all staff (equal to one month basic salary per year). The Finance Company has not yet decided for the revision of its Employees Byelaws as per New Labour Act.

However, In compliance with Labor Act, 2017, provision is made in the account year of service, for gratuity payable to employees who joined Finance Company on a permanent basis.

An actuarial valuation is to be carried out every year to ascertain the full liability under gratuity.

Finance Company’s obligation in respect of defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets to determine the net amount to be shown in the Statement of Financial Position. The value of a defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reduction on the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that apply to any plan in Finance Company. An economic benefit is available to Finance Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Finance Company determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates



approximating to the terms of Finance Company's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the year (current service cost) has been recognized in the Statement of Profit or Loss under 'Personnel Expenses' together with the net interest expense. Finance Company recognizes the total actuarial gain and loss that arises in calculating Finance Company's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawal from service and retirement on medical grounds.

Unutilized Accumulated Leave

Finance Company's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Finance Company's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Finance Company's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

However, the cost of carrying out actuarial valuation seems higher than the benefit it can bring to the finance company as the company employed only 12 employees as on Ashadh end, 2078 and 11 employees in average of 3 years. So, the actuarial valuation as required by NAS 19 "Employee benefits" has not been conducted and the amount as approved by the management has been accounted as defined employee benefit obligations.

3.19 Finance and Operating Leases

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

3.19.1 Finance Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance lease. When Finance Company is the less or under finance lease, the amounts due under the leases, after deduction of unearned interest income, are included in 'Loans to & receivables from other customers', as appropriate. Interest income receivable is recognized in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When Finance Company is a lessee under finance leases, the leased assets are capitalized and included in 'Property, plant and equipment' and the corresponding liability to the less or is included in 'Other liabilities'. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or if lower, the present value of the minimum lease payments. Finance charges payable are recognized in 'Interest expenses' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

3.19.2 Operating Lease

All other leases are classified as operating leases. When acting as less or, Finance Company includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When Finance Company is the lessee, leased assets are not recognized on the Statement of Financial Position.

Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Other operating expenses' and 'Other operating income', respectively.

3.20 Foreign Currency Transactions, Translation and Balances

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gain or loss on



monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on available-for-sale equity instruments are recognized in other comprehensive income.

Forward exchange contracts are valued at the forward market rates ruling on the reporting date. Both unrealized losses and gains are reflected in the Statement of Profit or Loss.

However, no such contracts have been entered by the Finance Company.

3.21 Financial guarantee and loan commitment

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, etc. Where the Finance Company has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, over drafts etc. whether cancellable or not and the Finance Company had not made payments at the reporting date, those instruments are included in these financial statements as commitments.

3.22 Share capital and reserves

Share capital and reserves are different classes of equity claims. Equity claims are claims on the residual interest in the assets of the entity after deducting all its liabilities. Changes in equity during the reporting period comprise income and expenses recognized in the statement of financial performance; plus contributions from holders of equity claims, minus distributions to holders of equity claims.

3.23 Earnings per share

Finance Company presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Finance Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

Earnings per share is calculated and presented in the face of Statement of Profit and loss.

3.24 Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Not every part of an entity is necessarily an operating segment or part of an operating segment. For example, a corporate headquarters or some functional departments may not earn revenues or may earn revenues that are only incidental to the activities of the entity and would not be operating segments. For the purposes of this NFRS, an entity's post-employment benefit plans are not operating segments.

The Finance Company has identified eight segments based on the geographic locations of its offices in the country. Interest earnings and foreign exchange gains/losses generated while conducting businesses under different segments are reported under the respective segment. All transactions between the units are conducted on arm's length basis, with intra unit revenue and cost being nullified at the Finance Company level.

3.25 Impairment of Non-Financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Finance Company estimates the



asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or the fair value of the Cash Generating Units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

3.26 Dividend on Ordinary Shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Finance Company's shareholders. Interim Dividend is deducted from equity when they are declared and no longer at the discretion of the Finance Company. Dividend for the year that is approved after the reporting date is disclosed as an event after the reporting date.

3.27 Cash Flow Statement

The cash flow statement has been prepared using 'The Direct Method', whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized.

3.28 Comparative Figures

The comparative figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

SIGNIFICANT ACCOUNTING POLICIES (Disclosures)

A. Staff Loans measured at fair value

Under previous NAS, staff loans were recorded at cost less repayments net of loan loss provision, if any. Under NFRS, the Finance Company has to measure the staff loans granted below the market interest rate at their fair value, calculate based on the market interest rate of similar products.

The Staff loan as on Ashad end 2078 is Rs. 849,806.92 as per amortization schedule based on NFRS

B. Adjustment on loan impairment

As per carve out issued by Institute of Chartered Accountants of Nepal, the loan loss provision should be made at higher of:

- Provision as required by NRB Directives or
- Provision as required by Nepal Accounting standards (Para 63 of NAS-39).

Analyzing the same, since the provision as required by NRB Directive was higher, specific loan loss provision were made based on the arrears time period and General provision were made at a specified rate given by NRB time to time in compliance with the NRB Directives and subsequent amendment there to.

Category	Outstanding	Provision as on Asar end 2078
Good	288,167,978.47	3,746,183.72
Watch	19,977,934.18	998,896.71
Sub	16,469,998.93	4,117,499.73
Doubt	345,836.94	172,918.47
Bad	238,890,417.82	238,890,417.82
Grand Total	563,852,166.34	247,925,916.45
Staff Loan	849,756.92	
Interest Receivable	179,535.98	
Total Loan	564,881,460.24	

C. Financial Investments- Available for Sale

Under NFRS, the Finance Company has designated such investments as available-for-sale investments and measured at fair value. Such investments include equity investments, Mutual Funds.

As at Ashad 31 2078 the fair value of the investment was Rs.83.98 Million and NAS carrying amount was Rs.21.89Million. The difference between the instruments fair value and NAS carrying amount was Rs. 62.09

Million has been recognized in the available-for-sale reserve and movement was charged to Other Comprehensive Income.



D. Deferred Taxation

As on 15th July 2021 Deferred Tax Assets of Rs 23 Million was recognized in books of accounts.

E. Interest Income

Income amounting to Rs. 37.03 Million was recognized for financial year 2020/21. Though accrual interest of Rs 505.01 Million was existing as on financial year end of 2020/21, the amount was not recognized as income in compliance with the Guidelines on Recognition of Interest income, 2019 issued by NRB on 2076/04/10.

Income amounting to Rs. 29.73 Million was recognized for financial year 2019/20.

F. Personnel Cost

1. Bonus to staffs – as per the labor act, 10% bonus has been levied after bonus.
Bonus payable includes the bonus from the profit of Nepal finance Ltd. and then Lalitpur Finance Ltd. amounting Rs 25,054,394.087 and 91,77,530.97 respectively.
2. Tax – tax has been computed on the basis of profit computed from NFRS. The difference due to previous year has been booked in deferred tax.

4. Disclosures and Additional Information

4.1 Risk Management

Nepal Finance Ltd. has specific internal review mechanism to assess its position regarding each separate risk area including Credit Risk, Market Risk and Operational Risk.

Credit Risk

The Finance Company has its own Credit Policy Guidelines to handle the Credit Risk Management philosophy that involves a continual measurement of probability of default/loss; identification of possible risks and mitigations. The provisions of Capital Adequacy as per NRB Directive 1 are compiled in line to line basis to overcome the Credit Risk. The provisions have been formulated by keeping in mind the prudential norms given by NRB. In order to manage and eliminate the credit risk, the Finance Company has a practice of maintaining the best quality assets in its book. The Finance Company's Credit Policy elaborates detailed procedures for proper risk management. The Finance Company has delegated credit approval limits to various officials to approve and sanction various amount of credit request based on their individual expertise and risk judgment capability.

As a check and balance mechanism, each credit case requires dual approval. Regular monitoring of the credit portfolio ensures that the Finance Company does not run the risk of concentration of portfolio in a particular business sector or a single borrower. Similarly, the Finance Company also exercises controlled investment policy with adequately equipped resource looking after the investment decisions.

To cap these all, the Finance Company has a strong Credit Sub-committee in place comprising of various Directors from the Board of the Finance Company which reviews all credit proposals beyond a specified amount, the Finance Company has branch credit management department which reviews the branch credit proposals. The approving authority is specified as per the limit of loan proposals to Credit Sub-committee, Branch Credit Management Department, Deputy CEO, CEO and Board.

Market Risk

Risks arising out of adverse movements in interest rates and equity prices are covered under Market Risk Management. Market Risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. Institution exposure to market risk arises principally from customer driven transactions.

As for the monitoring of market and liquidity risk, the Finance Company has an active Assets and Liability Management Committee (ALCO) in place which meets regularly and takes stock of the Finance Company's assets and liability position and profile of assets & liabilities.

Operational Risk

As a part of monitoring operational risks, the Finance Company has devised operational manuals for various banking functions, which are reviewed and modified time to time as per the changing business context.

The Finance Company has adopted dual control mechanism in its all operational activities where each and every financial and non-financial transaction is subject to approval from an authority higher than the transaction initiator. Regular review meetings are conducted to assess the adequacy of risk monitoring mechanism and required changes are made as and when felt necessary. The Finance Company has independent internal audit, which reports to the Audit Committee of the Finance Company. The Audit Committee meets frequently and reviews the business process and financial position of the Finance Company. The Finance Company has MIS in place to monitor the regular operational activities.



Liquidity Risk

Liquidity risk is the potential for loss to a Finance Company arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. Liquidity is the ability of an institution to transform its assets into cash or its equivalent in a timely manner at a reasonable price to meet its commitments as they fall due. Liquidity risk is considered a major risk for Finance Company. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. In such a situation Finance Company often meet their liquidity requirements from market. Funding through market depends upon liquidity in the market and borrowing Finance Company's liquidity.

The Finance Company has formed ALCO committee in place which meets regularly and takes stock of the Finance Company's assets and liability position and profile of assets & liabilities.

Fair value of financial assets and liabilities

Fair value is a market-based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available.

However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair values are determined according to the following hierarchy:

Level 1 input

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Held for trading and available for sale investments have been recorded using Level 1 inputs.

Level 2 inputs

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

Level 3 inputs

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

Capital management

Capital management approach is driven by its desire to maintain a strong capital base to support the development of its business and to meet the regulatory capital requirements.

4.2 Classification of financial assets and financial liabilities

NAS 39 requires financial assets to be classified in one of the following categories:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Loans and receivables
- Held to maturity investments

Financial assets at fair value through profit or loss has two sub-categories:

- Financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.
- Held for trading

NAS 39 recognizes two classes of financial liabilities:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortized cost using the effective interest rate method

The category of financial liability at fair value through profit or loss has two sub-categories:

- Financial liability that is designated by the entity as a liability at fair value through profit or loss upon initial recognition
- Held for trading

The classification of financial assets or liabilities is given in detail in Note 3.4.



