

Asha Laghubitta Bittiya Sanstha Ltd.

Unaudited Interim Financial Statements of FY 2082/83

Condensed Statement of Financial Position

As on Ashoj end, 2082

Assets	This Quarter Ending	Amount in NPR
		Immediate Previous Year ending
Cash and Cash Equivalent	433,547,420	549,938,688
Statutory Balances and Due from Nepal Rastra Bank	49,930,519	49,930,519
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to MFIs & Co-operatives	-	-
Loans and Advances to Customers	10,560,428,694	10,449,350,302
Investment Securities	710,000	710,000
Current Tax Assets	-	-
Investment Property	1,371,759	1,335,759
Property and Equipment	22,700,939	23,324,172
Goodwill and Intangible Assets	12,402,073	12,432,754
Deferred Tax Assets	16,700,734	16,700,734
Other Assets	70,334,950	56,292,400
Total Assets	11,168,127,088	11,160,015,327
Liabilities		
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Derivative Financial Instrument	-	-
Deposits from Customers	3,305,660,520	3,211,170,133
Borrowings	6,318,469,305	6,454,107,260
Current Tax Liabilities	21,017,531	11,651,597
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	233,493,222	215,645,584
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	9,878,640,578	9,892,574,574
Equity		
Share Capital	733,046,280	733,046,280
Share Premium	-	-
Retained Earnings	170,108,439	163,645,738
Reserves	386,331,791	370,748,735
Total Equity	1,289,486,510	1,267,440,753
Total Liabilities and Equity	11,168,127,088	11,160,015,327

Condensed Statement of Profit & Loss
For the period ended Ashoj end, 2082

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
Interest Income	345,551,080	345,551,080	330,474,129	330,474,129
Interest Expense	171,748,545	171,748,545	201,572,957	201,572,957
Net Interest Income	173,802,535	173,802,535	124,946,312	441,180,308
Fee and Commission Income	23,794,729	23,794,729	24,957,566	24,957,566
Fee and Commission Expense	114,380	114,380	1,040,169	1,040,169
Net Fee and Commission Income	23,680,349	23,680,349	23,917,397	23,917,397
Net Interest, Fees and Commission Income	197,482,884	197,482,884	141,083,426	544,348,516
Net Trading Income			-	-
Other Operating Income	6,046,405	6,046,405	8,905,246	8,905,246
Total Operating Income	203,529,289	203,529,289	152,288,914	594,478,286
Impairment Charge/(reversal) for Loans and Other Losses	56,644,354	56,644,354	85,590,614	85,590,614
Net operating income	146,884,935	146,884,935	123,949,873	541,337,655
Operating Expense				
Personnel Expenses	82,245,849	82,245,849	97,354,991	97,354,991
Other Operating Expenses	31,370,825	31,370,825	30,749,421	30,749,421
Depreciation & Amortization	1,500,490	1,500,490	1,524,025	1,524,025
Operating Profit	31,767,771	31,767,771	(53,495,236)	(53,495,236)
Non-Operating Income	120,950	120,950	81,729	81,729
Non-Operating Expense	-	-	-	-
Profit before Income Tax	31,888,721	31,888,721	(53,413,507)	(53,413,507)
Income Tax Expense				
Current Tax	9,566,616	9,566,616	-	-
Deferred Tax	-	-	-	-
Profit/(Loss) for the Period	22,322,105	22,322,105	(53,413,507)	(53,413,507)

Condensed Statement of Comprehensive Income

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
Profit or loss for the Period	22,322,105	22,322,105	(53,413,507)	(53,413,507)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	22,322,105	22,322,105	(53,413,507)	(53,413,507)
Earnings per share				
Annualized Basic Earnings Per Share		12.18		(33.30)
Diluted earnings per share		12.18		(33.30)

Ratios as per NRB Directive

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
Capital Fund to RWA		10.03%		8.55%
Total Loan Loss Provision to Total NPL		32.49%		59.44%
NPL		10.34%		4.94%
Cost of Funds		7.01%		7.89%
Credit to Deposit and Borrowing Ratio		112%		106.76%
Base Rate		11.91%		13.86%
Interest Rate Spread		7.99%		7.10%

Statement of Distributable Profit or Loss
For the Quarter ended on Ashoj 2082
(As per NRB Regulation)

Particulars	Ashoj end, 2082	Ashoj end, 2081
Net profit or (loss) as per statement of profit or loss	22,322,105	(53,413,507)
Appropriations:		
a. General reserve	4,464,421	-
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	223,221	-
e. Employees' training fund	-	-
f. Client Protection Fund	334,832	-
g. Other	-	-
Profit or (loss) before regulatory adjustment	17,299,631	(53,413,507)

Regulatory adjustment :

a. Interest receivable (-)/previous accrued interest received (+)	(10,836,930)	(10,375,832)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	-	-
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Actuarial gain/loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Net profit for the period available for distribution	6,462,701	(63,789,339)
Opening Retained Earnings as on Shrawan 1	163,645,740	100,581,470
Adjustments (+/-)	-	-
<u>Distribution:</u> (-)		
Bonus shares issued	-	-
Cash dividend paid	-	-
Total Distributable Profit/Loss as on Ashoj end 2082	170,108,441	36,792,131
Distributable Profit/Loss per share	23.21	5.73

Note:

1. Figures presented above may vary with the audited figures if instructed by the banking regulations and statutory auditor.
2. The detailed interim financial report has been published on the official website (<https://ashamicrofinance.com.np/>)
3. The presented financial statements have been prepared in accordance with Nepal Financial Reporting Standards as per NRB Directive except the guideline of Expected Credit Loss (ECL) Model as required by NFRS 9.
4. Personnel Expenses include the provision for Employees Bonus.
5. Loans and Advances are presented net of impairment charges and includes interest accruals and staff loans.
6. Figures are regrouped/rearranged/restated wherever necessary for consistent presentation and comparison.
7. Actuarial Valuation for defined benefit plans and staff leave have not been done for the reported period.

