

**INDEPENDENT AUDITOR'S REPORT**

**To The Shareholders,  
M/S Grameen Bikash Laghubitta Bittiya Sanstha Limited**

**Report on the Audit of the Financial Statements**

**Opinion:**

We have audited the accompanying financial statements of Grameen Bikash Laghubitta Bittiya Sanstha Limited ("Microfinance" or "GBLBSL"), which comprise the statement of financial position as of Ashadh 32, 2082 (July 16, 2025), the statement of profit or loss, Statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, along with a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of GBLBSL as at Ashadh 32, 2082 (July 16, 2025) and its financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS), comply with Companies Act, 2063 and Bank and Financial Institutions Act, 2073.

**Basis for Opinion:**

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and have fulfilled our other ethical responsibilities in accordance with the ICAN's Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

**Key Audit Matter: Our Assessment of Risk of Material Misstatements**

Key audit matters are those matter that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud), identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

We summarize below the key audit matters together with our keys audit procedures to address those matters and, as required for the public interest entities.

S.N.	Key Audit Matters	Our Audit Approach and Response
1.	<p><b>Information Technology (IT)</b></p> <p>GBLBSL's key financial accounting and reporting processes are highly dependent on the automated control over the GBLBSL's IT system.</p> <p>There is a risk that gaps in the change management, segregation of duties or users</p>	<p>Our procedure included:</p> <p>a) We tested the design, operation and effectiveness of control over granting, removal and appropriateness of access rights on the accounting and reporting of GBLBSL.</p> <p>b) We obtained and inspected the change management process and, for a sample of changes in inputs and control functions on the systems, has</p>

	<p>access management controls (in relation to key financial accounting and reporting systems) may undermine our ability to place some reliance thereon in our audit.</p> <p>Therefore, we have considered this as a key audit matter.</p>	<p>been reviewed to confirm that changes had been performed in line with approved decisions.</p> <p>c) We have tested a sample of outputs particularly interest income and expenses on loans and advances of system through manual calculation.</p> <p>d) We considered the change management, segregation of duties controls and outputs in relation to financial accounting and reporting systems to be acceptable.</p> <p>No material exceptions were noted.</p>
2.	<p><b>Loan Loss Provision</b></p> <p>As per NRB Unified Directives for Microfinance, the microfinance shall measure impairment loss on loans and advances at the higher of:</p> <p>a) Amount derived as per norms prescribed by Nepal Rastra Bank for Loan Loss Provisioning, and</p> <p>b) Amount determined as per NFRS 9 adopting expected credit loss method.</p> <p>As per norms prescribed by NRB, provision at prescribed rate should be created on loans and advances based on overdue status on loans and advances as well as utilization of loan, status of collateral and status of borrower, etc.</p> <p>As per NFRS 9, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogenous groups of loans that are not considered individually significant. The impairment of loans and advances under expected loss model require assessment of future cash flows as well as historical loss experience of portfolios adjusted for macroeconomic forecasts</p> <p>The calculation of loan loss provision is regarded as a key audit matter.</p>	<p>Our procedures regarding verification of impairment of loans and advances included:</p> <p>a) Reviewed the NRB 2.2 report and tallied with the overdue status of report</p> <p>b) Reviewed sample credit files for loan utilization, borrower credit history and physical verification of collateral (if applicable) of the loan</p> <p>c) Grouping of loans and the staging (Stage-1, Stage-2 and Stage-3) were assessed on the basis of nature and purposes of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system software as well as data of loan loss provisions of the defined group in the past.</p> <p>d) The calculations of impairment as per expected credit loss model was assessed based on requirements of NFRS 9 and policy adopted by GBLBSL. Assessment included veracity of macroeconomic projections.</p>
3.	<p><b>Interest Income Recognition</b></p> <p>Interest income of GBLBSL should be recognized on accrual basis for loans categorized within Stage-1 and Stage-2 as per ECL model of NFRS 9 and on cash basis for loans within Stage-3. The guidelines for interest income recognition are laid out in "Guidance Note on Interest Income Recognition, 2025". The resulting adjustment requires manual intervention and poses a risk of improper calculation.</p> <p>Therefore, we have considered this as a key audit matter</p>	<p>Our procedures include:</p> <p>a. We reviewed of internal control for accrued interest on loans and advances.</p> <p>b. We obtained a clear understanding of process of determination of accrued interest income by the IT system.</p> <p>c. We conducted test check of interest income calculated by the IT system with our manual calculations.</p>