4.3 Segment Analysis

Particular	KTM Valley	Murgiya	Gaidakot	Macchapurchhe	Dhanusadham	Total
(a) Revenue from External Customers	35,970,994	980,509	69,328	-	-	37,020,830
(b) Intersegment Revenues						-
(c) Net Revenue						-
(d) Interest revenue	35,970,994	980,509	69,328	-	-	37,020,830
(e) Interest expense	15,836,825	632,082	38,314	144,280	54	16,651,555
(f) Net Interest Revenue	20,134,169	348,427	31,013	(144,280)	(54)	20,369,276
(g) Depreciation and Amortization	3,499,619	148,378	42,540	42,318	-	3,732,854
(h) Segment Profit/(Loss)	16,634,550	200,049	(11,526)	(186,598)	(54)	16,636,421
(i) Entities interest in the profit or loss of associates accounted for using equity method						-
(j) Other material non cash items:						-
(k) Impairment of Assets	(32,776,567)	417,389	28,035	4,000	-	(32,327,143)
(l) Segment Assets	1,378,439,143	64,292,210	5,809,968	7,946,534	500,587	1,456,988,442

FI has relocated its newroad branch to pulchowk lalitpur after the period under review.

4.4 Share options and share based payment

A share-based payment is a transaction in which the Finance Company receives goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity. The Finance Company does not have any share option and share based payment.

4.5 Contingent liabilities and commitment

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

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

Commitments:

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

Please refer Note No. 4.28.1 to 4.28.4 for the detail of contingent liabilities and commitments as at 15 July 2021.

Litigations:

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Finance Company and the Group are involved in various such legal actions and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Finance Company, resulting through normal business operations.

The details of litigations is presented in 4.28.5.

4.6 Related parties disclosures

a) Transaction with related party

Other than the directors' meeting fees and related meeting expenses, no any other transactions are made with related party

b) Key Managerial Personnel

Key Management Personnel (KMP) of the Finance Company include members of the Board, Chief Executive



Officer and all top level executives. Followings are a list of Board of Directors and CEO bearing office at 15 July 2021.

S.N.	Name of the Key Management Personnel	Post
1	Prof Mr. Hirendra Man Pradhan	Board-Chairman
2	Mr. Chandra Kumar Rai	Board-Member
3	Mr. Diprash Shakya	Board-Member
4	Mr. Rajan Prajapati	Board-Member
5	Mrs. Laxmi Maharjan	Board-Member
6	Mrs. Rojina Shrestha	Board-Member
7	Mr. Ananda Krishna Tamrakar	Board-Member
8	Mr. Uddhab Raj Thapaliya	CEO
9	Mr. Bishnu Prasad Gautam	ACEO

All members of the Board are non-executive directors and no executive compensation is paid to the directors. Specific non-executive allowances paid to directors are as under:

Board Meeting fees	Rs.713, 500.00
Total	Rs.713, 500.00

These allowances and benefits are approved by the Annual General Meeting of the Finance Company.

c) Compensation to Management Level Employees

Details of Key Management Personnel	Total Compensation (Rs.)	Remarks
Uddhab Raj Thapaliya (CEO)	55,32,527.34	
Bishnu Prasad Gautam (ACEO)	10,14,904.94	

- * Post-employment benefits includes Gratuity. Provident Fund is deposited in an independent institution and Gratuity is provided for as per Employee Byelaws of the Finance Company.
- ** Other long term employment benefit includes Home Leave and Sick Leave encashment over and above the accumulation limit set as per Employee Byelaws of the Finance Company.
- *** KMP also get vehicle facility, fuel, and mobile facilities as per agreement.

4.7. Merger and acquisition

The financial institution acquired Lalitpur Finance Ltd.(C class national level finance) during the year 2077-78. Nepal Rastra Bank via letter no. Merger/98/077/78 dated 2078/03/15 has provided approval to Nepal Finance for jointly carrying transaction in the name of Nepal Finance Ltd .The financial institutions started joint operation since 27 Asar 2078 as a Nepal Finance Ltd.

4.8 Goodwill /Bargain Purchase gain on Acquisition

The Goodwill while acquiring Lalitpur finance Ltd. is Rs. 16,952,666 Which is not accounted for in financial statements of the current year. Goodwill has been calculated based on the networth calculated for the purpose of acquisition .

P articulars	Amount (Rs)
Net Assets Received	209,652,982
Purchase Consideration (1,879,453 shares at net worth Rs 120.57 each share)	226,605,648
Goodwill	16,952,666

4.9 Additional disclosures of non-consolidated entities

Not applicable.

4.10 Events after reporting period

There are no material events that have occurred subsequent to 15 July, 2021 till the signing of this financial statement on



Nepal Finance Ltd
Notes to Financial Statements
For the year ended 31 Asar 2078

Cash and Cash Equivalent

4.1

Particulars	Current Year	Previous Year
Cash in Hand	14,799,931.00	1,926,289.00
Balances with BFIs	710,067,004.49	263,691,432.93
Money at Call and Short Notice	-	-
Other	-	-
Total	724,866,935.49	265,617,721.93

Due from Nepal Rastra Bank

4.2

Particulars	Current Year	Previous Year
Statutory Balances with NRB	86,508,927.08	4,542,461.03
Securities purchased under Resale Agreement	-	-
Other Deposit and Receivable from NRB	-	-
Total	86,508,927.08	4,542,461.03

Placements with Banks and Financial Institutions

4.3

Particulars	Current Year	Previous Year
Placement with Domestic BFIs	-	-
Placement with Foreign BFIs	-	-
Less: Allowances for Impairment	-	-
Total	-	-

Derivative Financial Instruments

4.4

Particulars	Current Year	Previous Year
Held for Trading		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts	-	-
Others	-	-
Held for Risk Management		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts.	-	-
Others	-	-
Total	-	-

Other Trading Assets

4.5

Particulars	Current Year	Previous Year
Treasury Bills	-	-
Government Bonds	-	-
NRB Bonds	-	-
Domestic Corporate Bonds	-	-
Equities	-	-
Other Trading Assets	-	-
Total	-	-

Loans and Advances to BFIs

4.6

Particulars	Current Year	Previous Year
Loans to Micro-Finance Institutions	24,926,851.94	5,000,000.00
Other	-	-
Less: Allowances for Impairment	324,049.08	50,000.00
Total	24,602,802.86	4,950,000.00



4.6.1 Allowances for Impairment

Balance at Shrawan 01	50,000.00	50,000.00
Impairment Losss for the year:		
Charge for the year	274,049.08	
Recoveries/Reversal		
Amount Written Off		
Balance at Asar End	324,049.08	50,000.00

Loans and Advances to Customers

4.7

Particulars	Current Year	Previous Year
Loans and Advances measured at Amortized Cost	539,954,608.30	114,838,579.14
Less: Impairment Allowances	-	-
Collective Impairment	-	-
Individual Impairment	(247,925,915.84)	(83,798,955.57)
Net Amount	292,028,692.46	31,039,623.57
Loans and Advances measured at FVTPL	-	-
Total	292,028,692.46	31,039,623.57

4.7.1: Analysis of Loans and Advances - By Product

Particulars	Current Year	Previous Year
Product		
Term Loans	258,492,594.50	-
Overdraft	57,603,686.99	-
Trust Receipt/Import Loans		-
Demand and other Working Capital Loans		40,516,103.71
Personal Residential Loans	26,488,833.49	23,586,702.81
Real Estate Loans	57,915,127.68	
Margin Lending Loans	41,489,900.32	4,406,423.73
Hire Purchase Loans	30,907,007.98	5,810,252.66
Deprived Sector Loans	81,362,056.27	5,000,000.00
Bills Purchased		
Staffs Loans	849,756.92	
Other	9,592,960.27	40,166,458.93
Sub-Total	564,701,924.42	119,485,941.84
Interest Receivable	179,535.82	352,637.30
Grand Total	564,881,460.24	119,838,579.14

4.7.2: Analysis of Loans and Advances - By Currency

Particulars	Current Year	Previous Year
Nepalese Rupee	539,954,608.30	114,838,579.14
Indian Rupee	-	-
United States Dollar	-	-
Great Britain Pound	-	-
Euro	-	-
Japanese Yen	-	-
Chinese Yuan	-	-
Other	-	-
Grand Total	539,954,608.30	114,838,579.14

4.7.3: Analysis of Loans and Advances - By Collateral

Particulars	Current Year	Previous Year
Secured		
Moveable/Immoveable Assets	539,954,608.30	114,838,579.14
Gold and Silver	-	-
Guarantee of Domestic BFIs	-	-



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	-	-
Subtotal	539,954,608.30	114,838,579.14
Unsecured	-	-
Grand Total	539,954,608.30	114,838,579.14

4.7.4: Allowance for Impairment

Particulars	Current Year	Previous Year
Specific Allowance for Impairment		
Balance at Shrawan 01	83,848,955.57	102,803,442.02
Impairment Loss for the year		
Charge for the year	197,770,553.99	360,084.86
Recoveries/Reversals during the year	(244,059,815.15)	(19,314,571.31)
Write-Offs	-	-
Exchange Rate Variance on Foreign Currency	-	-
Other Movement	212,773,954.56	-
Balance at Asar End	-	-
Collective Allowances for Impairment		
Balance at Sharawan 01	-	-
Impairment Loss for the year	-	-
Charge/(Reversal) for the year	-	-
Exchange Rate Variance on Foreign Currency	-	-
Other Movement	-	-
Balance at Asar End	-	-
Total Allowances for Impairment	250,333,648.97	83,848,955.57

Investment Securities

Particulars	Current Year	Previous Year
Investment Securities measured at Amortized Cost	30,000,000	-
Investment in Equity measured at FVTOCI	83,987,892.72	26,806,798
Total	113,987,892.72	26,806,798.42

4.8.1: Investment Securities measured at Amortized Cost

Particulars	Current Year	Previous Year
Debt Securities	-	-
Government Bonds	-	-
Government Treasury Bills	-	-
Nepal Rastra Bank Bonds	30,000,000.00	-
Nepal Rastra Bank Deposit Instruments	-	-
Other	-	-
Less: Specific Allowances for Impairment	-	-
Total	30,000,000.00	-

4.8.2: Investment in Equity measured at FVTOCI

Particulars	Current Year	Previous Year
Equity Instruments	-	-
Quoted Equity Securities	79,493,292.72	25,411,798.00
Unquoted Equity Securities	4,494,600.00	1,395,000.00
Total	83,987,892.72	26,806,798.00



