

Asha Laghubitta Bittiya Sanstha Ltd.

Unaudited Interim Financial Statements of FY 2082/83

Condensed Statement of Financial Position

As on Chaitra end, 2082

Amount in NPR

Assets	This Quarter Ending	Immediate Previous Year ending
Cash and Cash Equivalent	455,115,586	492,062,545
Statutory Balances and Due from Nepal Rastra Bank	100,680,519	47,935,802
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to MFIs & Co-operatives	-	-
Loans and Advances to Customers	11,367,704,774	10,150,471,518
Investment Securities	710,000	710,000
Current Tax Assets	381,839	25,987,387
Investment Property	1,335,759	1,335,759
Property and Equipment	32,551,512	20,318,982
Goodwill and Intangible Assets	12,343,350	12,471,429
Deferred Tax Assets	22,952,197	16,700,734
Other Assets	46,609,385	54,681,344
Total Assets	12,040,384,921	10,822,675,500
Liabilities		
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Derivative Financial Instrument	-	-
Deposits from Customers	3,660,511,762	3,112,046,115
Borrowings	6,840,013,922	6,379,388,252
Current Tax Liabilities	-	-
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	224,078,119	206,924,555
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	10,724,603,803	9,698,358,922
Equity		
Share Capital	802,685,677	733,046,280
Share Premium	-	-
Retained Earnings	149,055,589	48,543,484
Reserves	364,039,852	342,726,814
Total Equity	1,315,781,118	1,124,316,578
Total Liabilities and Equity	12,040,384,921	10,822,675,500

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

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
Interest Income	392,818,959	1,110,273,226	339,332,145	1,065,039,474
Interest Expense	158,077,023	488,072,400	171,356,410	556,951,028
Net Interest Income	234,741,936	622,200,826	167,975,735	508,088,446
Fee and Commission Income	39,030,853	103,791,263	32,319,987	82,820,714
Fee and Commission Expense	30,255	784,550	613,983	1,690,650
Net Fee and Commission Income	39,000,598	103,006,713	31,706,004	81,130,064
Net Interest, Fees and Commission Income	273,742,534	725,207,539	199,681,739	589,218,510
Net Trading Income			-	-
Other Operating Income	8,890,057	31,808,427	8,033,867	26,989,117
Total Operating Income	282,632,591	757,015,966	207,715,606	616,207,627
Impairment Charge/(reversal) for Loans and Other Losses	82,387,908	161,637,812	23,617,702	154,454,791
Net operating income	200,244,683	595,378,154	184,097,904	461,752,836
Operating Expense			-	-
Personnel Expenses	96,454,095	250,096,700	88,376,132	266,383,844
Other Operating Expenses	33,165,197	92,493,812	31,211,404	94,221,782
Depreciation & Amortization	1,661,264	4,656,493	1,497,851	4,498,006
Operating Profit	68,964,127	248,131,149	63,012,517	96,649,204
Non-Operating Income	3,448,011	3,672,546	261,569	478,338
Non-Operating Expense	-	-	3,332,002	3,436,418
Profit before Income Tax	72,412,138	251,803,695	59,942,084	93,691,124
Income Tax Expense			-	-
Current Tax	21,723,641	75,541,109	17,982,625	28,107,337
Deferred Tax	-	-	-	-
Profit/(Loss) for the Period	50,688,497	176,262,587	41,959,459	65,583,787

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	50,688,497	176,262,587	41,959,459	65,583,787
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	50,688,497	176,262,587	41,959,459	65,583,787
Earnings per share				
Annualized Basic Earnings Per Share		29.28		11.93
Diluted earnings per share		29.28		11.93

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		10.15%		9.52%
Total Loan Loss Provision to Total NPL		54%		69.98%
NPL		9.88%		4.97%
Cost of Funds		6.52%		6.97%
Credit to Deposit and Borrowing Ratio		113%		109.59%
Base Rate		10.87%		12.27%
Interest Rate Spread		8.28%		8.01%