Asha Laghubitta Bittiya Sanstha Limited

Statement of Cash Flows

For the period ended Ashoj end, 2082

Particulars	Ashoj end, 2082	FY 2081/82
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	323,355,627	1,461,947,655
Fee and Other Income Received	23,794,729	115,390,200
Dividend Received	-	-
Receipts from Other Operating Activities	6,046,405	39,949,972
Interest Paid	(171,748,545)	(734,585,490)
Commissions and Fees Paid	(114,380)	(2,148,524)
Cash Payment to Employees	(82,245,849)	(356,551,414)
Other Expenses Paid	(31,370,825)	(127,372,183)
Operating Cash Flows before Changes in Operating Assets and Liabilities	67,717,162	396,630,216
(Increase) Decrease in Operating Assets		
Statutory Balances/Due from Nepal Rastra Bank	-	(3,144,717)
Placement with Banks and Financial Institutions	-	-
Other Trading Assets	-	-
Loans and Advances to Bank and Financial Institutions	-	-
Loans and Advances to Customers	(145,527,293)	(982,258,477)
Other Assets	(14,042,550)	60,863,169
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financials Institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposit from Customers	94,490,387	407,598,453
Borrowings	(135,637,955)	59,247,898
Other Liabilities	17,847,638	25,274,464
Net Cash Flow from Operating Activities before Tax Paid	(115,152,611)	(35,788,994)
Income Tax Paid	(200,682)	(96,053,902)
Net Cash Flow from Operating Activities	(115,353,294)	(131,842,896)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	-	(700,000)
Receipts from Sale of Investment Securities	-	-
(Purchase)/Receipts from sale of Property and Equipment	(846,576)	(6,106,650)
(Purchase)/Receipts from sale of Intangible Assets	(0)	(0)
(Purchase)/Receipts from sale of Investment Properties	(36,000)	-
Interest Received	-	-
Dividend Received	-	-
Net Cash Used in Investing Activities	(882,576)	(6,806,651)
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	-	-
Cash Dividend Paid	-	(4,812,120)
Interest Paid	-	-
Other Receipts/Payments	(155,398)	(7,551,117)
Net Cash from Financing Activities	(155,398)	(12,363,237)
Net Increase (Decrease) in Cash and Cash Equivalents	(116,391,268)	(151,012,783)
Cash and Cash Equivalents at Shrawan 01, 2081	549,938,688	700,951,471
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-
Cash and Cash Equivalents at Ashoj end, 2082	433,547,420	549,938,688

Asha Laghubitta Bittiya Sanstha Limited
Statement of Changes in Equity
As on Ashoj end, 2082

Attributable to Equity-Holders of the Institution								
Particulars	Share Capital	General Reserve	Regulatory Reserve	Corporate social responsibility reserve	Client Protection Fund	Retained Earning	Other Reserve	Total Equity
Balance at Shravan 1, 2081	733,046,280	158,951,564	86,121,313	2,901,894	46,329,799	163,645,738	76,444,165	1,267,440,752
Adjustment/Restatement						-		
Adjustment/Restated Balance as at Shravan 01, 2081	733,046,280	158,951,564	86,121,313	2,901,894	46,329,799	163,645,738	76,444,165	1,267,440,752
Comprehensive Income for the year						22,322,105		
Profit for the year								
Other Comprehensive Income, Net of Tax								
Actuarial gains/(losses) on defined benefit plans								
Total Comprehensive Income for the year								
Transfer to Reserves during the year								
General Reserve		4,464,421						
Corporate Social Responsibility Reserve				223,221				
Client Protection Reserve					334,832			
Others Reserve-Deferred Tax Liabilities						(4,464,421) (223,221) (334,832)		
Transfer from Reserves during the year								
Contribution to the Fund			10,836,930			347,653		
Expense from the Fund			-			(10,836,930)		
Transactions with Owners, directly recognized in Equity								
Dividend to Equity-Holders						-		
Total Contributions by and Distributions								
Balance at Ashoj end, 2082	733,046,280	163,415,985	96,958,243	3,125,115	46,388,283	170,108,439	76,444,165	1,289,486,510

Asha Laghubitta Bittiya Sanstha Limited

Notes to Financial Statements

As on Ashoj end, 2082

Cash and Cash Equivalent

4.1

Particulars	Ashoj end, 2082	FY 2081/82
Cash in Hand	6,771,203	8,730,854
Balances with BFIs	426,776,217	541,207,834
Money at Call and Short Notice	-	-
Other	-	-
Total	433,547,420	549,938,688

Cash and cash equivalents include cash at vault, highly liquid financial assets with original maturity of 3 months from the date of its acquisition and are readily convertible to cash, which are subject to an insignificant risk of changes in value. Cash at vault is adequately insured for physical and financial risks. The amount of cash and cash equivalents is maintained on the basis of the regulatory, liquidity, business commitments and business requirements. The income on these assets is credited to Statement of Profit or Loss under Interest income. Investment made in fixed deposits from Client Protection Fund has been classified under Other Assets. Fair value of cash and cash equivalent amount is the carrying amount.

Statutory Balances and Due from Nepal Rastra Bank

4.2

Particulars	Ashoj end, 2082	FY 2081/82
Statutory Balances with NRB	2,519	2,519
Statutory Balances with BFIs	49,928,000	49,928,000
Securities purchased under Resale Agreement	-	-
Other Deposit and Receivable from NRB	-	-
Total	49,930,519	49,930,519

Statutory Balance with BFIs represent the cash balance that is required to be held as the Cash Reserve Ratio as per the regulatory norms. Statutory Balance of the Microfinance has been maintained at Prabhu Bank Limited, Banepa Branch.

Placements with Financial Institutions

4.3

Particulars	Ashoj end, 2082	FY 2081/82
Placement with Domestic FIs	-	-
Less: Allowances for Impairment	-	-
Total	-	-

Placements with domestic financial institutions with original maturities of more than three months from the acquisition date are presented under this account head.

Derivative Financial Instruments

4.4

Particulars	Ashoj end, 2082	FY 2081/82
<i>Held for Trading</i>		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts	-	-
Others	-	-
<i>Held for Risk Management</i>		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts	-	-
Others	-	-
Total	-	-

Other Trading Assets

4.5

Particulars	Ashoj end, 2082	FY 2081/82
Treasury Bills	-	-
Government Bonds	-	-
NRB Bonds	-	-
Domestic Corporate Bonds	-	-
Equities	-	-
Other	-	-
Total	-	-
Pledged	-	-
Non-Pledged	-	-

Trading assets are those assets that the Microfinance acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit are presented under this account head. The other trading asset includes non derivative financial assets. It includes Government bonds, NRB Bonds, Domestic Corporate bonds, Treasury bills, Equities etc held primarily for the trading purpose. The Microfinance doesn't have Other Trading Assets as of date.

Loans and Advances to MFIs & Co-operatives
4.6

Particulars	Ashoj end, 2082	FY 2081/82
Loans to Micro-Finance Institutions	-	-
Loans to FIs	-	-
Loans to Co-operatives	-	-
Less: Allowances for Impairment	-	-
Other	-	-
Less: Allowances for Impairment	-	-
Total	-	-

Loan and advances given to microfinance financial institutions as well as other financial institutions are presented under this head. The Microfinance doesn't possess loans and advances to MFIs & Co-operatives.

4.6.1 Allowances for Impairment	Ashoj end, 2082	FY 2081/82
Balance at Shrawan 01	-	-
Impairment Loss for the year:	-	-
Charge for the year	-	-
Recoveries/Reversal	-	-
Amount Written Off	-	-
Balance at Ashoj end	-	-

Loans and Advances to Customers
4.7

Particulars	Ashoj end, 2082	FY 2081/82
Loans and Advances measured at Amortized Cost	10,924,703,843	10,756,981,097
Less: Impairment Allowances		-
Collective Impairment	(364,275,149)	(307,630,795)
Individual Impairment	-	-
Net Amount	10,560,428,694	10,449,350,302
Loans and Advances measured at FVTPL		
Total	10,560,428,694	10,449,350,302

4.7.1: Analysis of Loans and Advances - By Product

Particulars	Ashoj end, 2082	FY 2081/82
Product		
Term Loans		
Short Term, Term Loan	-	-
Long Term, Term Loan	10,793,664,556	10,650,569,058
Personal Residential Loans	-	-
Hire Purchase Loans	-	-
Staffs Loans	17,104,002	17,816,688
Loans & Advances to customers	-	-
Sub-Total	10,810,768,559	10,668,385,746
Interest Receivable	113,935,284	88,595,351
Grand Total	10,924,703,843	10,756,981,097