4.8.3: Information relating to Investment in Equities

Particulars	2077-78		Particulars	2076-77	
	Cost	Fair Value		Cost	Fair Value
Investment in Quoted Equity			Investment in Quoted Equity		
API Power Limited	3,696,338.71	5,214,014.00			
12938 Shares of Rs. 100 Each					
Arun Valley Hydro power Company Limited	1,379,769.00	6,373,440.00	Arun Valley Hydro power Company Limited	1,379,769.00	1,099,167.00
13278 Shares of Rs. 100 Each			11,819 Shares of Rs. 116.74 Each		
Butawal Power Company Limited	3,667,745.27	3,385,646.00	Butawal Power Company Limited	118,054.00	156,883.00
6691 Shares of Rs. 100 Each			397 Shares of Rs. 297.36 Each		
Chilime Jalabhityut Co Ltd	3,037,637.00	2,812,578.00	Chilime Jalabhityut Co Ltd	3,037,637.00	1,481,356.00
4094 shares of Rs. 100 each			3,101 shares of Rs. 979.57 each		
Laxmi Laghubitta Bittiya Sanstha	8,600.00	366,400.00	Laxmi Laghubitta Bittiya Sanstha	8,600.00	137,182.00
160 shares of 100 each			99 shares of 86.87 each		
Mirmire Microfinance Development Bank Ltd.	8,700.00	318,200.00	Nagbeli Laghubitta Bikash Bank	8,700.00	77,616.00
172 shares of Rs.100 each			121 shares of Rs. 71.90 each		
Sarathi Nepal Laghubitta Bittiya Sanstha Limited	32,400.00	760,920.00	Naya Nepal Laghubitta	32,400.00	283,560.00
408 shares of Rs. 100 each			340 shares of Rs. 95.29 each		
Nepal Telecom Company Limited	662,800.00	1,852,740.00	Nepal Telecom Company Limited	662,800.00	923,550.00
1410 shares of 100 each			1410 shares of 470.07 each		
Nerude Laghubitta Bikash Bank Limited	118,792.00	2,760,000.00	Nerude Laghubitta Bikash Bank Limited	118,792.00	1,141,500.00
1725 Shares of Rs. 100 Each			1499 Shares of Rs. 79.25 Each		
Nirdhan Uthan Laghubitta Bikash Bank	78,400.00	3,796,800.00	Nirdhan Uthan Laghubitta Bikash Bank	78,400.00	1,705,200.00
2373 shares of Rs.100 each			1680 shares of Rs.46.67 each		
Prabhu Insurance Company Limited	824,612.60	11,222,400.00	Prabhu Insurance Company Limited	6,423,427.00	15,958,450.00
11690 shares of Rs.100 each			91,057 shares of Rs. 70.54 each		
Premiere Insurance Ltd	-	154,440.00	Premiere Insurance Ltd	-	44,352.00
132 shares of Rs. 100 each					
Rural Microfinance Limited	-	4,119.00	Rural Microfinance Limited	299,520.00	2,100,897.00
3 Shares of Rs. 100 Each			2664 Shares of Rs. 112.43 Each		
Swabalamban Laghubitta Bittiya Sanstha Limited	15,800.00	510,972.00	Swabalamban Laghubitta Bittiya Sanstha Limited	15,800.00	302,085.00
308 Shares of Rs.100 each			245 Shares of Rs. 64.49 each		



4.8.3: Information relating to Investment in Equities

Particulars	2077-78		2076-77	
	Cost	Fair Value	Cost	Fair Value
Maha Laxmi Biskash Bank (MLBL) 6 Shares of Rs.100 each	-	2,670.00		
Global IME Laghubitta Bittiya Sansstha Ltd. (GILB) 412 Shares of Rs.100 each	1,131,400.00	1,159,780.00	1,131,400.00	1,131,400.00
NLG Insurance Company Ltd. (NLG) 77 Share of @ Rs. 100 each	-	93,940.00	5,000.00	5,000.00
Prime Life Insurance Limited 190 Share of @ Rs. 100 each	-	181,260.00	258,600.00	258,600.00
Vijaya Lagubitta VLBS 114 Share of @ Rs. 100 each	-	207,366.00		
Prabhu Insurance Limited (Promoter) 76492 shares of Rs.100 each	5,395,745.68	38,315,607.72		
Investment in Unquoted Equity				
Nepal Clearing House Limited 23218 Shares of Rs. 100 Each	1,482,900.00	2,321,800.00		
Nepal Stock Limited 50 Shares of Rs. 100 each	5,000.00	5,000.00		
Credit Information Beaurau 21678 shares of Rs.100 each	353,100.00	2,167,800.00		
Total	21,899,740.26	83,987,892.72	13,578,899.00	26,806,798.00



4.8.4: Information relating to Investment in Equities

Particulars	Current Year	Previous Year
	Fair Value	Fair Value
Investment in Quoted Equity		
.....Ltd.		
.....Shares of Rs. Each		
.....Ltd.		
.....Shares of Rs. Each		
Investment in Unquoted Equity		
.....Ltd.		
.....Shares of Rs. Each		
.....Ltd.		
.....Shares of Rs. Each		
Total	-	-

Current Tax Assets

4.9

Particulars	Current Year	Previous Year
Current Tax Assets		
Current year Income Tax Assets	28,483,433.04	18,870,087.75
Tax Assets of Prior Periods		
Current Tax Liabilities		
Current year Income Tax Liabilities		
Tax Liabilities of Prior Periods	-	5,000,000.00
Total	28,483,433.04	13,870,087.75

Investment in Subsidiaries

4.10

Particulars	Current Year	Previous Year
Investment in Quoted Subsidiaries	-	-
Investment in Unquoted Subsidiaries	-	-
Total Investment		
Less: Impairment Allowances	-	-
Net Carrying Amount	-	-

4.10.1: Investment in Quoted Subsidiaries

	Previous Year	
	Cost	Fair Value
.....Ltd.		
.....Shares of Rs. Each		
.....Ltd.		
.....Shares of Rs. Each		
Total		

4.10.2: Investment in Unquoted Subsidiaries

	Previous Year	
	Cost	Fair Value
.....Ltd.		
.....Shares of Rs. Each		
.....Ltd.		
.....Shares of Rs. Each		
Total	-	-



4.10.3: Information relating to Subsidiaries of the Company

Particulars	Percentage of Ownership held by Company	
	Current Year	Previous Year
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
Total	-	-

4.10.4: Non Controlling Interest of the Subsidiaries

Particulars	Percentage of Ownership held by Company	
	Current Year	Previous Year
Equity Interest held by NCI (%)		
Profit (Loss) allocated during the year		
Accumulated Balances of NCI as on Asar End		
Dividend Paid to NCI		
Equity Interest held by NCI (%)		
Profit (Loss) allocated during the year		
Accumulated Balances of NCI as on Asar End		
Dividend Paid to NCI		

Investment in Associates

4.11

Particulars	Current Year	Previous Year
Investment in Quoted Associates	-	-
Investment in Unquoted Associates	-	-
Total Investment	-	-
Less: Impairment Allowances	-	-
Net Carrying Amount	-	-

4.11.1: Investment in Quoted Associates

Particulars	Current Year	
	Cost	Fair Value
.....Ltd.		
.....Shares of Rs. Each		
.....Ltd.		
.....Shares of Rs. Each		
Total		

4.11.2: Investment in Unquoted Associates

Particulars	Current Year	
	Cost	Fair Value
.....Ltd.		
.....Shares of Rs. Each		
.....Ltd.		
.....Shares of Rs. Each		
Total		



4.11.3: Information relating to Associates of the company

Percentage of Ownership held by Finance Company

Particulars	Current Year	Previous Year
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		

4.11.4: Equity Value of Associates

Particulars	Current Year	Previous Year
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		

Investment Properties

4.12

Particulars	Current Year	Previous Year
Investment Properties measured at Fair Value		
Balance as on Shrawan 01.	92,936,567.00	92,936,567.00
Addition/(Disposal) during the year.	17,200,000.00	-
Net Changes in fair value during the year.	-	-
Adjustment/Transfer.	-	-
Net Amount	110,136,567.00	92,936,567.00
Investment Properties measured at Cost		
Balance as on Shrawan 01	-	-
Addition/(Disposal) during the year	-	-
Net Changes in fair value during the year	-	-
Adjustment/Transfer	-	-
Net Amount	-	-
Total	110,136,567.00	92,936,567.00



Property and Equipment

4.13

Particulars	Land	Building	Computer & Accessories	Vehicles	Furniture & Fixtures	Machinery	Equipment & others	Total
Cost								
As on Shrawan 01 2076	-	-	-	6,709,244	1,182,914	7,711,611	3,378,499	18,982,268
Addition during the year								
Acquisition	-	-	-	4,100,000	-	-	474,903	4,574,903
Capitalization	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-
Balance as on Asar end 2077	-	-	-	10,809,244.00	1,182,914.00	7,711,611.00	3,853,401.56	23,557,170.56
Cost								
As on Shrawan 01 2077	-	-	-	10,809,244.00	1,182,914.00	7,711,611.00	3,853,401.56	23,557,170.56
Addition during the year								
Acquisition	-	-	2,764,210.32	3,217,500.00	1,433,294.11		8,187,671.73	15,602,676.16
Capitalization	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	1,048,301.13	-	-	-	1,048,301.13
Adjustment/Revaluation			467,922.06	1,367,617.61	248,375.91	181,903.26	665,763.58	2,931,582.42
Balance as on Asar end 2078	-	-	3,232,132.38	14,346,060.48	2,864,584.02	7,893,514.26	12,706,836.87	41,043,128.01
Depreciation and Impairment								
As on Shrawan 01 2077	-	-	-	6,394,959.59	1,001,289.06	4,808,473.60	2,953,053.47	15,157,775.72
Depreciation charge for the year			339,485.96	1,338,957.79	137,401.69	435,470.64	943,855.81	3,195,171.89
Impairment for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-
As on Asar end 2078	-	-	339,485.96	7,733,917.38	1,138,690.75	5,243,944.24	3,896,909.28	18,352,947.61
Capital Work in Progress								
Net Book Value								
As on Asar end 2078	-	-	2,892,646.42	6,612,143.10	1,725,893.27	2,649,570.02	8,809,927.59	22,690,180.40
As on Asar end 2077	-	-	2,892,646.42	6,612,143.10	1,725,893.27	2,649,570.02	8,809,927.59	22,690,180.40



Goodwill and Intangible Assets

4.14

Particulars	Goodwill	Software		Other	Total Asar end 2078	Total Asar end 2077
		Purchased	Developed			
Cost						
As on Shrawan 01. 2076	-	-	-	-	-	-
Addition during the Year						
Acquisition	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asar end 2077	-	-	-	-	-	-
Cost						
As on Shrawan 01. 2077	-	-	-	-	-	-
Addition during the Year	-	13,190,580.41	-	-	-	-
Acquisition	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	718,733	-	-	-	-
Balance as on Asar end 2078		13,909,313				
Amortisation and Impairment						
As on Shrawan 01	-	-	-	-	-	-
Amortisation charge for the year	-	537,683	-	-	-	-
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asar end 2078		537,683				
Capital Work in Progress	-	13,371,631	-	-	-	-
Net Book Value	-	13,371,631	-	-	-	-

Particulars	Goodwill	Software		Other	Total Asar end 2077	Total Asar end 2076
		Purchased	Developed			
Cost						
As on Shrawan 01	-	-	-	-	-	-
Addition during the Year						
Acquisition	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asar end 2077	-	-	-	-	-	-
Amortisation and Impairment						
As on Shrawan 01. 2077	-	-	-	-	-	-
Amortisation charge for the year	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asar end 2078	-	-	-	-	-	-
Capital Work in Progress						
Net Book Value	-	-	-	-	13,371,631	-