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## **Emphasis of Matter**

1. We draw attention to Note No. 5.8 to the financial statements, which describes that the microfinance had initiated a merger process with Samaj Laghubitta Bittiya Sanstha Ltd. during the reporting period. Subsequent to the reporting period, the merger has been completed upon receipt of the necessary regulatory approvals from Nepal Rastra Bank, and unified transactions of the merged entity have commenced with effect from Kartik 2, 2082. However, the financial statements and the related notes do not fully reflect this subsequent development and the commencement of unified operations. Our opinion is not modified in respect of this matter.
2. We draw attention to Note 4.13 to the financial statements, which describes the accounting treatment of deferred tax assets in respect of carried forward tax losses of prior years. During the current financial year, the Company has recognized deferred tax assets relating to such prior year losses, together with the deferred tax impact of the current year. The resulting effects have been recognized in the current year only and disclosed in the financial statements. Our opinion is not modified in respect of this matter.
3. We draw attention to Note 4.26 to the financial statements, which describes a contingent liability arising from litigation initiated by the Inland Revenue Department in respect of amended income tax assessments, currently under process at the Revenue Tribunal. Management believes that the Tribunal will decide in favor of the Company. Our opinion is not modified in respect of this matter.

## **Other Matter**

The financial statements of the Company for the year ended 31st Ashadh 2081 were audited by the predecessor auditor, whose report dated 19 January 2025 expressed an unmodified (unqualified) opinion on those financial statements. The predecessor auditor's report included an Emphasis of Matter paragraph drawing attention to a matter relating to cash embezzlement, as described in Note 3.22 to the financial statements. Our opinion on the current year's financial statements is not modified in respect of this matter.

## **Information other than the Financial Statements and Auditor's Report thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, including the report of the board of directors, but doesn't include the financial statements and our auditor's report thereon. The annual report including the report of the Board of directors is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements doesn't cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements for our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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



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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due in fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

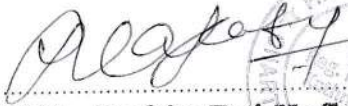


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## Report on Other Legal and Regulatory Requirements

Based on our examination, we would like to further report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of audit,
- ii. The accounts and records of the microfinance have been maintained as required by law,
- iii. Financials Statements are in agreement with the books of account maintained by the Microfinance,
- iv. The capital fund, risk bearing fund and the provision for probable impairment of asset of Microfinance are adequate as per the directives issued by Nepal Rastra Bank,
- v. During the course of our audit, we noted an instance of fraud at the Ranjha Branch pertaining to a prior financial year involving embezzlement of funds through dummy loan accounts and misappropriation of customers' deposits. The management has taken appropriate actions in relation to the matter, and the full amount has been recovered during the current financial year.
- vi. The operations of the Microfinance were within jurisdiction,
- vii. The Microfinance has not acted in a manner to jeopardize the interest and security of the depositors and investors,
- viii. The Microfinance has a centralized core banking accounting system and details received from branches of the Microfinance though the statements are independently not audited, were adequate for the purpose of our audit.
- ix. The business of the company has been conducted satisfactorily and operated within jurisdiction and has been functioning as per the NRB Directives.