4.7.2: Analysis of Loans and Advances - By Collateral

Particulars	Ashoj end, 2082	FY 2081/82
Secured		
Immoveable Assets	2,346,360,603	2,346,360,603
Government Guarantee	-	-
Collateral of Fixed Deposit Receipt	-	-
Collatereal of Government Securities	-	-
Group Guarantee	8,447,303,953	8,304,208,455
Personal Guarantee	-	-
Other Collateral	-	-
Subtotal	10,793,664,556	10,650,569,058
Unsecured	17,104,002	17,816,688
Grand Total	10,810,768,559	10,668,385,746

4.7.3: Allowance for Impairment

Particulars	Ashoj end, 2082	FY 2081/82
Specific Allowance for Impairment		
Balance at Sharwan 01	-	170,463,714
Impairment Loss for the year	-	-
Charge for the year	-	-
Recoveries/Reversals during the year	-	-
Write-Offs	-	-
Other Movement	-	-
Balance at Ashoj end 2082	-	-
Collective Allowances for Impairment		
Balance at Sharawan 01	307,630,795	36,898,681
Impairment Loss for the year	-	-
Charge/(Reversal) for the year	56,644,354	100,268,399
Other Movement	-	-
Balance at Ashoj end 2082	364,275,149	307,630,795
Total Allowances for Impairment	364,275,149	307,630,795

Investment Securities

4.8

Particulars	Ashoj end, 2082	FY 2081/82
Investment Securities measured at Amortized Cost	-	-
Investment in Equity measured at FVTOCI	710,000	710,000
Total	710,000	710,000

4.8.2: Investment in Equity measured at FVTOCI

Particulars	Ashoj end, 2082	FY 2081/82
Equity Instruments		
Quoted Equity Securities	-	-
Unquoted Equity Securities	710,000	710,000
Total	710,000	710,000

4.8.3: Information relating to Investment in Equities

Particulars	Ashoj end, 2082		FY 2081/82	
	Cost	Fair Value	Cost	Fair Value
Investment in Quoted Equity	-	-	-	-
.....Ltd.	-	-	-	-
.....Shares of Rs. Each	-	-	-	-
.....Ltd.	-	-	-	-
.....Shares of Rs. Each	-	-	-	-
Investment in Unquoted Equity	710,000	710,000	710,000	710,000
Center for Microfinance Pvt. Ltd	-	-	-	-
100 Ordinary shares of Rs.100 Paid up	710,000	710,000	10,000	10,000
National Banking Institute			-	-
7000 Ordinary shares of Rs. 100 Paid up	-	-	700,000	700,000
Total	710,000	710,000	710,000	710,000

Current Tax Assets /Liabilities

4.9

Particulars	Ashoj end, 2082	FY 2081/82
Current Tax Assets		
Current year Income Tax Assets	200,682	96,053,902
Tax Assets of Prior Periods		-
Current Tax Liabilities		
Current year Income Tax Liabilities	9,566,616	89,690,564
Tax Liabilities of Prior Periods	11,651,597	18,014,935
Total	(21,017,531)	(11,651,597)

Current Tax Assets includes any advance payment made by the Microfinance towards income tax liabilities or other tax liabilities to the taxing authorities.

Investment Properties
4.10

Particulars	Ashoj end, 2082	FY 2081/82
Investment Properties measured at Fair Value		
Balance as on Shrawan 01.	-	-
Addition/(Disposal) during the year.	-	-
Net Changes in fair value during the year.	-	-
Adjustment/Transfer.	-	-
Net Amount	-	-
Investment Properties measured at Cost		
Balance as on Shrawan 01	1,371,759	1,335,759
Addition/(Disposal) during the year	-	-
Adjustment/Transfer	-	-
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Net Amount	1,371,759	1,335,759

Land and Building owned under Non-Banking Assets(NBA) are recorded in Investment properties. NBA amounting to NPR 1,335,759 has been booked as investment property (acquired after the acquisition of RULB), includes land, acquired from Mr. Arbind Jha (ex staff) in 2071.08.17.

Other Assets
4.14

Particulars	Ashoj end, 2082	FY 2081/82
Assets held for Sale	-	-
Other Non-Banking Assets	-	-
Bills Receivable	-	-
Accounts Receivable	(2,495,492)	(1,781,595)
Accrued Income	-	-
Prepayments and Deposits	17,715,265	3,332,821
Income Tax Deposit	-	-
Deferred Employee Expenditure	1,468,507	1,468,507
Other Assets	3,366,949	2,992,933
Right of Use Assets	50,279,722	50,279,733
CPF Fixed Deposits	-	-
Total	70,334,950	56,292,400

Deferred Employee Expenditure includes staff amortization cost recognised as per NAS 19. Other asset includes inventory of General stationery.

Due to Banks and Financial Institutions
4.15

Particulars	Ashoj end, 2082	FY 2081/82
Borrowings from BFIs	-	-
Settlement and Clearing Accounts	-	-
Others	-	-
Total	-	-

Due to Nepal Rastra Bank
4.16

Particulars	Ashoj end, 2082	FY 2081/82
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
4.17

Particulars	Ashoj end, 2082	FY 2081/82
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

4.18

Particulars	Ashoj end, 2082	FY 2081/82
Institutional Customers:	-	-
Term Deposits.	-	-
Call Deposits	-	-
Others	-	-
Individual Customers:	-	-
Term Deposits	-	-
Saving Deposits	-	-
Saving from Members	3,305,660,520	3,211,170,133
Others	-	-
Total	3,305,660,520	3,211,170,133

Borrowings

4.19

Particulars	Ashoj end, 2082	FY 2081/82
Domestic Borrowings		
Nepal Government	-	-
Other Licensed Institutions	6,318,469,305	6,454,107,260
Other	-	-
Sub Total	6,318,469,305	6,454,107,260
Foreign Borrowings		
Foreign Banks and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub Total	-	-
Total	6,318,469,305	6,454,107,260

Provisions

4.20

Particulars	Ashoj end, 2082	FY 2081/82
Provisions for Redundancy	-	-
Provisions for Restructuring	-	-
Pending Legal Issues and Tax Litigation	-	-
Onerous Contracts	-	-
Other	-	-
Total	-	-

4.20.1: Movement in Provision

Particulars	Ashoj end, 2082	FY 2081/82
Balance at Shrawan 01	-	-
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Unwind of Discount	-	-
Balance at Poush end	-	-