Deferred Tax

4.15

Particulars	Deferred Tax Assets	Deferred Tax Liabilities	As at 15 July 2021 Net Deferred Tax Assets / (Liabilities)
Deferred tax on temporary differences on following items			
Loans and Advances to BFIs			-
Loans and Advances to Customers	42,499,572.54	-	42,499,572.54
Investment Properties	31,388,921.52	33,040,970.10	(1,652,048.58)
Investment Securities		17,268,613.64	(17,268,613.64)
Property and Equipment	-	1,096,082.52	(1,096,082.52)
Employees' Defined Benefit Plan	2,383,368.49	-	2,383,368.49
Lease Liabilities			-
Provisions		-	-
Other Temporary Differences			-
Deferred tax on temporary differences	76,271,862.54	51,405,666.26	24,866,196.28
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Reversal of DTA of sold investment during the year			1,544,873.15
Deferred Tax Asset (Liabilities) from Acquisition			(1,570,647.00)
Deferred Tax Asset (Liabilities) as on year end of Ashad 2078			24,866,196.28
Net Deferred Tax Asset (Liabilities) as on year end of Ashad 2078			24,840,422.89
Deferred Tax Asset/ (Liabilities) as on Shrawan 01 2077			19,587,159.62
Origination/(Reversal) during the year			5,279,036.66
Deferred Tax (expense) income recognized in profit or loss			25,721,368.16
Deferred Tax (expense) income recognized in OCI			(15,282,331.42)
Deferred Tax (expense) income recognized directly in Equity			(5,160,000.08)

Particulars	Deferred Tax Assets		Previous Year
			Net Deferred Tax Assets / (Liabilities)
Deferred tax on temporary differences on following items			
Loans and Advances to BFIs	-	-	-
Loans and Advances to Customers	23,362,397.54	-	23,362,397.54
Investment Properties	26,486,921.52	27,880,970.02	(1,394,048.50)
Investment Securities	-	3,968,369.70	(3,968,369.70)
Property and Equipment	-	668,954.30	(668,954.30)
Employees' Defined Benefit Plan	2,256,134.58	-	2,256,134.58
Lease Liabilities	-	2,256,134.58	-
Provisions	-	-	-
Other Temporary Differences	-	2,256,134.58	-
Deferred tax on temporary differences	52,105,453.64	32,518,294.02	19,587,159.62
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred Tax Asset (Liabilities) as on Ashad end 2077	-	-	19,587,159.62
Deferred Tax (Asset)/ Liabilities as on Shrawan 01 2076	-	-	3,517,086.78
Origination/(Reversal) during the year	-	-	23,104,246.40
	-	-	
Deferred Tax expense (income) recognized in profit or loss	-	-	(18,245,611.40)
Deferred Tax expense (income) recognized in OCI	-	-	(4,858,635.00)
Deferred Tax expense (income) recognized directly in Equity	-	-	



Other Assets

4.16

Particulars	Current Year	Previous Year
Assets held for Sale	-	-
Other Non-Banking Assets	-	-
Bills Receivable	-	-
Accounts Receivable	9,065,790.42	2,978,298.59
Accrued Income	-	-
Prepayments and Deposits	1,314,741.54	2,367,058.65
Income Tax Deposit	-	-
Deferred Employee Expenditure	1,507,395.45	-
Other Assets	1,848,384.97	-
Total	13,736,312.38	5,345,357.24

Due to Banks and Financial Institutions

4.17

Particulars	Current Year	Previous Year
Money Market Deposits	-	-
Interbank Borrowing	-	-
Other Deposits from BFIs	54,000,025.93	-
Settlement and Clearing Accounts	-	-
Other Deposits from BFIs	-	-
Total	54,000,025.93	-

Due to Nepal Rastra Bank

4.18

Particulars	Current Year	Previous Year
Refinance from NRB	-	-
Standing Liquidity Facility	-	-
Lender of Last Resort facility from NRB	-	-
Securities sold under repurchase agreements	-	-
Other Payable to NRB	-	-
Total	-	-

Derivative Financial Instruments

4.19

Particulars	Current Year	Previous Year
Held for Trading		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts	-	-
Others	-	-
Held for Risk Management		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts.	-	-
Others	-	-
Total	-	-



Deposits from Customers

4.20

Particulars	Current Year	Previous Year
Institutional Customers:		
Term Deposits.	71,950,000.00	3,000,000.00
Call Deposits	34,749,930.00	130,102.80
Current Deposits.	16,424,262.00	
Others.		55,283,153.67
Individual Customers:		
Term Deposits	242,524,459.62	23,983,068.17
Saving Deposits	289,042,970.22	126,883,232.69
Current Deposits	2,605,030.38	41,500.00
Others	13.75	-
Total	657,296,665.97	209,321,057.33

4.20.1: Currency wise analysis of deposit from customers

Particulars	Current Year	Previous Year
Nepalese Rupee	657,296,665.97	209,321,057.33
Indian Rupee	-	-
United States Dollar	-	-
Great Britain Pound	-	-
Euro	-	-
Japanese Yen	-	-
Chinese Yuan	-	-
Other	-	-
Total	657,296,665.97	209,321,057.33

Borrowings

4.21

Particulars	Current Year	Previous Year
Domestic Borrowings		
Nepal Government	-	-
Other Institutions.	-	-
Other	-	-
Sub Total	-	-
Foreign Borrowings		
Foreign Banks and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub Total	-	-
Total	-	-

Provisions

4.22

Particulars	Current Year	Previous Year
Provisions for Redundancy		-
Provisions for Restructuring		-
Pending Legal Issues and Tax Litigation		-
Onerous Contracts		-
Other Provisions	653,960.00	253,960.00
Total	653,960.00	253,960.00



4.22.1: Movement in Provision

Particulars	Current Year	Previous Year
Balance at Shrawan 01	253,960.00	253,960.00
Provisions made during the year	653,960.00	253,960.00
Provisions used during the year	(253,960.00)	(253,960.00)
Provisions reversed during the year		
Unwind of Discount		
Balance at Asar end	653,960.00	253,960.00

Other Liabilities

4.23

Particulars	Current Year	Previous Year
Liabilities for employees defined benefit obligations	7,944,561.62	7,520,448.59
Liabilities for long service leave	-	-
Short term employee benefits	-	-
Bills payable	-	-
Creditors and accruals	40,756,278.86	15,106,871.95
Interest payable on deposits	1,726,617.89	1,001,967.69
Interest payable on borrowing	-	-
Liabilities on deferred grant income	-	-
Unpaid Dividend	9,665.00	195,810.00
Liabilities under Finance Lease	-	-
Employee bonus payable	12,651,581.46	7,629,121.44
Other Liabilities	1,848,525.04	121,434.72
Total	64,937,229.87	31,575,654.39

4.23.1: Defined Benefit Obligation

The amounts recognised in the statements of financial positions are as follows :

Particulars	Current Year	Previous Year
Present value of unfunded obligations		
Present value of funded obligations		
Total present value of obligations		
Fair value of plan assets		
Present value of net obligations		
Recognised liability for defined benefit obligations		

4.23.2: Plan Assets

Plan assets comprise

Particulars	Current Year	Previous Year
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other	-	-
Total	-	-
Actual return on plan assets		

4.23.3: Movement in the present value of defined benefit obligations

Particulars	Current Year	Previous Year
Defined benefit obligations at Sawan 1	-	-
Actuarial losses	-	-
Benefits paid by the plan	-	-
Current service costs and interest	-	-
Defined benefit obligations at Asar end	-	-



4.23.4: Movement in the fair value of plan assets

Particulars	Current Year	Previous Year
Fair value of plan assets at Sawan 1	-	-
Contributions paid into the plan	-	-
Benefits paid during the year	-	-
Actuarial (losses) gains	-	-
Expected return on plan assets	-	-
Fair value of plan assets at Asar end	-	-

4.23.5: Amount recognised in profit or loss

Particulars	Current Year	Previous Year
Current service costs		
Interest on obligation		
Expected return on plan assets		
Total	-	-

4.23.6: Amount recognised in other comprehensive income

Particulars	Current Year	Previous Year
Actuarial (gain)/loss	-	-
Total	-	-

4.23.7: Actuarial assumptions

Particulars	Current Year	Previous Year
Discount rate	-	-
Expected return on plan asset	-	-
Future salary increase	-	-
Withdrawal rate	-	-

Debt securities issued

4.24

Particulars	Current Year	Previous Year
Debt securities issued designated as at fair value through profit or loss	-	-
Debt securities issued at amortised cost	-	-
Total	-	-

Subordinated Liabilities

4.25

Particulars	Current Year	Previous Year
Redeemable preference shares	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-
Other	-	-
Total	-	-

Share capital

4.26

Particulars	Current Year	Previous Year
Ordinary shares	135,800,500.00	135,800,500.00
Form right share issue	169,750,625.00	
From Acquisition of Lalitpur Finance	187,945,313.00	
Total	493,496,438.00	135,800,500.00



4.26.1: Ordinary Shares

Particulars	Current Year	Previous Year
Authorized Capital	1,000,000,000.00	1,000,000,000.00
10,000,000 Ordinary Shares of Rs. 100 each for Current year and 1,400,000 of Rs. 100 each for Previous Year and Restated Year	1,000,000,000.00	1,000,000,000.00
1,000,000 Non Redeemable Preference Share of Rs. 100 each		-
Issued capital	840,265,584.10	305,551,125.00
840265.841 Ordinary Shares of Rs. 100 each	840,265,584.10	305,551,125.00
Subscribed and paid up capital	493,496,438.00	135,800,500.00
Previous 1358005 Ordinary share of Rs. 100 each	135,800,500.00	135,800,500.00
Addition from acquisition (1879453.13 at Rs . 100 each)	187,945,313.00	
Additional from right issue(1697506.25 at Rs. 100 each)	169,750,625.00	
Total	493,496,438.00	135,800,500.00

4.26.2: Ordinary share ownership

Particulars	Current Year	
	Percent	Amount
Domestic ownership		
Nepal Government		
"A" class licensed institutions		
Other licensed intitutions		
Other Institutions	2.10%	10,363,425.20
Public	97.90%	483,133,012.80
Other		
Foreign ownership		
Total	100.00%	100.00%

Reserves

4.27

Particulars	Current Year	Previous Year
Statutory general reserve	229,815,075.73	66,315,495.73
(Including Rs . 152,316,603 from acquisition)		
Exchange equilisation reserve		
Corporate social responsibility reserve	1,581,295.32	1,315,709.34
(Including Rs. 917,324 from acquisition)		
Capital redemption reserve		
Regulatory reserve	139,559,119.16	113,371,698.43
(Including Rs . 13,068,855 from acquisition)		
Investment adjustment reserve		
Capital reserve		
Assets revaluation reserve		
Fair value reserve	44,481,872.47	9,259,529.00
(Including Rs. 3,168,273 from acquisition)		
Dividend equalisation reserve		
Actuarial gain		
Special reserve	-	
Other reserve	1,056,181.46	210,661.44
(Including Rs . 688819 from acquisition)		
Other reserve-Capital Adjustment Fund	74,142,600.00	84,930,501.00
Total	490,636,144.14	275,403,594.94



Contingent liabilities and commitments

4.28

Particulars	Current Year	Previous Year
Contingent liabilities	-	-
Undrawn and undisbursed facilities	-	-
Capital commitment	-	-
Lease Commitment	-	-
Litigation	-	-
Total	-	-

4.28.1: Contingent Liabilities

Particulars	Current Year	Previous Year
Acceptance and documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	-	-
Underwriting commitment	-	-
Other commitments	-	-
Total	-	-

4.28.2: Undrawn and undisbursed facilities

Particulars	Current Year	Previous Year
Undisbursed amount of loans	-	-
Undrawn limits of overdrafts	-	-
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
Total	-	-

4.28.3: Capital commitments

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

Particulars	Current Year	Previous Year
Capital commitments in relation to Property and Equipment	-	-
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
Capital commitments in relation to Intangible assets	-	-
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
Total	-	-