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

Particulars	Chaitra end, 2082	Chaitra end, 2081
Net profit or (loss) as per statement of profit or loss	176,262,587	65,583,787
Appropriations:		
a. General reserve	35,252,517	13,116,757
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	1,762,626	655,838
e. Employees' training fund	-	-
f. Client Protection Fund	3,525,252	655,838
g. Other	-	-
Profit or (loss) before regulatory adjustment	135,722,192	51,155,354
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	4,459,218	(10,254,759)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	-	-
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial gain/loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Net profit for the period available for distribution	140,181,410	40,900,595
Opening Retained Earnings as on Shrawan 1, 2082	82,178,806	100,581,470
Adjustments (+/-)	-	3,303,818
Distribution: (-)	-	-
Bonus shares issued	(69,639,397)	(91,430,280)
Cash dividend paid	(3,665,231)	(4,812,120)
Total Distributable Profit/Loss as on Chaitra end 2082	149,055,589	48,543,484
Distributable Profit/Loss per share	18.57	6.62

Note:

- Figures presented above may vary with the audited figures if instructed by the banking regulations and statutory auditor.
- The detailed interim financial report has been published on the official website (<https://ashamicrofinance.com.np/>)
- 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.
- Personnel Expenses include the provision for Employees Bonus.
- Loans and Advances are presented net of impairment charges and includes interest accruals and staff loans.
- Figures are regrouped/rearranged/restated wherever necessary for consistent presentation and comparison.
- 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 Chaitra end, 2082

Particulars	Chaitra end, 2082	FY 2081/82
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	1,114,732,444	1,462,053,045
Fee and Other Income Received	103,791,263	97,551,192
Dividend Received	-	-
Receipts from Other Operating Activities	31,808,427	40,662,188
Interest Paid	(488,072,400)	(733,911,330)
Commissions and Fees Paid	(784,550)	(2,148,524)
Cash Payment to Employees	(250,096,700)	(324,157,344)
Other Expenses Paid	(92,493,812)	(135,533,650)
Operating Cash Flows before Changes in Operating Assets and Liabilities	418,884,672	404,515,577
(Increase) Decrease in Operating Assets		
Statutory Balances/Due from Nepal Rastra Bank	(50,750,000)	(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	(1,237,618,690)	(982,258,478)
Other Assets	44,244,648	83,950,956
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financials Institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposit from Customers	449,341,949	407,598,133
Borrowings	386,590,328	58,564,232
Other Liabilities	15,801,107	(138,311,916)
Net Cash Flow from Operating Activities before Tax Paid	26,494,014	(169,086,213)
Income Tax Paid	(55,463,463)	(78,108,905)
Net Cash Flow from Operating Activities	(28,969,449)	(247,195,117)
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	(13,788,696)	(6,234,757)
(Purchase)/Receipts from sale of Intangible Assets	0	-
(Purchase)/Receipts from sale of Investment Properties	-	-
Interest Received	-	-
Dividend Received	-	-
Net Cash Used in Investing Activities	(13,788,696)	(6,934,757)
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	(3,665,231)	(4,812,120)
Interest Paid	-	-
Other Receipts/Payments	(1,390,071)	60,919,554
Net Cash from Financing Activities	(5,055,302)	56,107,434
Net Increase (Decrease) in Cash and Cash Equivalents	(47,813,447)	(198,022,439)
Cash and Cash Equivalents at Shrawan 01, 2082	502,929,033	700,951,471
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-
Cash and Cash Equivalents at Chaitra end, 2082	455,115,586	502,929,033

Asha Laghubitta Bittiya Sanstha Limited
Statement of Other Comprehensive Income
For the period ended Chaitra end, 2082

Particulars	Notes	Chaitra end, 2082	FY 2081/82
Profit for the year		176,262,587	102,634,516
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			
Gains/(losses) on revaluation			
Actuarial gains/(losses) on defined benefit plans			(13,340,141.00)
Income tax relating to above items			4,002,042.00
Net other comprehensive income that will not be reclassified to profit or loss		-	(9,338,099)
b) Items that are or may be reclassified to profit or loss			
Gains/(losses) on cash flow hedge		-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)		-	-
Income tax relating to above items		-	-
Reclassify to profit or loss		-	-
Net other comprehensive income that are or may be reclassified to profit or loss		-	-
Other Comprehensive Income for the year, Net of Income Tax		-	(9,338,099)
Total Comprehensive Income for the Year		176,262,587	93,296,417

Asha Laghubitta Bittiya Sanstha Limited
Statement of Distributable Profit or Loss
As on Chaitra end, 2082