Other Liabilities

4.21

Particulars	Ashoj end, 2082	FY 2081/82
Liabilities for employees defined benefit obligations	30,501,521	28,866,100
Liabilities for long service leave	57,839,357	54,171,182
Short term employee benefits	2,847,416	-
Bills payable	1,572,822	1,571,245
Creditors and accruals	1,214,930	1,762,007
Interest payable on deposits	-	-
Interest payable on borrowing	8,572,065	10,301,459
Liabilities on deferred grant income	-	-
Unpaid Dividend	-	-
Liabilities under Finance Lease	55,815,664	55,815,664
Employee bonus payable	36,761,919	33,218,728
Other	38,367,527	29,939,201
<i>Service Charge Refundable</i>	-	-
<i>Loan Insured Fee Payable to DCGF</i>	18,313,625	17,609,313
<i>Staff payables</i>	4,716,498	1,857,709
<i>TDS Payable</i>	3,768,121	3,019,166
<i>VAT Payable</i>	(15,350)	-
<i>Social Fund Payable</i>	-	-
<i>Provision for Audit Fee</i>	825,165	627,415
<i>Provision for Audit Expenses</i>	-	-
<i>Provision for Consultancy Expenses</i>	(12,800)	-
<i>Remittance Payable</i>	-	-
<i>Loan insurance Payable</i>	9,911,007	6,642,678
<i>Other liabilities</i>	861,261	182,919
Total	233,493,222	215,645,585

4.21.1: Defined Benefit Obligation

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

Particulars	Ashoj end, 2082	FY 2081/82
Present value of non-funded obligations	-	-
Total present value of obligations	-	-
Fair value of plan assets	-	-
Present value of net obligations	-	-
Recognised liability for defined benefit obligations	-	22,661,573

4.21.2: Plan Assets

Plan assets comprises of :

Particulars	Ashoj end, 2082	FY 2081/82
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other	-	-
Total	-	-

4.21.3: Movement in the present value of defined benefit obligations

Particulars	Ashoj end, 2082	FY 2081/82
Defined benefit obligations at Shrawan 1	-	-
Actuarial losses/(gain)	-	-
Benefits paid by the plan	-	-
Current service costs and interest	-	-
Defined benefit obligations at Ashoj end	-	22,661,573

4.21.4: Movement in the fair value of plan assets

Particulars	Ashoj end, 2082	FY 2081/82
Fair value of plan assets at Shrawan 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 Ashoj end	-	-

4.21.5: Amount recognised in profit or loss

Particulars	Ashoj end, 2082	FY 2081/82
Current service costs	-	-
Interest on obligation	-	-
Expected return on plan assets	-	-
Total	-	5,873,332

4.21.6: Amount recognised in other comprehensive income

Particulars	Ashoj end, 2082	FY 2081/82
Actuarial (gain)/loss	-	-
Total	-	2,053,583

4.21.7: Actuarial assumptions

Particulars	Ashoj end, 2082	FY 2081/82
Discount rate		10.00%
Expected return on asset		0.00%
Salary Escalation Rate		8.00%
Withdrawal rate	For ages up to 30 years :10% Thereafter : 5%	
Retirement Age		60 years
Time of Retirement	Immediately on achieving normal retirement	
Salary Increase frequency	Once a year	

Mortality Rates : Representative mortality rates are referenced from Nepali Assured Lives Mortality (2009)
Discount Rate for this valuation is based on Yield to Maturity (YTM) available on Government bonds having similar term to decrement-adjusted estimated term of liabilities.

Debt securities issued

4.22

Particulars	Ashoj end, 2082	FY 2081/82
Debt securities issued designated as at fair value through profit or loss	-	-
Debt securities issued at amortised cost	-	-
Total	-	-

Subordinated Liabilities

4.23

Particulars	Ashoj end, 2082	FY 2081/82
Redeemable preference shares	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-
Other	-	-
Total	-	-

Share capital

4.24

Particulars	Ashoj end, 2082	FY 2081/82
Ordinary shares	733,046,280	733,046,280
Convertible preference shares (equity component only)	-	-
Irredeemable preference shares (equity component only)	-	-
Perpetual debt (equity component only)	-	-
Total	733,046,280	733,046,280

4.24.1: Ordinary Shares

Particulars	Ashoj end, 2082	FY 2081/82
Authorized Capital		
10,000,000 Ordinary Shares of Rs. 100 each	1,000,000,000	1,000,000,000
Issued capital		
7330462.8 Ordinary Shares of Rs. 100 each	733,046,280	733,046,280
Subscribed & Paid up Capital		
7330462.8 Ordinary Shares of Rs. 100 each	733,046,280	733,046,280
Total	733,046,280	733,046,280

Reserves

4.25

Particulars	Ashoj end, 2082	FY 2081/82
Statutory General reserve	163,415,985	158,951,564
Dividend Equilisation reserve	-	-
Exchange equilisation reserve	-	-
Corporate social responsibility reserve	3,125,115	2,901,894
Capital redemption reserve	-	-
Regulatory reserve	96,958,243	86,121,313
Capital reserve	-	-
Assets revaluation reserve	-	-
Fair value reserve	-	-
Client Protection Fund	46,388,283	46,329,799
Special reserve	-	-
Other reserve	76,444,165	76,444,165
Total	386,331,791	370,748,735

4.25.1: Movement in Statutory General Reserve

Particulars	Amount
Opening Balance of 1st Shrawan 2082	158,951,564
Amount Transferred during this period:	
Add: 20% of Net profit	4,464,421
Closing Balance as on Ashoj End 2082	163,415,985

4.25.2: Movement in Corporate Social Responsibility Reserve

Particulars	Amount
Opening Balance of 1st Shrawan 2082	2,901,894
Add: 1% of Net profit	223,221
Less: CSR Expense for the F/Y 2080/81	-
Closing Balance as on Ashoj End 2082	3,125,115

4.25.3: Movement in Client Protection Fund

Particulars	Amount
Opening Balance of 1st Shrawan 2082	46,329,799
Addition to the Fund this F/Y	
a. Interest Income to the Fund	347,653
a. Other Contribution to the Fund/ acquisition	
b. 1% of Net profit	334,832
c. 25% of dividend in excess of 20%	
Less: Expenses from Fund this Year	(624,000)
Center Chief Meeting expenses	-
Financial Literacy	-
Skill Development Training Programmes	-
Assistance to Member's guardian on the death of the member	(35,000)
Assistance to Member during Pregnancy	(242,000)
Assistance to Member on the death of the husband	(105,000)
Assistance to Member during Natural Disaster	(130,000)
Assistance to Member for Operation of Uterus	(60,000)
Assistance to Member for hospital admission	(42,000)
Assistance to Member for marriage of daughter	-
Scholarship expenses of Member's son/daughter	(10,000)
Closing Balance as on Ashoj End 2082	46,388,283

4.25.4: Movement in Regulatory Reserve

Particulars	Amount
Opening Balance of 1st Shrawan 2082	86,121,313
Add: Transfer to Reserve on account of :	
a. Interest Receivable on Loans & Advances	10,836,930
b. Reversal from change in Fair Value on equity instrument	
c. Deferred Tax Assets	
d. Actuarial gain/loss recognised (-)/reversal (+)	
e. Other adjustments	-
Closing Balance as on Ashoj End 2082	96,958,243

4.25.4: Movement in Other Reserve

Particulars	Opening	Adjustments	Closing
Restructure Reserve	61,919,259		61,919,259
Actuarial Reserve	1,055,871		1,055,871
Merger and Acquisition Reserve	12,168,000		12,168,000
Staff Training Fund	1,249,730		
Add: 3% of Staff Salary and Allowances	-		
Less: Expenses from the Staff Training Fund	-		1,249,730
Investment Adjustment Reserve	10,000		10,000
Staff Welfare Fund	41,304		41,304
Total	76,444,165	-	76,444,165

Contingent liabilities and commitments
4.26

Particulars	Ashoj end, 2082	FY 2081/82
Contingent liabilities	-	-
Undrawn and undisbursed facilities	-	-
Capital commitment	-	-
Lease Commitment	-	-
Litigation	-	-
Total	-	-

The Microfinance does not have any contingent liabilities and commitments as on date.