4.28.4: Lease commitments

Particulars	Current Year	Previous Year
Operating lease commitments	-	-
Future minimum lease payments under non cancellable operating lease, where the Finance Company is lessee	-	-
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Sub total	-	-



Finance lease commitments		
Future minimum lease payments under non cancellable operating lease, where the Finance company is lessee		
Not later than 1 year		
Later than 1 year but not later than 5 years		
Later than 5 years		
Sub total	-	-
Grand total	-	-

4.28.5: Litigation

Explanatory paragraphs are required for litigation contingent liabilities as per their own case of each company

Interest Income

4.29

Particulars	Current Year	Previous Year
Cash and cash equivalent	4,498,423.570	8,425,991.070
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	1,106,865.090	304,208.930
Loans and advances to customers	31,325,075.150	21,003,987.560
Investment securities	90,466.670	.
Loan and advances to staff	-	-
Other Interest Income	-	-
Total interest income	37,020,830.480	29,734,187.560

Interest Expenses

4.30

Particulars	Current Year	Previous Year
Due to bank and financial institutions	1,114,444.730	220,661.000
Due to Nepal Rastra Bank	-	-
Deposits from customers	15,537,110.080	2,462,688.540
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other Charges	-	-
Total Interest expense	16,651,554.810	2,683,349.540

Fees and Commission Income

4.31

Particulars	Current Year	Previous Year
Loan administration fees	2,952,129.500	309,500.00
Service fees	-	-
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	-	-
Prepayment and swap fees	-	-
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	-	-



Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	-	-
Other fees and commission income	-	-
Total Fees and Commission Income	2,952,129.500	309,500.00

Fees and Commission Expense

4.32

Particulars	Current Year	Previous Year
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees.	-	-
Remittance fees and commission	-	1,135.000
Other fees and commission expense	-	737,691.530
Total Fees and Commission Expense	-	738,826.530

Net Trading income

4.33

Particulars	Current Year	Previous Year
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/loss foreign exchange transaction	-	-
Other	-	-
Net trading income	-	-

Other Operating Income

4.34

Particulars	Current Year	Previous Year
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	4,343,525.020	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	753,909.720	1,002,352.220
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	-	-
Other Operating Income	115,996.100	164,442.080
Total	5,213,430.840	1,166,794.300



Impairment charge/(reversal) for loan and other losses

4.35

Particulars	Current Year	Previous Year
Impairment charge/(reversal) on loan and advances to BFIs	324,049.075	50,000.000
Impairment charge/(reversal) on loan and advances to customers	(46,289,261.160)	(19,004,486.450)
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with BFIs	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Total	(45,965,212.085)	(18,954,486.450)

Personnel Expenses

4.36

Particulars	Current Year	Previous Year
Salary	8,381,785.240	3,653,726.400
Allowances	5,056,244.690	2,410,121.330
Gratuity Expense	14,706.390	258,192.200
Provident Fund	436,921.660	357,812.760
Uniform	-	-
Training & development expense	22,600.000	97,745.000
Leave encashment	80,353.330	-
Medical	469,716.660	431,250.000
Insurance	-	-
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	-	-
Other expenses related to staff	3,038,183.030	246,473.220
Subtotal	17,500,511.000	7,455,320.910
Employees Bonus	2,504,394.087	2,601,772.435
Grand total	20,004,905.087	10,057,093.345

Other Operating Expense

4.37

Particulars	Current Year	Previous Year
Directors' fee	713,500.00	137,500.00
Directors' expense	35,408.04	3,500.00
Auditors' remuneration	535,600.00	476,850.00
Other audit related expense	51,802.64	26,584.57
Professional and legal expense	1,568,550.63	132,000.00
Office administration expense	12,335,178.22	3,355,717.74
Operating lease expense	5,718,383.82	2,054,638.80
Operating expense of investment properties	-	-
Corporate social responsibility expense	-	7,951.00
Onerous lease provisions	-	-
Other Expenses	4,748,484.40	2,135,970.51
Total	25,706,907.750	8,330,712.620



Office administration expense

4.37.1

Particulars	Current Year	Previous Year
Light,Electricity & Water	533,738.960	127,655.770
Repair and maintenance	686,224.33	
Repair & Maintenance-Building		
Repair & Maintenance-Vehicles		242,844.790
Office Equipment, Furniture Repair		-
Repair & Maintenance-Others		27,030.000
Insurance.	119,368.520	145,456.680
Postage, Telex, Telephone & Fax	609,974.880	212,000.490
Printing & Stationery	722,421.190	252,494.930
Periodicals & Books	5,720.000	1,865.000
Advertisements	4,369,567.100	308,896.400
Donation	-	-
Security Expenses	1,874,893.570	1,322,100.000
Deposit/Credit Guarantee Premium	54,363.170	33,533.500
Travelling Allowances & Expenses	212,109.000	5,073.000
Entertainment	146,524.400	46,660.740
Annual General Meeting Expenses	466,065.620	-
Other		
Other-Internet Expenses	-	-
Other-Office Expenses	2,534,207.480	618,904.440
Other-Meeting Expenses	-	11,202.000
Total	12,335,178.22	3,355,717.74

Depreciation and Amortisation

4.38

Particulars	Current Year	Previous Year
Depreciation on property and equipment	3,195,171.890	1,985,164.040
Depreciation on investment property	-	-
Amortisation of intangible assets	537,682.590	-
Total	3,732,854.480	1,985,164.040

Non Operating Income

4.39

Particulars	Current Year	Previous Year
Recovery of loan written off	-	-
Other income	1,009,719.62	-
Total	1,009,719.62	-

Non Operating Expenses

4.40

Particulars	Current Year	Previous Year
Loan written off	-	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense.	1,021,159.53	-
Total	1,021,159.53	-



Income Tax Expenses

4.41

Particulars	Current Year	Previous Year
Current tax expense		
Current year	-	-
Adjustments for prior years		
Deferred tax expense		
Origination and reversal of temporary differences	(23,739,280.681)	(18,245,611.403)
Changes in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Total income tax expense	(23,739,280.681)	(18,245,611.403)

4.41.1: Reconciliation of tax expense and accounting profit

Particulars	Current Year	Previous Year
Profit before tax	-	-
Tax amount at tax rate of 30%	-	-
Add: Tax effect of expenses that are not deductible for tax purpose		
Less: Tax effect on exempt income	(25,721,368.163)	18,245,611.403
Add/less: Tax effect on other items		
Total income tax expense	(25,721,368.16)	18,245,611.40
Effective tax rate	0.30	0.30



5. Disclosure & Additional Information

Note 5

5.1 Risk Management

The robust risk management capabilities is imperative in order to achieve an effective risk management framework and contain the risks associated with the business, a fully functional Risk Management Committee is responsible for identifying reporting, controlling and managing credit risk, operational risk, market risk & liquidity risk. The Risk Management Committee oversees global, macro, micro and departmental level risk that arise out of daily business operation as well as on periodic basis and are put to the oversight of Senior Management, Risk Management Committee and the Board committee to discuss the reports thereon and issue instructions as appropriate.

Risk Management Committee:

The Risk Management Committee is an independent committee of the Board of Directors that has, as its sole and exclusive function, responsibility for the risk management policies of the company and oversight of implementation of risk management framework of the company. The committee assists the Board of Directors in fulfilling its oversight responsibilities with regard to risk appetite that the company is able and willing to assume in its exposures and business activities, risk management, compliance framework, and governance structure that supports it. It periodically reviews the risk management process to ensure its integrity, accuracy, and reasonableness. It also reviews whether the internal control and risk management system is adequate or not to ensure well-ordered and prudent conduct of business. The committee is to reviews the overall risk management structure and monitor the effectiveness of the risk management system.

Risk Governance

Finance Company implemented policies and procedures to mitigate the risk at enterprises level arising to the company and has trained risk culture among the employees by establishing ownership mentality, capacity building programs, well defined job responsibilities and inhabiting good ethical culture. The Risk Management Committee is responsible for the establishment of, and compliance with, policies relating to Operation risk & Credit risk.

The company's risk governance structure is such that the responsibility for maintaining risk within the finance company's risk blanket is dropped down from the Board to the appropriate functional, client business, senior management and committees. The Board has set policies and procedures of risk identification, risk evaluation, risk mitigation, and control/monitoring in line with NRB directives, and has effectively implemented the same at the company. The effectiveness of the company's internal control system is reviewed regularly by the Board, its committees, senior management, and internal audit committee.

Credit Risk

Credit risk management strategies include effectively managing the risk of financial losses arising out of booking an exposure on counterparty and also ensuring independence of the credit risk function from the origination, trading and sales function. Credit risk is managed through a defined framework which sets out policies, procedures and standards covering the measurement and management of credit risk. Clear segregation of duties has been established between transaction originator in the business and the approvers in the risk function.

Credit Risk Mitigation (CRM)

The Finance company follows the following well defined procedures to manage and mitigate the credit related risk at the various level:

The credit applications are initially reviewed at the branch by the branch manager where the branch assess the credit worthiness of the proposed borrower and the quality of the security offered.

As a second level of defence the central credit department has been set up which independently oversee whether the proceeding of the loan approval, creditworthiness and collateral offered complies with the company's and central bank's norms.

The credit proposal, if exceeds the prescribed threshold are then reviewed by the Risk Management Department which evaluates the underlying risk of the proposal and decides whether the proposal is within the risk appetite of the company. This department is independent of the business unit and reports directly to the Board level committee, Risk Management Committee.

After due review and identification of the underlying risk by the Risk Management Department, the proposal passed through different approving authorities depending upon the type of the proposal(funded or unfunded), level of underlying risk and amount of the proposal.

Once the proposal is approved by the prescribed approving authority, the security and post approval proceeding and initiated and completed at the branch level. The Credit Administration Department reviews the security documents and ensure compliance with the company's and Central Bank's norms before disbursement of the credit facilities.



As a measure to mitigate the risk after mitigation, the bank monitors, review on the quarterly to annual basis depending upon the type of the facilities. The level of risk and early warning signals (EWS) are identified on every review and necessary actions are taken if required.

The internal audit function of the company on the periodic basis independently observes the compliance and the status of the borrowers and recommends the management with the best practices that has to be adopted. The internal audit department directly reports the Audit Committee which is a board level committee.

On the portfolio level, the company's risk management strategies includes diversifying the borrowing pool, risk based pricing, establishing the suitable exposure limits for borrowers and group of borrowers to ensure the risk taken is under the risk appetite by the Risk Management Policy of the company.

Operational Risk

Operational risk can be caused by both internal and external sources, such as fraud, business interruptions, system failures, damage to physical infrastructure, failure in execution and service delivery, inherent risks in products. The risk can occur in any business function or the business supporting functions. The effect of failure in any of the resources can have concurrent impacts across the company. Effective operational risk management system aims to minimizing losses and customer dissatisfaction due to failure in process, focusing on flows in product and their design that can expose the company to losses due to fraud analyzing the impact continuity in the company's operations. The Finance company has introduced an "Operational Risk Monitoring and Reporting Framework" all branches covering all transaction on daily basis to minimize the operational risk. The Risk Management Department is assigned with the responsibility to undertake actions related to operational risk management of the company.