Particulars	Chaitra end, 2082	FY 2081/82
Net profit or (loss) as per statement of profit or loss	176,262,586.50	102,634,516
Appropriations:	-	-
a. General reserve	35,252,517	20,526,903
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	1,762,626	1,026,345
e. Employees' training fund	-	4,933,452
f. Client Protection Fund	3,525,252	1,539,518
g. Staff welfare Fund	-	1,492,166
Profit or (loss) before regulatory adjustment	135,722,192	73,116,132
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	4,459,218	(15,655,303)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	(700,000)
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	-	-
e. Deferred tax assets recognised (-)/ reversal (+)	-	(6,251,463)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Acturial gain/loss recognised (-)/reversal (+)	-	(9,338,099)
i. Restructure Reserve	-	36,678,469
j.NFRS adjustments	-	(5,535,939)
Net profit for Chaitra end 2082 available for distribution	140,181,409	72,313,797
Opening Retained Earnings as on Shrawan 1, 2082	82,178,806	100,581,470
Adjustments (+/-)	-	5,525,939
Distribution: (-)		
Dividend paid	(73,304,628)	(96,242,400)
Total Distributable profit/loss as on Chaitra end 2082	149,055,587	82,178,806
Total Distributable Profit/Loss per share	18.57	11.21

Asha Laghubitta Bittiya Sanstha Limited
Statement of Changes in Equity
As on Chaitra 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 Shrawan 1, 2082	733,046,280	137,622,871	118,961,959	1,835,460	45,776,535	82,178,807	28,824,467	1,148,246,379
Adjustment/Restatement								
Adjustment/Restated Balance as at Shrawan 01, 2082	733,046,280	137,622,871	118,961,959	1,835,460	45,776,535	82,178,807	28,824,467	1,148,246,379
Comprehensive Income for the year								
Profit for the year						176,262,587		176,262,587
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		35,252,517				(35,252,517)		-
Corporate Social Responsibility Reserve				1,762,626		(1,762,626)		-
Client Protection Reserve					3,525,252	(3,525,252)		-
Others Reserve-Deferred Tax Liabilities								
Transfer from Reserves during the year								
Contribution to the Fund					1,040,840			1,040,840
Expense from the Fund			(4,459,218)	(590,495)	(5,512,963)	4,459,218		(6,103,458)
Transactions with Owners, directly recognized in Equity								
Dividend to Equity-Holders	69,639,397					(73,304,628)		(3,665,231)
Total Contributions by and Distributions								
Balance at Chaitra end, 2082	802,685,677	172,875,388	114,502,742	3,007,591	44,829,664	149,055,589	28,824,467	1,315,781,116

Asha Laghubitta Bittiya Sanstha Limited
Notes to Financial Statements
As on Chaitra end, 2082

Cash and Cash Equivalent

4.1

Particulars	Chaitra end, 2082	FY 2081/82
Cash in Hand	9,052,670	8,730,854
Balances with BFIs	446,062,916	494,198,179
Money at Call and Short Notice	-	-
Other	-	-
Total	455,115,586	502,929,033

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	Chaitra end, 2082	FY 2081/82
Statutory Balances with NRB	2,519	2,519
Statutory Balances with BFIs	100,678,000	49,928,000
Securities purchased under Resale Agreement	-	-
Other Deposit and Receivable from NRB	-	-
Total	100,680,518.85	49,930,518.85

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	Chaitra 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	Chaitra 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	Chaitra 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	Chaitra 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	Chaitra end, 2082	FY 2081/82
Balance at Shrawan 01	-	-
Impairment Losss for the year:	-	-
Charge for the year	-	-
Recoveries/Reversal	-	-
Amount Written Off	-	-
Balance at Poush end	-	-

Loans and Advances to Customers

4.7

Particulars	Chaitra end, 2082	FY 2081/82
Loans and Advances measured at Amortized Cost	12,003,439,603	10,770,293,901
Less: Impairment Allowances		
Collective Impairment	(635,734,829)	(34,595,541)
Individual Impairment	-	(439,515,245)
Net Amount	11,367,704,774	10,296,183,114
Loans and Advances measured at FVTPL		
Total	11,367,704,774	10,296,183,114