4.26.1: Capital commitments

Particulars	Ashoj end, 2082	FY 2081/82
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	-	-

4.26.2: Lease commitments

Particulars	Ashoj end, 2082	FY 2081/82
Operating lease commitments	-	-
Future minimum lease payments under non cancellable operating lease, where the Institution is lessee	-	-
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Sub total	-	-
Finance lease commitments	-	-
Future minimum lease payments under non cancellable operating lease, where the Laghubitta 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	-	-

Asha Laghubitta Bittiya Sanstha Limited
Notes to Financial Statements
For the period ended Ashoj end, 2082

4.27

Interest Income

Particulars	Ashoj end, 2082	FY 2081/82
Cash and cash equivalent	-	-
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	-	-
Loans and advances to customers	345,133,938	1,470,091,800
Investment securities	-	-
Loan and advances to staff	29,886	239,553
Other - Interest income on Bank deposits	387,256	3,098,805
Total interest income	345,551,080	1,473,430,158

Loan and advances to staff includes interest income from fair value of staff loan.

4.28

Interest Expenses

Particulars	Ashoj end, 2082	FY 2081/82
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposits from customers	66,167,769	242,631,433
Borrowing	105,580,777	491,954,057
Debt securities issued	-	-
Subordinated liabilities	-	-
Others	-	-
Total Interest expense	171,748,545	734,585,490

4.29

Fees and Commission Income

Particulars	Ashoj end, 2082	FY 2081/82
Loan administration fees	-	-
Service fees	22,401,158	106,902,430
Commitment fees	-	-
Card Issuance fees	-	-
Prepayment and swap fees	-	-
Remittance fees	-	-
Brokerage fees	-	-
Other fees and commision income	1,393,571	8,487,770
Total Fees and Commission Income	23,794,729	115,390,200

4.29.1 Other fees and Commision income

Particulars	Ashoj end, 2082	FY 2081/82
Remittance Commission	-	3,455
Insurance Commission	1,393,571	8,484,315
Total	1,393,571	8,487,770

4.30

Fees and Commission Expense

Particulars	Ashoj end, 2082	FY 2081/82
Brokerage	-	-
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission Fees	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other fees and commission expense	114,380	2,148,524
Total Fees and Commission Expense	114,380	2,148,524

Other fees and commission expense includes the service charge, CIC charges paid to BFIs at the time of Borrowing.

Net Trading income 4.31

Particulars	Ashoj end, 2082	FY 2081/82
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 4.32

Particulars	Ashoj end, 2082	FY 2081/82
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	-	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	-	-
Gain/loss on sale of property and equipment	-	-
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Other-Fine on Loan	6,046,405	39,949,972
Total	6,046,405	39,949,972

Other-Fine on Loan includes :

- The amount received from members on account of delayed payment of Loans;
- Premature termination of Pension Saving

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

Particulars	Ashoj end, 2082	FY 2081/82
Impairment charge/(reversal) on loan and advances to BFIs	-	-
Impairment charge/(reversal) on loan and advances to customers	56,644,354	100,268,400
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	56,644,354	100,268,400

Personnel Expenses 4.34

Particulars	Ashoj end, 2082	FY 2081/82
Salary	28,704,142	121,723,350
Allowances	26,315,298	106,479,849
Gratuity Expense	1,702,544	6,562,760
Provident Fund/SSF expenses	4,035,193	17,752,571
Uniform	1,501,250	5,125,000
Training & development expense	4,509,365	4,933,452
Leave encashment	4,415,083	32,625,903
Medical	2,847,416	8,843,544
Insurance	793,416	3,450,478
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	-	-
Other expenses related to staff	3,878,950	15,835,779
Subtotal	78,702,658	323,332,686
Employees Bonus	3,543,191	33,218,728
Grand total	82,245,849	356,551,414

Other Operating Expense	4.35	
Particulars	Ashoj end, 2082	FY 2081/82
Directors' fee	368,000	1,185,000
Board Meeting expense	74,860	211,482
Auditors' remuneration	197,750	-
Other audit related expense	-	-
Professional and legal expense	70,588	778,230
Office administration expense	16,832,815	68,290,548
Finance Lease expenses (Finance Cost and Depreciation)	6,168,724	24,970,868
Software expenses	406,351	1,569,472
Operating expense of investment properties	-	-
Corporate social responsibility expense	-	-
Client Protection Expenses	-	-
Onerous lease provisions	-	-
Others	7,251,738	30,366,582
Total	31,370,825	127,372,183

As per NFRS 16 Leases, all leases except for short term leases and leases for which the underlying asset is of low value are treated as Finance Lease. Hence, the finance lease expenses includes finance cost as per NFRS 16 and the depreciation amount of ROU Assets.

4.35.1 Office administration expense

Particulars	Ashoj end, 2082	FY 2081/82
Water & Electricity	654,404	2,229,243
Repair & Maintenance	-	-
(a) Building	-	-
(b) Vehicles	1,135,493	4,483,484
(c) Computer and Accessories	236,950	1,029,368
(d) Office Equipment & Furniture	52,345	145,803
(e) Others	14,215	104,846
Insurance (Others)	89,513	382,427
Postage, Telex, Telephone & Fax	584,232	2,346,179
Printing & Stationery	844,026	4,387,862
Newspaper, Books and Journals	-	-
Advertisement	33,787	388,269
SMS Banking Installation Cost	-	49,900
Security Expense	-	-
Deposit and Loan Guarantee Premium	10,866,101	41,580,386
Travel Allowance & Expense	1,059,089	6,784,403
Entertainment	232,805	926,495
Annual/Special General Meeting Expense	203,805	407,610
Other Meeting Expenses	46,500	154,000
Internet Expenses	383,550	1,907,174
Registration and Renewal	396,000	983,100
Other Expenses	-	-
Total	16,832,815	68,290,548

4.35.2 Others Expenses:

Particulars	Ashoj end, 2082	FY 2081/82
Share Issue expenses	317,482	846,618
RTS Expenses	27,501	103,336
Fuel Expenses	3,712,260	15,033,251
Lunch expenses	2,725,580	10,493,760
Bank Charges	23,725	89,659
Transportation Expenses	-	169,065
BOD Orientation Expenses	-	131,300
Consultancy Expenses	-	203,400
Miscellaneous Expenses	445,191	3,296,194
Total	7,251,738	30,366,582

Depreciation and Amortization

4.36

Particulars	Ashoj end, 2082	FY 2081/82
Depreciation on property and equipment	1,469,809	6,000,712
Depreciation on investment property	-	-
Amortization of intangible assets	30,681	150,859
Total	1,500,490	6,151,570

Non Operating Income

4.37

Particulars	Ashoj end, 2082	FY 2081/82
Recovery of loan written off	-	-
Other non operationg income	120,950	712,216
Total	120,950	712,216