Market Risk

The Company recognizes market risk as the possibility for loss of earnings or economic value to the Company caused due to adverse changes in the market level of interest rates or prices of securities (equity), foreign exchange rates and volatilities of those prices. The company has an Asset Liability Management Committee (ALCO) which meets periodically to discuss product pricing for deposits and advances and maturity profiles of assets and liabilities, articulating interest rate, view of company, funding policy, transfer pricing policy and balance sheet management. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (price risk).

Liquidity Risk

Liquidity risk is the risk that a company may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due, as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for liquid asset positions is not available to the company on acceptable terms.

The Company works continuously towards risk diversification of its assets base so as to achieve better portfolio mix and to protect/enhance the overall risk on its loan book. The strategic focus of mapping business is gradually reducing high-risk assets and increasing low risk exposures.

5.2. CAPITAL MANAGEMENT

The Finance company's capital management policies and practices support its business strategy and ensure that it is adequately capitalised to withstand even in severe macroeconomic downturns. Nepal Finance Limited is a licensed institution which provides financial services therefore it must comply with capital requirement of central bank so called Nepal Rastra. The Finance company's capital consists of Tier I capital and Tier II capital.

5.2.1. Qualitative disclosures

Nepal Rastra Bank has directed the Banks to develop own internal policy, procedures and structures to manage all material risk inherent in business for assessing capital adequacy in relation to the risk profiles as well as strategies for maintaining capital levels. This includes basic requirements of having good governance, efficient process of managing all material risks and an effective regime for assessing and maintaining adequate capital. The finance company has various BODs approved policies for proper governance. The finance company is in line with BASEL provisions.



5.2.2. Quantitative disclosures

Capital structure and capital adequacy

- Tier 1 Capital and a breakdown of its Components:

In '000

Particulars	Amount (Rs.)
Paid up Equity Share Capital	493,496.44
Irredeemable Non-cumulative preference shares	-
Share Premium	21,957.19
Proposed Bonus Equity Shares	-
Statutory General Reserves	229,815.08
Retained Earnings	(327,723.86)
Un-audited current year cumulative profit	
Special Reserve Fund	-
Capital Adjustment Reserves	74,142.60
Dividend Equalization Reserves	-
Capital Redemption Reserves Fund	-
Deferred Tax Reserve	-
Other Free Reserves	
Less: Goodwill	-
Less: Intangible Assets	-
Less: Fictitious Assets	-
Less: Deferred Tax Assets	24,840.42
Less: Investment in equity of licensed Financial Institutions	-
Less: Investment in equity of institutions with financial interests	-
Less: Investment in equity of institutions in excess of limits	-
Less: Investments arising out of underwriting commitments	-
Less: Purchase of Land & Building in excess of limit & utilized	-
Less: Reciprocal crossholdings	-
Less: Other Deductions	-
Total Tier 1 Capital	466,847.02

- Tier 2 Capital and Breakdown of its Components:

Particulars	
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	-
Hybrid Capital Instruments	-
General loan loss provision	4,745.08
Exchange Equalization Reserves	
Investments Adjustment Reserves	
Assets Revaluation Reserves	-
Special Reserve Fund	-
Total Tier 2 Capital	4,745.08



• **Total Qualifying Capital:**

Particulars	Amount (Rs.)
Core Capital (Tier 1)	466,847.02
Supplementary Capital (Tier 2)	4,745.08
Total Capital Fund	471,592.10

• **Capital Adequacy Ratio:**

The capital adequacy ratio of the Finance company as on 15th July, 2021 is 64.35%

• **Summary of the Finance company's internal approach to assess the adequacy of its capital to support current and future activities, if applicable:**

Nepal Finance Limited adopts healthy risk management framework. The Finance company follows Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guideline while taking decision on any business. It has always taken note of ICAAP and has taken steps accordingly in ensuring soundness of capital position and sustainability of the business. The Finance company's policies and procedures are approved by the Board of Directors and these documents provide guidance on independent identification, measurement and management of risks across various businesses. Finance company's different committees like Audit Committee, Risk Management Committee review the business and risks periodically.

The finance company also defines risk aspects, considering domestic economic scenario, and puts in place the system to minimize and remove such risk. The risk appetite and approach towards risk taking is well discussed in management level and board level. It is always aligned with the business, its return and capital. Basel disclosures have been complied with, addressing the risks and adopting measures to minimize their impact. Increasing complexities in risks, weakness of businesses and fast changing world with intense competition pose a threat to sustainability.

Capital planning is an integral part of the Finance company's medium term strategic planning and annual budget formulation process. Total risk weighted exposures for the projected level of business operations is calculated, the required capital level is projected, and a plan is formulated to retain the required capital. The Finance company is well capitalized and able to maintain the required capital through internal generation, and equally through capital markets if needed.

**Risk Weighted Exposure for Credit Risk
At the month end of Ashadh, 2078**

(Rs. in '000)

A. Balance Sheet Exposures	Book Value	Specific Provision	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	d=a-b-c	e	f=d*e
Cash Balance	14,799.93		14,799.93	0%	-
Balance With Nepal Rastra Bank	86,508.93		86,508.93	0%	-
Gold			-	0%	-
Investment in Nepalese Government Securities	30,000.00		-	0%	-
All Claims on Government of Nepal			-	0%	-
Investment in Nepal Rastra Bank securities			-	0%	-
All claims on Nepal Rastra Bank			-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)			-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)			-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)			-	50%	-



Claims on Foreign Government and Central Bank (ECA-4-6)			-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)			-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework			-	0%	-
Claims on Other Multilateral Development Banks			-	100%	-
Claims on Domestic Public Sector Entities			-	100%	-
Claims on Public Sector Entity (ECA 0-1)			-	20%	-
Claims on Public Sector Entity (ECA 2)			-	50%	-
Claims on Public Sector Entity (ECA 3-6)			-	100%	-
Claims on Public Sector Entity (ECA 7)			-	150%	-
Claims on domestic banks that meet capital adequacy requirements	734,993.85		734,993.85	20%	146,998.77
Claims on domestic banks that do not meet capital adequacy requirements			-	100%	-
Claims on foreign bank (ECA Rating 0-1)			-	20%	-
Claims on foreign bank (ECA Rating 2)			-	50%	-
Claims on foreign bank (ECA Rating 3-6)			-	100%	-
Claims on foreign bank (ECA Rating 7)			-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement			-	20%	-
Claims on Domestic Corporates (Credit rating score equivalent to AAA)			-	80%	-
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)			-	85%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)"			-	90%	-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)			-	100%	-
Claims on Domestic Corporates (Unrated)	40,642.95		40,642.95	100%	40,642.95
Claims on Foreign Corporates (ECA 0-1)			-	20%	-
Claims on Foreign Corporates (ECA 2)			-	50%	-
Claims on Foreign Corporates (ECA 3-6)			-	100%	-
Claims on Foreign Corporates (ECA 7)			-	150%	-
Regulatory Retail Portfolio (Not Overdue)	8,613.56		6,235.05	75%	4,676.29
Claims fulfilling all criterion of regularity retail except granularity	157,905.01		157,905.01	100%	157,905.01
Claims secured by residential properties	29,088.83		29,088.83	60%	17,453.30
Claims not fully secured by residential properties			-	150%	-
Claims secured by residential properties (Overdue)	14,020.00	14,020.00	-	100%	-
Claims secured by Commercial real estate			-	100%	-
Past due claims (except for claims secured by residential properties)	246,736.68	230,721.01	16,015.67	150%	24,023.50



High Risk claims			-	150%	-
Lending Against Securities (Bonds & Shares)	41,410.23		41,410.23	100%	41,410.23
Investments in equity and other capital instruments of institutions listed in stock exchange	82,813.30		82,813.30	100%	82,813.30
Investments in equity and other capital instruments of institutions not listed in the stock exchange	4,494.60		4,494.60	150%	6,741.90
Staff loan secured by residential property			-	50%	-
Interest Receivable/claim on government securities			-	0%	-
Cash in transit and other cash items in the process of collection			-	20%	-
Other Assets (as per attachment)	159,126.95	-	159,126.95	100%	159,126.95
TOTAL (A)	1,621,154.82	244,741.01	1,374,035.31		681,792.20

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments			-	0%	-
Bills Under Collection			-	0%	-
Forward Exchange Contract Liabilities			-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty			-	20%	-
Foreign counterparty (ECA Rating 0-1)			-	20%	-
Foreign counterparty (ECA Rating 2)			-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	100%	-
Foreign counterparty (ECA Rating 7)			-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty			-	50%	-
Foreign counterparty (ECA Rating 0-1)			-	20%	-
Foreign counterparty (ECA Rating 2)			-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	100%	-
Foreign counterparty (ECA Rating 7)			-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty			-	50%	-
Foreign counterparty (ECA Rating 0-1)			-	20%	-
Foreign counterparty (ECA Rating 2)			-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	100%	-
Foreign counterparty (ECA Rating 7)			-	150%	-
Underwriting commitments			-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral			-	100%	-
Repurchase Agreements, Assets sale with recourse			-	100%	-
Advance Payment Guarantee			-	100%	-
Financial Guarantee			-	100%	-
Acceptances and Endorsements			-	100%	-
Unpaid portion of Partly paid shares and Securities			-	100%	-



Irrevocable Credit commitments (short term)			-	20%	-
Irrevocable Credit commitments (long term)			-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement			-	20%	-
Other Contingent Liabilities			-	100%	-
Unpaid Guarantee Claims			-	200%	-
TOTAL (B)	-	-	-		-
Total RWE for credit Risk Before Adjustment (A) +(B)	1,621,154.82	244,741.01	1,374,035.31		681,792.20

Adjustments under Pillar II

SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE -					
SRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recourse to RWE -					
Total RWE for Credit Risk after Bank's adjustments under Pillar II	1,621,154.82	244,741.01	1,374,035.31		681,792.20
Total RWE for Operational Risk					51,115.87
Total Risk Weighted Assets					732,908.07

B. Non Performing Asset (Gross & Net)

Particulars	Ashad 77-78		Ashad 77-78		Net
	Gross	Impairment Allowance	Gross	Impairment Allowance	
Restructure/ Rescheduled Loan	-	-	-	-	-
Sub - Standard Loan	16,470.00	4,117.50	-	-	-
Doubtful Loan	345.84	172.92	-	-	-
Loan Loss	238,890.42	238,890.42	83,798.96	83,798.96	-
Total	255,706.25	243,180.84	83,798.96	83,798.96	-

5.2.3. Compliance with external requirement

The finance company has complied with externally imposed capital requirements to which it is subject and there are no such consequence where the institution has not complied with those requirement.