4.7.1: Analysis of Loans and Advances - By Product

Particulars	Chaitra end, 2082	FY 2081/82
Product		
Term Loans		
Short Term, Term Loan	-	451,025,452
Long Term, Term Loan	11,889,645,553	10,199,543,606
Personal Residential Loans	-	-
Hire Purchase Loans	-	-
Staffs Loans	16,290,731	17,762,307
Loans & Advances to customers	-	-
Sub-Total	11,905,936,284	10,668,331,365
Interest Receivable	97,503,319	101,962,536
Grand Total	12,003,439,603	10,770,293,901

4.7.2: Analysis of Loans and Advances - By Collateral

Particulars	Chaitra end, 2082	FY 2081/82
<u>Secured</u>		
Immoveable Assets	2,346,360,603	2,295,013,894
Government Guarantee	-	-
Collateral of Fixed Deposit Receipt	-	-
Collatereal of Government Securities	-	-
Group Guarantee	9,543,284,950	8,355,555,164

Personal Guarantee	-	-
Other Collateral	-	-
Subtotal	11,889,645,553	10,650,569,058
<i>Unsecured</i>	16,290,731	17,762,307
Grand Total	11,905,936,284	10,668,331,365

4.7.3: Allowance for Impairment

Particulars	Chaitra end, 2082	FY 2081/82
Specific Allowance for Impairment		
Balance at Shrawan 01	439,515,245	-
Impairment Loss for the year	-	-
Charge for the year	-	439,515,245
Recoveries/Reversals during the year	-	-
Write-Offs	-	-
Other Movement	-	-
Balance at Ashad end 2082	-	439,515,245
Collective Allowances for Impairment	-	-
Balance at Sharawan 01	34,595,541	207,362,396
Impairment Loss for the year	-	-
Charge/(Reversal) for the year	163,172,792	(172,766,854)
Other Movement	-	-
Balance at Poush end 2082	635,734,829	34,595,541
Total Allowances for Impairment	635,734,829	474,110,786

Investment Securities

4.8

Particulars	Chaitra 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	Chaitra 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	Chaitra 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	Chaitra end, 2082	FY 2081/82
Current Tax Assets		
Current year Income Tax Assets	55,463,463	78,108,905
Tax Assets of Prior Periods	20,459,485	-
Current Tax Liabilities		
Current year Income Tax Liabilities	75,541,109	57,649,420
Tax Liabilities of Prior Periods	-	-
Total	381,839	20,459,485

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	Chaitra 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	1,335,759	1,335,759
Addition/(Disposal) during the year	-	-
Adjustment/Transfer	-	-
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Net Amount	1,335,759	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	Chaitra end, 2082	FY 2081/82
Assets held for Sale	-	-
Other Non-Banking Assets	-	-
Bills Receivable	-	-
Accounts Receivable	(1,220,030)	-
Accrued Income	-	-
Prepayments and Deposits	7,036,573	3,332,821
Income Tax Deposit	-	-
Deferred Employee Expenditure	1,844,065	1,844,065
Other Assets	3,370,903	3,099,273
Right of Use Assets	35,577,874	35,577,874
CPF Fixed Deposits	-	47,000,000
Total	46,609,385	90,854,033

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

Due to Nepal Rastra Bank

4.16

Particulars	Chaitra 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	Chaitra end, 2082	FY 2081/82
Held for Trading		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts	-	-

<i>Held for Risk Management</i>	-	-
Interest Rate Swap	-	-
Currency Swap	-	-
Forward Exchange Contracts.	-	-
Total	-	-

Deposits from Customers

4.18

Particulars	Chaitra end, 2082	FY 2081/82
Institutional Customers:	-	-
Term Deposits.	-	-
Call Deposits	-	-
Others	-	-
Individual Customers:	-	-
Term Deposits	-	-
Saving Deposits	-	-
Saving from Members	3,660,511,762	3,211,169,813
Others	-	-
Total	3,660,511,762	3,211,169,813

Borrowings

4.19

Particulars	Chaitra end, 2082	FY 2081/82
Domestic Borrowings		
Nepal Government	-	-
Other Licensed Institutions	6,840,013,922	6,453,423,594
Other	-	-
Sub Total	6,840,013,922	6,453,423,594
Foreign Borrowings		
Foreign Banks and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub Total	-	-
Total	6,840,013,922	6,453,423,594