4.37.1 Other Income

Particulars	Ashoj end, 2082	FY 2081/82
Grant income	-	-
Other Income	120,950	712,216
Total	120,950	712,216

Non Operating Expenses

4.38

Particulars	Ashoj end, 2082	FY 2081/82
Loan written off	-	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other Non Operating Expenses	-	3,436,418
Total	-	3,436,418

Income Tax Expenses

4.39

Particulars	Ashoj end, 2082	FY 2081/82
Current tax expense		-
Current year	9,566,616	89,690,564
Adjustments for prior years	-	-
Deferred tax expense		-
Origination and reversal of temporary differences	-	-
Changes in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Total income tax expense	9,566,616	89,690,564

Asha Laghubitta Bittiya Sanstha Limited
Significant Accounting Policies and Notes to Account forming part of Financial Statements
For the Quarter ended Ashoj, 2082

1. Reporting Entity

Asha Laghubitta Bittiya Sanstha Limited ('the Microfinance') is a public limited company established under the Bank & Financial Institution Act, 2073. It is a D class financial institution and obtained license to carry out financial transaction from Nepal Rastra Bank on 23rd Shrawan 2073 and officially started its operation on 15th Bhadra 2073. The Microfinance acquired former Rastra Utthan Laghubitta Bittiya Sanstha Ltd.(RULB) and started the joint operation from 31st Ashad 2080. The Microfinance has its registered office located at Banepa-13, Sanga, Kavrepalanchowk District, Nepal. The Microfinance is a limited liability company having its shares listed on Nepal Stock Exchange with trading code "ALBSL" after issuing its shares to the general public on Fiscal Year 2075/76. Out of total shares of the company, 67.42% is held by Promoter shareholders and remaining 32.58% is being held by Public Shareholders as at Ashoj 32, 2082.

Having approval to operate at National Level, by the end of Ashoj 2082 the microfinance is operating in 45 Districts with its 132 branches (16 districts and 101 branches added after acquisition of former RULB).

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

2. Basis of Preparation

2.1 Going Concern

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

2.2 Statement of Compliance

The financial statements of the Microfinance have been prepared in accordance with Nepal Financial Reporting Standard (NFRS) issued by Accounting Standard Board (ASB) of Institute of Chartered Accountants of Nepal. The financial statements are based on the formats mandated by the Directive No. 4 of The Unified Directives, 2081 as made applicable by the Nepal Rastra Bank.

2.3 Reporting Period and Approval of Financial Statements

Reporting Period: As on Ashoj end, 2082

2.4 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is the currency of the primary economic environment in which the Microfinance operates. The financial information presented has been rounded off to nearest rupee except where otherwise stated.

2.5 Use of Estimates, Assumptions and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Continuous evaluation is done on the estimation and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognized prospectively in current and future periods.

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

2.6 Changes in Accounting Policies

The accounting policies are applied consistently to all the periods except where deviations have been explicitly mandated by the applicable accounting standards presented in the financial statements.

2.7 Discounting

The non-current assets and liabilities are discounted whenever the discounting is material and if required by the NFRS.

3. Significant Accounting Policies

3.1 Basis of Measurement

The Financial Statements of Microfinance have been prepared on the historical cost basis, except for the following material items:

Items			Basis of Measurement
Employees Obligation	Defined Benefit		Present Value of defined benefits obligation less the fair value of the plan assets.

3.2 Cash & Cash Equivalent

The cash and cash equivalents for the purpose of cashflow statement include cash in hand, balances with banks and financial institutions, money at call and short notice and highly liquid financial assets with original maturity of three months or less from the acquisition date that are subject to and insignificant risk of changes in their fair values and are used by the microfinance in the management of its short-term commitments.

Cash and Cash equivalents includes cash in hands, deposits with BFIs and other short-term investments with original maturities of three months or less. Details of Cash and Cash Equivalents are presented under Note 4.1.

Balances with BFIs includes fixed deposit of Client Protection Fund maintained on following banks:

Everest Bank Limited : Rs. 47,000,000 Interest : 3.25% p.a.

3.3 Financial Assets and Financial Liabilities

3.4.1. Recognition

The Microfinance recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities which are carried at fair value through profit or loss (FVTPL), are charged to the statement of profit and loss.

3.4.2. Classification and Measurement

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

3.4.2.1. Financial assets

Financial assets are classified under three categories as required by NFRS 9, namely:

a. Measured at amortized cost:

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

b. Measured at fair value through OCI:

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI). Equity Instrument which are not held for trading and initially recognized as held for trading for which the Microfinance makes an irrevocable election to carry the changes in fair value of the instrument through OCI are measured at Fair Value through other Comprehensive Income.

c. Measured at fair value through profit or loss:

The Microfinance classifies the financial assets as fair value through profit or loss if they are held for trading or designated at fair value through profit or loss. Any other financial asset not classified as either amortized cost or FVOCI, is classified as FVTPL.

3.4.2.2. Financial Liabilities

Financial liabilities are classified under three categories as required by NFRS 9, namely:

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 at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value are recognized at profit or loss.

b. Financial liabilities measured at amortized cost:

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

3.4.3. De-recognition

The Microfinance derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows from the asset.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

3.4.4. Determination of Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Microfinance follows three levels of the fair-value-hierarchy are described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets;

Level 2: Significant inputs to the fair value measurement are directly or indirectly observable or valuations of quoted for similar instrument in active markets or quoted prices for identical or similar instrument in inactive markets; and

Level 3: Significant inputs to the fair value measurement are unobservable.

Investment in Unquoted Equity Instrument are carried at cost as the market price of such shares could not be ascertained with certainty at the reporting date.

3.4.5. Impairment

The Microfinance reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. The Management's judgement is extensively used in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the provisions made.

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about the number of factors including a borrower's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits to estimate the recoverable amount of cash flows.

A collective impairment provision is established for:

- groups of homogeneous loans and advances and investment securities which are held-to-maturity, that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

The collective impairment is carried using the statistical modelling such as historical trends of probability of defaults, timings of recoveries, and current economic and market conditions which may warrant for the loss being greater than the suggested by the historical trends.

For the purpose of collective assessment of impairment Microfinance has categorized assets into following broad products as follows:

- General Loan
- Seasonal Loan
- Micro Entrepreneur Loan
- Asha Entrepreneur Loan
- Personal Loan
- Other Loan

Carveout adopted for assessment of impairment charge

The Microfinance has opted to apply carveout on impairment of loans and receivables. Accordingly, individual and collective impairment loss amount calculated as per NFRS is compared with the impairment provision required under NRB directive no. 2, higher of the amount derived from these measures is taken as impairment loss for loans and receivables.

3.5 Trading Assets

Financial assets are classified as trading assets (held for trading) if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short- term profit taking. They are recognized on trade date, when the Microfinance enters into contractual arrangements with counterparties, and are normally derecognized when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognized in profit or loss in 'Net trading income'.

However, the Microfinance does not have such assets to be recognized as trading assets as on Ashoj end 2082.

3.6 Derivative Assets and Derivative Liabilities

Derivative instruments include transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. However, the Microfinance does not have such instruments as on Ashoj end 2082.