5.3 Classification of financial assets and financial liabilities

The financial assets and liabilities are classified in Amortised Cost, fair value through profit and loss and fair value through other comprehensive income. The following table exhibit the the classification of financial assets and liabilities:

Financial Assets	As on 31st Ashar 2078			
	Amortised Cost	FVTPL	FVTOCI	Total
Cash and Cash Equivalents	724,866,935	-	-	724,866,935
Due from Nepal Rastra Bank	86,508,927	-	-	86,508,927
Placement with Bank and Financial Institutions	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Other Trading Assets	-	-	-	-
Loans and Advances to BFIs	-	-	-	-
Loans and Advances to Customers	-	-	-	-
Investment Securities	30,000,000	-	83,987,892.72	113,987,893
Investment in Subsidiaries	-	-	-	-
Investment in Associates	-	-	-	-
Investment Property	110,136,567	-	-	110,136,567
Other Assets	13,736,312	-	-	13,736,312
Total Financial Assets	965,248,742	-	83,987,892.72	1,049,236,635



Financial Liabilities				
Due to Bank and Financial Institutions	-	-	-	-
Due to Nepal Rastra Bank	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Deposits from Customers	657,296,666	-	-	657,296,666
Borrowings	-	-	-	-
Other Liabilities	64,937,230	-	-	64,937,230
Debt Securities Issued	-	-	-	-
Total Financial Liabilities	722,233,896	-	-	722,233,896

Financial Assets	As on 31st Ashar 2077			
	Amortised Cost	FVTPL	FVTOCI	Total
Cash and Cash Equivalents	123,413,862	-	-	123,413,862
Due from Nepal Rastra Bank	4,489,989	-	-	4,489,989
Placement with Bank and Financial Institutions	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Other Trading Assets	-	-	-	-
Loans and Advances to BFIs	-	-	-	-
Loans and Advances to Customers	-	-	-	-
Investment Securities	(0)	-	43,002,248	43,002,248
Investment in Subsidiaries	-	-	-	-
Investment in Associates	-	-	-	-
Investment Property	92,936,567	-	-	92,936,567
Other Assets	2,338,210	-	-	2,338,210
Total Financial Assets	223,178,628	-	43,002,248	266,180,877

Financial Liabilities				
Due to Bank and Financial Institutions	-	-	-	-
Due to Nepal Rastra Bank	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Deposits from Customers	44,809,595	-	-	44,809,595
Borrowings	-	-	-	-
Other Liabilities	30,600,598	-	-	30,600,598
Debt Securities Issued	-	-	-	-
Total Financial Liabilities	75,410,193	-	-	75,410,193



5.4 Operating Segment Information

1. General Information

Factors that management used to identify the entity's reportable segments

An operating segment is a component of the company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Based on the nature of the business, transactions, products and services, the management have identified four reporting segment for the purpose of financial reporting:

1. General Information

- The finance company has categorized its segment on the basis of presence in the geographical locations of the country
- Each segment provides commercial banking services such as corporate and retail lending, deprived sector lending, various deposit products and transaction banking services

2. Segment Reporting

A. Information about reportable segment

Particulars	KTM Valley	Murgiya	Gaidakot	Macchapurchhe	Dhanusadham	Total
(a) Revenue from External Customers	35,970,993.60	980,509.20	69,327.68	-	-	37,020,830.48
(b) Intersegment Revenues						-
(c) Net Revenue						-
(d) Interest revenue	35,970,993.60	980,509.20	69,327.68	-	-	37,020,830.48
(e) Interest expense	15,836,824.75	632,082.18	38,314.26	144,279.98	53.64	16,651,554.81
(f) Net Interest Revenue	20,134,168.85	348,427.02	31,013.42	(144,279.98)	(53.64)	20,369,275.67
(g) Depreciation and Amortization	3,499,618.80	148,377.80	42,539.90	42,317.98	-	3,732,854.48
(h) Segment Profit/(Loss)	52,097,309.04	200,049.22	(11,526.48)	(186,597.96)	(53.64)	52,099,180.18
(i) Entities interest in the profit or loss of associates accounted for using equity method						-
(j) Other material non cash items:						-
(k) Impairment of Assets	(49,733,235.44)	417,388.58	28,035.38	4,000.00	-	(49,283,811.48)
(l) Segment Assets	1,374,978,986.42	64,292,209.65	5,809,967.74	7,946,533.73	500,587.22	1,453,528,284.76

B. Reconciliation of reportable segment profit or loss

Particulars	Current Year
Total Profit before tax for reportable segment	25,043,940.87
Profit before tax for other segment	
Elimination of intersegment profit	
Elimination of discontinued operation	
Uncollected Amounts:	
- Other Corporate Expenses	
Profit before tax	25,043,940.87

3. Measurement of operating segment profit or loss, assets and liabilities

The transaction between the branches are charged at transfer price decided by Management Committee of the finance company.

The transfer pricing mechanism of the Bank is periodically reviewed. The segment results are determined based on the transfer pricing mechanism prevailing for the respective reporting periods



4 Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

a. Revenue

Total revenues for reportable segment	52,099,180.18
Other revenues	-
Elimination of intersegment revenues	-
Entity's revenues	52,099,180.18

b. Profit or loss

Total profit or loss for reportable segments	25,043,940.87
Other profit or loss	
Elimination of intersegment profits	
Unallocated amounts:	
.....	
.....	
Profit before income tax	25,043,940.87

c. Assets

Total assets for reportable segments	1,455,253,796.90
Other assets	
Unallocated amounts	
Entity's assets	1,455,253,796.90

d. Liabilities

Total liabilities for reportable segments	776,887,881.77
Other liabilities	
Unallocated liabilities	

5 Information about products and services

Revenue from each type of product and services described in point no. 1(b) above

- a. Loans and advances
- b. Fees and commission income

6 Information about geographical areas

Revenue from following geographical areas

(a) Domestic	37,020,830.48
All Other Segments	
(b) Foreign	
Total	37,020,830.48

7 Information about major customers

Total revenue from any single external customer does not amount to 10 percent or more of the company's revenue.



Nepal Finance Ltd.
Comparison Unaudited and Audited Financial Statements as of FY 2076/77

Rs. in '000'

Statement of Financial Position	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Assets					
Cash and cash equivalent	724,867	724,867	0	0.00%	
Due from NRB and placements with BFI's	86,509	86,509	-	0.00%	
Loan and advances	321,833	316,631	(5,202)	-1.64%	Due to Reclassification
Investments Securities	87,308	113,988	26,680	23.41%	Due to Reclassification of Bond in other assets
Investment in subsidiaries and associates	-	-	-	0.00%	
Investment Property	110,137	110,137	0	0.00%	
Property And Equipment	22,690	22,690	0	0.00%	
Goodwill and intangible assets	13,372	13,372	-	0.00%	
Other assets	133,221	67,060	(66,161)	-98.66%	Due to Reclassification & Recognition of Deferred Tax assets
Total Assets	1,499,936	1,455,254	(44,682)	-3.07%	
Capital and Liabilities					
Paid up Capital	493,496	493,496	-	0.00%	
Reserves and surplus	164,233	184,869	20,636	11.16%	Due to other effects
Deposits	711,297	711,297	-	0.00%	
Borrowings	-	-	-	0.00%	
Bond and Debenture	-	-	-	0.00%	
Other liabilities and provisions	130,910	65,591	(65,319)	-99.58%	Due to calculation of current tax liabilities
Total Capital and Liabilities	1,499,936	1,455,254	(44,682)	-3.07%	
Statement of Profit or Loss					
Interest income	36,751	37,021	270	0.73%	Due to Reclassification of Income, recognition of interest accrual
Interest expense	16,652	16,652	0	0.00%	
Net interest income	20,099	20,369	270	1.33%	
Fee and commission income	-	2,952	2,952	100.00%	Due to Reclassification of Income
Fee and commission expense	-	-	-	0.00%	
Net fee and commission income	-	2,952	2,952	100.00%	
Other operating income	3,074	5,213	2,140	41.04%	Due to Reclassification of Income
Total operating income	23,173	28,535	5,362	18.79%	
Impairment charge/(reversal) for loans and other losses	-36,900	-45,965	-9,065	19.72%	Due to Reclassification
Net operating income	60,073	74,500	14,427	19.37%	
Personnel expenses	14,611	20,005	5,394	26.96%	Due to Reclassification
Other operating expenses	25,011	25,707	696	2.71%	Due to Reclassification
Depreciation & Amortisation	3,733	3,733	-	0.00%	
Operating profit	16,718	25,055	8,337	33%	
Non operating income/expense	9,510	(11)	(9,521)	83230.02%	Due to classification of income from share transaction
Profit before tax	26,228	25,044	(1,184)	-4.73%	Due to other effects
Income tax		(25,721)	(25,721)	100.00%	Change in income and effect of Deferred Tax
Profit/(loss) for the period	26,228	50,765	24,537	48.33%	
Other comprehensive income	37,082	42,294	5,212	12.32%	Due to effects of above changes
Total comprehensive income	63,310	93,059	29,749	31.97%	
Distributable Profit	(297,170)	(327,724)	(30,554)	9.32%	
Net profit/(loss) as per profit or loss	26,228	50,765	24,537	48.33%	
Add/Less: Regulatory adjustment as per NRB Directive	(3,263)	(13,119)	(15,015)	82.15%	
Free profit/(loss) after regulatory adjustments	22,965	37,647	9,522	29.31%	


Nepal Finance Limited.
Major Indicators

Major Financial Indicators of last 5 years

S. No.	Indicators	Unit	FY 2073/74	FY 2074/75	FY 2075/76	FY 2076/77	FY 2077/78
1	Net Profit/Gross income	Percent	48.41%	81.86%	32.72%	56.42%	109.89%
2	Earnings per share	NPR	18.67	12.35	6.13	32.85	10.29
3	Market value per share	NPR	124.00	124.00	124.00	130.00	570.00
4	Price earning Ratio	Ratio	6.64	10.04	20.23	3.96	55.41
5	Dividend (including bonus) on Share Capital (%)	Percent	0.00%	0.00%	0.00%	0.00%	0.00%
6	Cash Dividend on Share Capital (%)	Percent	0.00%	0.00%	0.00%	0.00%	0.00%
7	Interest Income/ Loans and Advances (%)	Percent	11.20%	0.00%	0.00%	82.62%	12.68%
8	Staff Expenses/ Total Operating Expenses (%)	Percent	24.96%	29.66%	49.52%	42.27%	30.27%
9	Interest Expenses/ Total Deposits & Borrowings (%)	Percent	6.60%	6.66%	6.22%	1.28%	2.53%
10	Exchange Gain/ Total Income (%)	Percent	-	-	-	-	-
11	Staff Bonus/ Total Staff Expenses (%)	Percent	0.00%	0.00%	53.63%	25.87%	12.52%
12	Net Profit/Total Loans & Advances (%)	Percent	15.56%	0.00%	0.00%	123.97%	16.03%
13	Net Profit/ Total Assets (%)	Percent	21.70%	5.82%	3.00%	9.43%	3.49%
14	Total Loans & Advances/ Total Deposits (%)	Percent	194.46%	0.00%	0.00%	17.19%	48.17%
15	Total Operating Expenses/ Total Assets (%)	Percent	15.68%	5.08%	6.81%	5.03%	3.40%
16	Capital Adequacy (On Risk Weighted Assets)						
	a. Core Capital	Percent	-19.56%	6.81%	111.00%	35.62%	63.70%
	b. Supplementary Capital	Percent	0.00%	0.00%	0.00%	0.00%	0.65%
	c. Total Capital Fund	Percent	-19.56%	6.81%	111.00%	35.74%	64.35%
17	Liquidity (%)	Percent	18.43%	156.50%	275.42%	126.89%	118.29%
18	Non-Performing Loan/ Total Loans & Advances (%)	Percent	100.00%	100.00%	100.00%	68.63%	46.35%
19	Weighted Average Interest Rate Spread	Percent	7.64%	7.64%	4.83%	7.64%	5.10%
20	Book Net Worth (Per Share)	NPR	2,056,730.00	192,288,206.52	198,665,881.03	231,944,499.32	137.46
21	Number of Shares	No.	1,358,005.00	1,358,005.00	1,358,005.00	1,358,005.00	4,934,963.25
22	Number of Staff	No.	13	13	13	12	75

Note: The figure of Loans and Advances has been taken net of impairment.