  
**FCA. Prabin Raj Kafle**  
**Proprietor**

**P.R.K. Associates**  
**Chartered Accountants**

UDIN: 260331CA006374rARv

Place: Kathmandu, Nepal

Date: 2082/12/17

**GRAMEEN BIKAS CO-OPERATIVE BANK LIMITED**

Statement of Financial Position  
As at 31st Ashadh 2082

Figures in NPR

	Note	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>ASSETS</b>			
Cash and cash equivalents	4.1	796,960,756	775,238,722
Statutory Balances and Due from Nepal Rastra Bank	4.2	324,035	324,035
Placement with Bank and Financial Institutions	4.3	-	-
Derivative Financial Instruments	4.4	-	-
Other Trading Assets	4.5	-	-
Loans and advance to MFIs and cooperatives	4.6	-	-
Loans and advances to customers	4.7	12,310,794,569	11,418,606,516
Investment securities	4.8	2,025,000	2,025,000
Current tax assets	4.9	250,891,233	154,655,706
Investment Property	4.10	-	-
Property and Equipment	4.11	88,628,577	84,333,698
Goodwill and Intangible assets	4.12	2,357,504	2,477,856
Deferred Tax Assets	4.13	550,198,413	559,346,907
Other assets	4.14	185,321,575	263,435,810
<b>Total Assets</b>		<b>14,187,501,661</b>	<b>13,260,444,249</b>
<b>Liabilities</b>			
Due to Bank and Financial Institutions	4.15	7,247,481,441	6,120,043,594
Due to Nepal Rashtra Bank	4.16	-	-
Derivative Financial Instrument	4.17	-	-
Deposits from customers	4.18	3,560,713,376	3,546,409,212
Borrowings	4.19	89,826,800	129,653,600
Current Tax Liabilities	4.9	-	-
Provisions	4.20	-	-
Deferred Tax Liabilities	4.13	-	-
Other liabilities	4.21	674,525,272	928,619,583
Debt securities issued	4.22	-	-
Subordinated Liabilities	4.23	-	-
<b>Total liabilities</b>		<b>11,572,546,889</b>	<b>10,724,725,989</b>
<b>Equity</b>			
Share Capital	4.24	982,500,000	982,500,000
Share Premium		68,270,092	68,270,092
Retained Earnings		(269,628,533)	(433,369,023)
Reserves	4.25	1,833,813,213	1,918,317,192
<b>Total equity attributable to equity holders</b>		<b>2,614,954,772</b>	<b>2,535,718,261</b>
<b>Non-controlling interest</b>		<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>2,614,954,772</b>	<b>2,535,718,261</b>
<b>Total Liabilities and Equity</b>		<b>14,187,501,661</b>	<b>13,260,444,249</b>
Contingent Liabilities and commitment	4.26	6,764,478	6,764,478
<b>Net Assets Value Per share</b>		<b>266</b>	<b>258</b>

The accompanying notes are integral part of these financial statements.

As per our report of even date

Bharatraj Koirala  
Chairman

Prem Raj Pokhrel  
Director

Nabaraj Dhakal  
Director

Arjun Bahadur Kandel  
Director

Manoj Kumar Khadka  
Director

Saroj Kumar Mahato  
Director

Rishi Ram Pandey  
Independent  
Director

Shyam Kumar Katuwal  
Chief Executive Officer

Dipak Prasad Pandey  
Deputy  
Chief Executive Officer

Moti Lal Khana  
Chief Finance  
Officer

Praveen Kumar Singh  
Assistant Manager

CA Prabin Raj Kafle  
Proprietor  
P.R.K Associates  
Chartered Accountants

**GRAMEEN BIKAS LAJPARI FINANCIAL INSTITUTION SANSTHA LIMITED**


Statement of Profit or Loss  
For the year ended 31st March 2082

Figures in NPR

	Note	2081-82	2080-81
Interest income	4.27	1,705,161,860	1,883,349,665
Interest expense	4.28	830,401,899	908,355,844
<b>Net interest income</b>		<b>874,759,961</b>	<b>974,993,822</b>
Fees and commission income	4.29	95,861,459	56,808,469
Fees and commission expense	4.30	2,832,505	6,813,547
<b>Net fee and commission income</b>		<b>93,028,954</b>	<b>49,994,923</b>
<b>Net interest, fee and commission income</b>		<b>967,788,916</b>	<b>1,024,988,744</b>
Net trading income	4.31	-	-
Other operating income	4.32	3,362,936	221,474
<b>Total operating income</b>		<b>971,151,851</b>	<b>1,025,210,218</b>
Impairment charge/(reversal) for loans and other losses	4.33	57,207,607	(384,805,010)
<b>Net operating income</b>		<b>913,944,244</b>	<b>1,410,015,228</b>
<b>Operating expense</b>			
Personnel expenses	4.34	696,056,270	786,142,256
Other Operating expenses	4.35	120,027,929	124,040,641
Depreciation and Amortisation	4.36	38,084,953	37,434,361
<b>Operating Profit</b>		<b>59,775,092</b>	<b>462,397,970</b>
Non operating Income	4.37	651,914	893,067
Non operating expense	4.38	-	-
<b>Profit before income tax</b>		<b>60,427,006</b>	<b>463,291,037</b>
Income tax expense	4.39	(10,541,030)	178,579,021
Current Tax		-	-
Deferred Tax	4.13	(10,541,030)	178,579,021
<b>Profit for the year</b>		<b>70,968,036</b>	<b>284,712,016</b>
<b>Profit attributable to:</b>			
Equity holders of the Financial Institution		70,968,036	284,712,016
Non-controlling interest		-	-
<b>Profit for the year</b>		<b>70,968,036</b>	<b>284,712,016</b>
<b>Earnings Per Share (EPS)</b>			
Basic Earnings Per Share		7.22	28.98
Diluted Earnings Per Share		7.22	28.98