3.7 Property, Plant and Equipment

Recognition and measurement: Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

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

Type of Asset	Depreciation Rate
Buildings	5%
Computers & Accessories	25%
Vehicles	20%
Furniture & Fixtures	25%
Equipment & Others	25%
Leasehold Assets	Rate set, on the basis of lease term
Intangible Assets	Rate set, dividing the cost of the property by adjusting in the nearest half year of the fiscal year

The Microfinance adopts cost model for entire class of Property, Plant and Equipment. It has not measured any Property Plant and Equipment at revaluation model and at fair value. The items of Property, Plant and Equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of newly acquired assets is charged based upon the date of invoice and assets having acquisition cost less than NPR. 2,000 have been written down as an expense for the period in the Statement of Profit and Loss.

3.8 Goodwill/ Intangible Assets

3.8.1 Gain on Bargain Purchase on Acquisition of other microfinance institutions

NFRS 3 Business Combination applies to the acquisition of the business. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognized as goodwill. Conversely, if the consideration is less than the net assets of the acquired business, the amount is recognized as a gain from the bargain purchase. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

The Microfinance has acquired former Rastra Utthan Laghubitta Bittiya Sanstha Ltd. (RULB) and commenced joint operation from 31st Ashadh 2080. The considerations are issued in the form of equity instruments – 26,00,000 ordinary equity shares in the swap ratio 1:1.

The Microfinance has recognized business combination transaction as per the Merger and Acquisition Bylaws, 2073 issued by Nepal Rastra Bank and as per explanatory notes issued by Institute of Chartered Accountants of Nepal (ICAN). Accordingly, as per the carve out issued by the Accounting Standards Board on July 2022, the shares of the microfinance were valued at the valuation per share provided by the Due Diligence Audit Report and approved by the Special General Meeting.

Goodwill amounting to Rs. 12,168,000 has been recognized as follows on such acquisition of business with corresponding credit to other reserve (Merger and Acquisition Reserve).

Particulars	Amount (Rs.)
Consideration transferred by ALBSL	450,164,000
Less: Business Value of RULB	437,996,000
Goodwill	12,168,000

The DDA valuation referred above doesn't consider NFRS Adjustments made at the year end of previous year and as a result of which the value of goodwill calculated as above might differ. However, we have considered the valuation of goodwill based on DDA Report made available with us.

3.8.2 Intangible Assets

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. These intangible assets are recognized at historical cost less impairment / amortization over their estimated useful life.

3.9 Investment Property

Investment properties are land or building or both other than those classified as property and equipment under NAS 16 – “Property, Plant and Equipment”; and assets classified as non-current assets held for sale under NFRS 5 – “Non-Current Assets Held for Sale and Discontinued Operations”. Land and Building acquired as non-banking assets are recognized as investment property.

Investment properties are initially measured at cost, including transaction costs. Subsequently all investment properties are reported at fair value with any gains or losses in fair value reported in the statement of profit and loss as they arise. No depreciation is charged in investment property as they are not intended for the owner-occupied use. NBA amounting to NPR 1,335,759 has been booked as investment property (acquired after acquisition of RULB), includes land, acquired from Mr. Arbind Jha (ex staff) in 2071.08.17. Respective amount has been transferred from Retained Earnings to regulatory reserve as per unified directive.

3.10 Income Tax

Tax expenses comprises of current tax and deferred tax.

3.10.1. Current Tax

Current tax is the income tax expense recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or OCI in which case it is recognized in equity or in other comprehensive income. Current tax is the amounts expected 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.

3.10.2 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the group has a legal right to offset.

3.11 Deposit, debt securities issued and subordinated liabilities

3.11.1. Deposits:

Deposits by members are initially recognized at fair value, plus for those financial liabilities not at fair value through profit and loss. The transaction price is considered as the fair value for measuring the deposits.

3.11.2 Debt Securities Issued

Debt Securities are initially measured at the fair value less incremental direct cost and subsequently at their amortized cost using effective interest method except where the microfinance designates liabilities at fair value through profit or loss.

However, the Microfinance does not have such Debt Securities as on Ashoj end 2082.

3.11.3 Subordinate Liabilities

These are the liabilities subordinated, at the event of winding up, to claims of depositors, debt securities issued and other creditors. It shall include redeemable preference shares, subordinated notes issued, borrowings etc. During the reporting period the Microfinance does not have any such liabilities.

3.12 Provisions, other Liabilities Contingent Liabilities

A provision is recognized, if as a result of a past event, the Microfinance 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, considering the risks and uncertainties surrounding the obligation at that date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and are reversed if there is no probability of outflow of resources.

The contingent liabilities are the liabilities for which it is uncertain as to whether it will become an obligation as it depends on the occurrence of an uncertain future event. These amounts are off-balance sheet items and are disclosed when there is a possible obligation that may but probably will not require an outflow of resources.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Microfinance from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Microfinance does not have such contingent liabilities and onerous contracts as on Ashoj end 2082.

3.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Microfinance and the consideration can be reliably measured. The following specific recognition criteria shall also be met for revenue recognition:

3.13.1 Interest Income

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate (EIR). 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. The calculation of effective interest rate includes all charges and fee paid or received that are integral part of the effective interest only if considered necessary. Such charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have derived under effective interest method and are recognized directly in statement of profit and loss.

The interest income recognized in the statement of profit and loss includes the following:

- Interest income on financial assets measured at amortized cost calculated on an effective interest rate method, except for impaired loans and advances. These financial assets include investment in government securities, investment in NRB Bond and deposit instruments, reverse repos, inter-bank lending, etc.
- As per carve out on NAS 39 Para 9, the Microfinance has not included the fees paid or received in loans and advances that are immaterial or impracticable to determine reliably the effective interest rate and have recognized them directly as revenue in the Statement of Profit or Loss.
- Interest on investment securities measured at fair value is calculated on effective interest rate.
- Income on discounted instruments like bills purchased, documents negotiation is recognized over the period of discounting on accrual basis using effective interest rate. • Interest income on all trading assets is considered to be incidental to the Group's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

The Microfinance has suspended the interest income where there is reasonable doubt about the collectability of the interest in case of Loans where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral.

3.13.2 Fee and Commission Income

Fees and commissions are generally recognized on an accrual basis when the service has been provided.

3.13.3 Dividend Income

Dividend income received from equity shares is recognized in the books when the right to receive the dividend is established.

3.13.4. Net Trading Income

Net Trading Income includes all gains and losses from changes in fair value, related capital gain/loss and dividend from financial assets 'Held for Trading'. Trading expenses are deducted from the trading income and the amount net of trading expenses are disclosed in statement of profit and loss.

3.13.5 Net Income from Other Financial Instrument at Fair Value Through Profit and Loss.

Net income from other financial instrument measured at fair value through Profit or Loss includes all gains/(losses) raised from the revaluation of financial instrument at fair value.

3.14 Interest Expenses

Interest expense on all financial liabilities including deposits is recognized in statement of profit or loss using effective interest rate method. The Microfinance uses ASB carve- outs and treat coupon rate as effective interest rate.

3.15 Employee Benefits

3.15.1 Short term employee benefits

The Microfinance's short-term employee benefits mainly include wages, salaries, allowances, socials security expenses, bonuses as provided in the law and other employee related expenses. Short term employee benefits are measured on an undiscounted basis and are charged to statement of profit and loss as and when the related service is provided.