As on Asar end 2078

S.N.	Name	No of share	Percentage	Amount (Rs.)
1	Pramila Shakya	450,800.00	9.14%	45,080,000.00
2	Bijay Bahadur Manandhar	258,728.00	5.24%	25,872,800.00
3	Hirendra Man Pradhan	246,700.00	5.00%	24,670,000.00
4	Suman Kedia	219,900.00	4.46%	21,990,000.00
5	Rajan Prajapati	143,289.00	2.90%	14,328,900.00
6	Niraj Shrestha	140,963.00	2.86%	14,096,300.00
7	Rabi Chandra Man Pradhan	135,700.00	2.75%	13,570,000.00
8	Subibdra Shrestha	83,531.00	1.69%	8,353,100.00
9	Trilok Narsing Shakya	69,798.00	1.41%	6,979,800.00
10	Anita Goyal	67,000.00	1.36%	6,700,000.00
11	Mahek Goyal Jain	60,725.00	1.23%	6,072,500.00
12	Subhash Narsing Shakya	59,225.00	1.20%	5,922,500.00
13	Mohit Agrawal	51,000.00	1.03%	5,100,000.00
14	Prasana Ratna Bajracharya	49,623.00	1.01%	4,962,300.00
15	Dilip Shakya	49,623.00	1.01%	4,962,300.00
16	Pancha Raj Shakya	49,623.00	1.01%	4,962,300.00
17	Sunil Shakya	49,623.00	1.01%	4,962,300.00
18	Mangal Devi Shakya	49,500.00	1.00%	4,950,000.00
19	Shailendra Kumar Mishra	44,500.00	0.90%	4,450,000.00
20	Hem Raj Upadhyaya	44,500.00	0.90%	4,450,000.00
21	Narendra Man Shakya	44,500.00	0.90%	4,450,000.00
22	Lagan Sadabarta Nizi Guthi	28,128.00	0.57%	2,812,800.00
	Total			239,697,900.00



नेपाल राष्ट्र बैंक
वित्त कम्पनी सुपरिवेक्षण विभाग
गैर-स्थलगत सुपरिवेक्षण इकाई

पत्रसंख्या:- वि.कं.सु.वि./अफसाइट/एजिएम/१२/२०७८-७९ // २२६

मिति २०७८/१०/०२

नेपाल फाइनेन्स लिमिटेड
कमलादी, काठमाण्डौ

विषय: वित्तीय विवरण प्रकाशन सम्बन्धमा ।

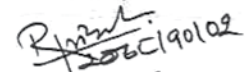
महाशय,

तहाँबाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातका आधारमा आयकर ऐन/नियमावली तथा अन्य प्रचलित कानुनी व्यवस्थाको पालना गर्ने गरी आ.व.२०७७/७८ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गरी सार्वजनिक गर्न देहायको निर्देशन सहित सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

१. यस बैंकले दिएका निर्देशन पालना गर्न तथा लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका कैफियतहरु सुधार गर्न तथा त्यस्ता कैफियतहरु पुनः दोहोरिन नदिने व्यवस्था गर्नुहुन ।
२. नियमित रुपमा System Audit गर्ने व्यवस्था मिलाउन हुन ।
३. कम्पनी ऐन, २०६३ को दफा १८२(९) बमोजिम साधारणसभाबाट स्वीकृत भई ५ वर्षसम्म पनि दावी नपरेको भुक्तानी दिन बाँकी लाभांशलाई लगानीकर्ता संरक्षण कोषमा दाखिला गर्नुहुन ।
४. यस बैंकबाट जारी एकीकृत निर्देशन नं.१९/०७८ बमोजिम सम्पत्ति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवारण सम्बन्धी व्यवस्थाहरुको पूर्ण रुपमा पालना गर्नुहुन ।
५. निष्कृत्य कर्जा घटाउने र समस्यामा रहेका कर्जाहरुलाई तदारुकताकासाथ असुल गर्ने व्यवस्था मिलाउनुहुन ।
६. तोकिए बमोजिमको चुक्ता पुंजी पुन्याउन संचालक समिति र प्रमुख कार्यकारी अधिकृतको ध्यानाकर्षण गराइन्छ ।

उपर्युक्त निर्देशनलाई त्यस संस्थाको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नु हुन अनुरोध गर्दछु ।

भवदीय,



(राम कृष्ण राई)

सहायक निर्देशक

बोधार्थ :

१. नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग ।
२. वित्त कम्पनी सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, श्री नेपाल फाइनेन्स कम्पनी लिमिटेड ।



नेपाल फाइनान्स लिमिटेड Nepal Finance Limited

“नेपाल राष्ट्र बैंकबाट “ग” वर्गको इजाजतपत्रप्राप्त संस्था”

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च. नं. ५६९

प.सं. २०७८/०७९

श्रीमान कार्यकारी निर्देशक ज्यू
नेपाल राष्ट्र बैंक
वित्त कम्पनी सुपरिवेक्षण विभाग
बालुवाटार, काठमाण्डौ ।



मिति: २०७८/११/०३

विषय: वित्तीय विवरण प्रकाशन स्वीकृतीका लागि दिइएको निर्देशनको प्रत्युत्तर सम्बन्धमा ।

महोदय,

तहाँको मिति २०७७/१०/०२ को पत्र संख्या २२६ बमोजिम यस संस्थाको आ. व. २०७७/०७८ को वित्तीय विवरण, संलग्न अनुसूचीहरु र लेखा परिक्षण प्रतिवेदन सहितको विवरण वार्षिक साधारण सभा प्रयोजन तथा वित्तीय विवरण प्रकाशनको स्वीकृती प्राप्त भएकोमा उक्त पत्रको निर्देशनहरुको हालसम्म भए गरेका काम कारवाहीहरुमा देहाय बमोजिम सुधार र पालना गरिने ब्यहोरा तहाँको जानकारीका लागि अनुरोध छ ।

१. तहाँबाट दिइएका निर्देशन तथा लेखापरिक्षण प्रतिवेदनमा औल्याएका कैफियतहरुलाई सुधार गरी पुनः दोहोरिन नदिने गरी कार्य संचालनको व्यवस्था गरिएको ब्यहोरा तहाँको जानकारीको लागि अनुरोध छ ।
२. निर्देशानुसारको व्यवस्था मिलाइने ब्यहोरा अनुरोध छ ।
३. साधारण सभाबाट स्वीकृत भई ५ बर्षसम्म पनि दावी नपरेका भुक्तानी दिन बाँकी लाभाशंलाई कम्पनी ऐन, २०६३ मा भएको व्यवस्था बमोजिम यथासिद्ध लगानीकर्ता संरक्षण कोषमा दाखिला गर्ने व्यवस्था मिलाइने ब्यहोरा जानकारीका लागि अनुरोध छ ।
४. सम्पत्ति शुद्धिकरण निवारण ऐन, नियमावली तथा तहाँबाट जारी भएका एकिकृत निर्देशन तथा परिपत्रहरुको पालना गरिरहेको तथा भविष्यमा पनि सोको पूर्ण रुपमा पालना गर्नुका साथै थप सजग रही उक्त विषयमा शन्य सहनशिलताको सिद्धान्त अपनाइने ब्यहोरा जानकारीका लागि अनुरोध छ ।
५. निष्कृत कर्जा घटाउने र समस्यामा रहेका कर्जाहरुलाई तदारुकताकासाथ असुल उपर गरिरहेको ब्यहोरा जानकारीको लागि अनुरोध छ ।
६. तोकिए बमोजिमको चुक्ता पुंजी पुरयाउने कार्य अन्तर्गत हकप्रद शेयर निष्काशनको लागि धितोपत्र बोर्डमा सम्पूर्ण कागजातहरु पेश गरीसकिएको र स्वीकृतीको अन्तिम चरणमा रहेको ब्यहोरा जानकारीका लागि अनुरोध छ ।

भवदीय,

उध्दबराज थपलिया
प्रमुख कार्यकारी अधिकृत



नोट तथा टिपोट

Senior Management Team



Mr. Uddhab Raj Thapaliya
Chief Executive Officer (CEO)



Mr. Bishnu Prasad Gautam
Assistant Chief Executive Officer(ACEO)/ Company Secretary



Mr. Sagar Prajapati
Manager - Compliance and Operation

Department Head



Mr. Chandra Shekhar Khadka
Legal and Recovery



Mr. Madhu Nepal
Treasury



Mr. Basu Dev Kc
Information Technology



Mr. Sudeep Risal
Credit Risk Assessment &
Credit Administration



Mr. Bishal Thapa
Finance



Ms. Roshi Shrestha
Human Resource

Branch Manager/Incharge



Mr. Madhu Nepal
Corporate Branch



Ms. Mandira Maharjan
Pulchowk Branch



Mr. Jenish Tamrakar
Banepa Branch



Mr. Shashidhar Ghimire
Murgija Branch



Mr. Rudra Lal Bhusal
Gaidakot Branch



Mr. Dharma Dutta Sharma
Machhapuchre Branch



Mr. Harendra Bhattarai
Lagankhel Branch



Mr. Tilak Gautam
New Road Branch



Mr. Pankaj Kumar Thakur
Dhanushadham Branch



Mr. Abiral Shrestha
Hetauda Branch



Ms. Mina Dangol
Kantipath Extension
Counter



Mr. Mahesh Mandal
Kalimati Extension
Counter

Branch Network

HEAD OFFICE

Kamaladi-28, Kathmandu
Tel. No.: 01-4545885/86/87

PULCHOWK BRANCH

Pulchowk-16, Lalitpur
Tel. No.: 01-5260584/5260683

BANEPAN BRANCH

Banepa-07, Kavre
Tel. No.: 011-665364/65

MURGIYA BRANCH

Sainamaina- 03, Rupandehi
Tel. No.: 071-440411/ 440414

GAINDAKOT BRANCH

Gaindakot-4, Nawalparasi East
Tel. No.: 078-501031/501041

MACHHAPUCHHRE BRANCH

Machhapuchhre-2, Kaski
Tel. No.: 061-422100, 422101

LAGANKHEL BRANCH

Lagankhel-5, Lalitpur
Tel. No.: 01-5523850/5525115

NEWROAD BRANCH

Newroad-22, Kathmandu
Tel. No.: 01-5315671/5315846

DHANUSHADHAM BRANCH

Dhanushadham-3, Dhanusha
Tel. No.: 011-414075/76

HETAUDA BRANCH

Hetauda sub-metropolitan odd -4, Makwanpur
Tel. No.: 057-590884/85

KANTIPATH EXTENSION COUNTER

Kantipath-27, Kathmandu
Tel. No.: 01-4247020

KALIMATI EXTENSION COUNTER

Kalimati-13, Kathmandu
Tel. No.: 01-5315255

UP COMING BRANCH

- Tilotama, Rupandehi
- Palungtar, Gorkha

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