Provisions

4.20

Particulars	Chaitra 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	Chaitra 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	Chaitra end, 2082	FY 2081/82
Liabilities for employees defined benefit obligations	48,349,782	43,566,470
Liabilities for long service leave	37,519,659	38,096,353
Short term employee benefits	5,694,833	-
Bills payable	2,771,833	1,571,245
Creditors and accruals	2,603,361	1,762,007
Interest payable on deposits	-	-
Interest payable on borrowing	6,350,981	10,301,459
Liabilities on deferred grant income	-	-
Unpaid Dividend	-	-
Liabilities under Finance Lease	40,286,593	40,286,593
Employee bonus payable	28,638,398	23,672,469
Other	51,862,679	49,020,417
<i>Service Charge Refundable</i>	-	17,835,788
<i>Loan Insured Fee Payable to DCGF</i>	25,812,891	17,609,331
<i>Staff payables</i>	6,668,500	1,723,830
<i>TDS Payable</i>	5,205,778	3,020,938
<i>VAT payable</i>	-	15,350
<i>Social Fund Payable</i>	-	-
<i>Provision for Audit Fee</i>	465,415	627,415
<i>Provision for Audit Expenses</i>	-	-
<i>Provision for Consultancy Expenses</i>	-	-
<i>Remittance Payable</i>	-	-
<i>Loan insurance Payable</i>	13,073,991	6,642,678
<i>Other liabilities</i>	636,104	182,919
<i>SMS installation Service cost</i>	-	1,362,167
Total	224,078,119	208,277,013

4.21.1: Defined Benefit Obligation

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

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

4.21.2: Plan Assets

Plan assets comprises of :

Particulars	Chaitra 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	Chaitra end, 2082	FY 2081/82
Defined benefit obligations at Shrawan 1	-	22,661,573
Actuarial losses/(gain)	-	13,340,141
Benefits paid by the plan	-	358,233
Current service costs and interest	-	7,922,989
Defined benefit obligations at Poush end	-	44,282,936

4.21.4: Movement in the fair value of plan assets

Particulars	Chaitra 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 Poush end	-	-

4.21.5: Amount recognised in profit or loss

Particulars	Chaitra end, 2082	FY 2081/82
Current service costs	-	5,683,296
Interest on obligation	-	2,239,693
Expected return on plan assets	-	-
Total	-	7,922,989

4.21.6: Amount recognised in other comprehensive income

Particulars	Chaitra end, 2082	FY 2081/82
Actuarial (gain)/loss	-	13,340,141
Total	-	2,053,583

4.21.7: Actuarial assumptions

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

Share capital**4.24**

Particulars	Chaitra end, 2082	FY 2081/82
Ordinary shares	802,685,677	733,046,280
Convertible preference shares (equity component only)	-	-
Irredeemable preference shares (equity component only)	-	-
Perpetual debt (equity component only)	-	-
Total	802,685,677	733,046,280

4.24.1: Ordinary Shares

Particulars	Chaitra 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		
8026856.766 Ordinary Shares of Rs. 100 each	802,685,677	733,046,280
Subscribed & Paid up Capital		
8026856.766 Ordinary Shares of Rs. 100 each	802,685,677	733,046,280

Total	802,685,677	733,046,280
-------	-------------	-------------

Reserves

4.25

Particulars	Chaitra end, 2082	FY 2081/82
Statutory General reserve	172,875,388	137,622,871
Dividend Equilisation reserve	-	-
Exchange equilisation reserve	-	-
Corporate social responsibility reserve	3,007,590	1,835,459
Capital redemption reserve	-	-
Regulatory reserve	114,502,741	118,961,958
Capital reserve	-	-
Assets revaluation reserve	-	-
Fair value reserve	-	-
Client Protection Fund	44,829,666	45,776,537
Special reserve	-	-
Other reserve	28,824,468	28,824,468
Total	364,039,852	333,021,293

4.25.1: Movement in Statutory General Reserve

Particulars	Amount
Opening Balance of 1st Shrawan 2082	137,622,871
Amount Transferred during this period:	
Add: 20% of Net profit	35,252,517
Closing Balance as on Chaitra End 2082	172,875,388