3.15.2. Post-Employment employee benefits

3.15.2.1 Defined Contribution Plans

Post-Employment benefits plan under which the microfinance pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts are categorized under defined contribution plans. The contributions to defined contribution plans are recognized in profit or loss as and when the services are rendered by employees.

Employee Provident Fund

Employee provident fund is the defined contribution plan opt by the microfinance. Complying with The Labor Act, 2074, the microfinance contributes 10% of the Basic salary and Grade Amount of all the employees to the Approved Retirement Fund, established by the microfinance. The Microfinance has no further obligations under these plans beyond its periodic contributions.

3.15.2.2. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Microfinance's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is

discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on corporate bonds, that have maturity dates approximating the terms of the Microfinance's obligation and that are denominated in the currency in which the benefit is expected to be paid. The defined benefit obligation is recognized on the basis of the report of qualified actuary using the projected unit credit method. The Microfinance recognizes all actuarial gains and losses arising from defined benefit plans immediately in OCI and all expenses related to defined benefits plans in employee benefit are expensed in profit and loss account. When the calculation results in a potential asset for the group, the recognized assets are limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits consideration is given to any applicable minimum funding requirements.

Measurements of the net defined benefit liability comprise actuarial gains and losses. The return on plan assets (excluding interest income) and the effect of the assets ceiling (if any excluding interest) are recognized immediately in OCI. The Microfinance determines the net interest expense (income) on the net defined liability (assets) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefits liability (assets), considering any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefits payments. Net interest expenses and other expenses related to defined benefit plans are recognized as personal expenses in Statement of profit and Loss.

Gratuity

As per Labor Act, 2074 which came into force after 19th of Bhadra, 2074 requires to provide minimum of 8.33% of Basic Salary plus Grade as gratuity every month which is in nature of Define contribution plan. However, gratuity benefits have been provisioned as per the Employees byelaw of the microfinance as below:

- a. To the employee serving more than 5 years to 10 years, half month's last drawn salary for each year of service
- b. To the employee serving more than 10 years to 15 years, one month's last drawn salary for each year of service
- c. To the employee serving more than 15 years to 20 years, one and half month's last drawn salary for each year of service
- d. To the employee serving more than 20 years, two month's last drawn salary for each year of service

Provision for Gratuity is made by the microfinance as per actuarial valuation done by certified actuary.

Leave Benefits:

The microfinance provides accumulated leave benefits under its Employees Byelaw. The Home leave is accumulated up to 90 days and there is no limit for the accumulation of sick leave. Accumulated leave benefits are treated as long term benefit liability. Accumulated leave obligations are estimated on the basis of last drawn salary of the employee and provision for the same is made as per the actuarial valuation done by certified actuary.

3.16 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.

3.16.1 Financial 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. As a lessor under finance leases, the Microfinance presents the amounts due under the leases, after deduction of unearned charges, in 'Loans and advances to BFIs' or 'Loans and advances to customers. As a lessee under finance leases, the Microfinance presents the leased assets in 'Property, plant and equipment's

and the corresponding liability to the lessor 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. However, Microfinance does not have any financial lease transaction as on Ashoj end 2082.

3.16.2. Operating Lease

Lease payments under an operating lease has been recognized as an expense on straight line basis over the lease term. Majority of the lease agreement entered into by the microfinance are within the clause of normal increment which the management assumes are in line with the expected inflationary cost. The microfinance operated its branches in number of lease facilities under operating lease agreement. The payments to the lessor are structured to increase in line with the general inflation rate to compensate for the lessors expected inflationary cost increment.

3.17 Share Capital and Reserves

3.17.1. Share Capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction net of taxes from the proceeds. Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared.

3.17.2. Reserves

The reserve includes regulatory and free reserves.

a) Statutory General Reserves

20% of the net profit as stated in Bank and financial Institution Act, 2073 and 50% of additional amount of Cash Dividend and Bonus Shares if declared and distributed in excess of 15% as provisioned in Circular GHA/05/079/80 of NRB Dated 2079/11/10 shall be set aside to the general reserve.

b) Exchange Equalization Reserve

This is statutory reserve created in compliance with BAFIA. 25% of the revaluation on the foreign currency computed as per regulatory books is set aside to Exchange Equalization Reserve.

c) Assets Revaluation Reserve

This is a non-statutory reserve and is the requirement in the application of accounting policy for non-financial assets such as property, equipment, investment property and intangible assets that are measured following revaluation model. Revaluation reserve often serve as a cushion against unexpected loss but may not be fully available to absorb unexpected losses due to the subsequent deterioration in the market values and tax consequences of revaluation. The microfinance hasn't followed revaluation model.

d) Capital reserve

This is a non-statutory reserve and represents the amount of all the capital nature reserves such as the amounts arising from share forfeiture, capital grants and capital reserve arising out of business combinations. Funds in this reserve are not available for distribution of cash dividend but can be capitalized by issuing bonus shares upon obtaining prior approval from the central bank.

e) Corporate Social Responsibility Fund

1% of net profit is set aside in the fund as per the NRB Directives for the purpose of corporate social responsibility.

f) Regulatory Reserve

The amount that is allocated from profit or retained earnings of the microfinance to this reserve as per the directives of NRB for the purpose of implementation of NFRS and which shall not be regarded as free for distribution of dividend shall be presented under this reserve. The regulatory reserve of the microfinance includes the reserve net of tax and employee bonus created relating to accrued interest receivable as on Ashad end 2082 not recovered, Reserve on deferred tax assets, non-banking assets, reduction in fair value of investment in equity below cost price, actuarial loss etc.

g) Actuarial Gain/Loss Reserve

The amount that is allocated from profit or retained earnings of the microfinance both positive or negative to this reserve as per the directives of NRB for the purpose of implementation of NFRS and which shall not be regarded as free reserve for distribution of dividend are recorded in this reserve. The reserve includes actuarial gain/(loss) net of tax on defined benefit plan.

h) Client protection fund

Client protection fund is created at 1.5% of net profit. In addition to this, 35% of additional amount of Cash Dividend and Bonus Shares if declared and distributed in excess of 15% shall be allocated to this fund as per NRB Directives.

As per the directives 4(1)(Ja)(aa) of NRB issued for microfinance, the microfinance shall earmark and invest separately the portion of residual amount of the fund. In compliance with this provision, the microfinance has invested major portion of the fund in Fixed Deposit in commercial bank and residual amount has been kept in bank account for future expenditure purpose.

i) Other reserves

Any other reserve created with specific or non-specific purpose are presented under this by disclosing account heads.

j) Proposed bonus distribution

The board of the microfinance has recommended not to distribute dividend .

3.18 Earnings per Share (EPS) including diluted EPS

Microfinance 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 the Microfinance 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.

3.19 Investment in Associates

For the purpose of consolidation, NAS 28 - Investments in Associates is applied. Associates are entities in which the Microfinance has significant influence, but not control, over the operating and financial policies.

The microfinance's investments in associates are initially recorded at cost and increased (or decreased) each year by the entity's share of the post- acquisition profit/(loss). The entity ceases to recognize its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses.

The Microfinance doesn't have any investment in associates