4.25.2: Movement in Corporate Social Responsibility Reserve

Particulars	Amount
Opening Balance of 1st Shrawan 2082	1,835,459
Add: 1% of Net profit	1,762,626
Less: CSR Expense for the F/Y 2082/83	(590,495)
Closing Balance as on Chaitra End 2082	3,007,590

4.25.3: Movement in Client Protection Fund

Particulars	Amount
Opening Balance of 1st Shrawan 2082	45,776,537
Addition to the Fund this F/Y	
a. Interest Income to the Fund	1,040,840
a. Other Contribution to the Fund/ acquisition	
b. 1.5% of Net profit	3,525,252
c. 25% of dividend in excess of 20%	
Less: Expenses from Fund this Year	(5,512,963)
Center Chief Meeting expenses	(2,487,806)
Financial Literacy	(256,505)
Skill Development Training Programmes	(295,652)
Assistance to Member's guardian on the death of the member	(220,000)
Assistance to Member during Pregnancy	(877,500)
Assistance to Member on the death of the husband	(360,000)
Assistance to Member during Natural Disaster	(527,500)
Assistance to Member for Operation of Uterus	(228,000)
Assistance to Member for hospital admission	(147,000)
Assistance to Member for marriage of daughter	(48,000)
Scholarship expenses of Member's son/daughter	(65,000)
Closing Balance as on Chaitra End 2082	44,829,666

4.25.4: Movement in Regulatory Reserve

Particulars	Amount
Opening Balance of 1st Shrawan 2082	118,961,958
Add: Transfer to Reserve on account of :	
a. Interest Receivable on Loans & Advances	(4,459,218)

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 Chaitra End 2082	114,502,741

4.25.4: Movement in Other Reserve

Particulars	Opening	Adjustments	Closing
Restructure Reserve	19,127,712		19,127,712
Actuarial Reserve	(8,282,228)		(8,282,228)
Merger and Acquisition Reserve	12,168,000		12,168,000
Staff Training Fund	3,567,513		
<i>Add: 3% of Staff Salary and Allowances</i>	-		
<i>Less: Expenses from the Staff Training Fund</i>	-		3,567,513
Investment Adjustment Reserve	710,000		710,000
Staff Welfare Fund	1,533,470	-	1,533,470
Total	28,824,468	-	28,824,468

Contingent liabilities and commitments

4.26

Particulars	Chaitra 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	Chaitra 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	Chaitra 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 Chaitra end, 2082

Interest Income **4.27**

Particulars	Chaitra 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	1,109,240,423	1,483,458,985
Investment securities	-	-
Loan and advances to staff	112,153	1,415,839
Other - Interest income on Bank deposits	920,650	3,098,805
Total interest income	1,110,273,226	1,487,973,629

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

Interest Expenses **4.28**

Particulars	Chaitra end, 2082	FY 2081/82
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposits from customers	200,280,673	242,631,433
Borrowing	287,791,727	491,279,897
Debt securities issued	-	-
Subordinated liabilities	-	-
Others	-	-
Total Interest expense	488,072,400	733,911,330

Fees and Commission Income **4.29**

Particulars	Chaitra end, 2082	FY 2081/82
Loan administration fees	-	-
Service fees	97,719,528	89,066,642
Commitment fees	-	-
Card Issuance fees	-	-
Prepayment and swap fees	-	-
Remittance fees	-	-
Brokerage fees	-	-
Other fees and commission income	6,071,734	8,954,016
Total Fees and Commission Income	103,791,263	98,020,658

4.29.1 Other fees and Commission income

Particulars	Chaitra end, 2082	FY 2081/82
Remittance Commission	1,379	3,455
Insurance Commission	6,070,355	8,950,561
Total	6,071,734	8,954,016

Fees and Commission Expense **4.30**

Particulars	Chaitra end, 2082	FY 2081/82
Brokerage	-	-
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission Fees	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-

Asha Laghubitta Bittiya Sanstha Limited
Significant Accounting Policies and Notes to Account forming part of Financial Statements
For the Quarter ended Chaitra, 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 Chaitra 30, 2082.

Having approval to operate at National Level, by the end of Chaitra 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 Chaitra 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 financials 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 Chaitra 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 Chaitra 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 Chaitra 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 Chaitra 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, social 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 Chaitra 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 lesser 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 Chaitra 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 2% 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.

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