The accompanying notes are integral part of these financial statements.

As per our report of even date

 Bharatraj Koirala Chairman	 Prem Raj Bokhrel Director	 Nabaraj Dhakal Director	 Arjun Bahadur Kandel Director	 Manoj Kumar Khadka Director	 Saroj Kumar Mahato Director
 Rishi Ram Pandey Independent Director	 Shyam Kumar Katuwal Chief Executive Officer	 Dipak Prasad Pandey Deputy Chief Executive Officer	 Mohan Bahadur Khatiwada Chief Finance Officer	 Prem Kumar Singh Assistant Manager	 CA. Prabin Raj Kafle Proprietor P.R.K Associates Chartered Accountants

Date: 2082-12-14

Place : Butwal, Rupandehi

**GRAMEEN BIKAS LAGHUBILTA BANJIA SANSTHA LIMITED**

Statement of Comprehensive Income  
For the year ended 31 Ashad 2082

Figures in NPR

Particulars	2081-82	2080-81
<b>Profit for the year</b>	<b>70,968,036</b>	<b>284,712,016</b>
<b>Other Comprehensive Income, net of income tax</b>		
<b>a) Items that will not be reclassified to Profit or Loss</b>		
Gains / (Losses) from investment in equity instruments measured at fair value	-	-
Gains / (Losses) on revaluation	-	-
Actuarial Gains / (Losses) on defined benefit plans	65,631,747	110,757,595
Income tax relating to above items	(19,689,524)	(33,227,279)
<b>Net other Comprehensive Income that will not be reclassified to Profit or Loss</b>	<b>45,942,223</b>	<b>77,530,317</b>
<b>b) Items that are or may be reclassified to Profit or Loss</b>		
Gains/(losses) on cash flow hedge	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-
Income tax relating to above items	-	-
<b>Net other Comprehensive Income that are or may be reclassified to Profit or Loss</b>	<b>-</b>	<b>-</b>
<b>Other Comprehensive income for the year, net of income tax</b>	<b>45,942,223</b>	<b>77,530,317</b>
<b>Total Comprehensive income for the year</b>	<b>116,910,259</b>	<b>362,242,332</b>
<b>Total Comprehensive income attributable to:</b>		
Equity shareholder of the bank	116,910,259	362,242,332
Non controlling interest	-	-
<b>Total Comprehensive income for the period</b>	<b>116,910,259</b>	<b>362,242,332</b>

The accompanying notes are integral part of these financial statements.

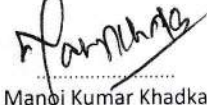
As per our report of even date

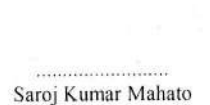
  
Bharatraj Koirala  
Chairman

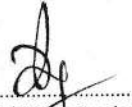
  
Prem Raj Pokhrel  
Director

  
Nabaraj Dhakal  
Director

  
Arjun Bahadur Kandel  
Director

  
Manoj Kumar Khadka  
Director

  
Saroj Kumar Mahato  
Director


  
Rishi Ram Pandey  
Independent  
Director

  
Shyam Kumar Katuwal  
Chief Executive Officer

  
Dipak Prasad Pandey  
Deputy Chief Executive  
Officer

  
Motiraj Khanal  
Chief Finance  
Officer

  
Prem Kumar Singh  
Assistant Manager

  
CA. Prabin Raj Kafle  
Proprietor  
P.R.K Associates  
Chartered Accountants

Date: 2082-12-14

Place : Butwal, Rupandehi

**GRAMEEN BIKAS LACHTI (P) LIMITED SANSTHA LIMITED**

Statement of Profit or Loss

For the year ended 31st December 2082

As per Regulation



Particulars	Current Year	Previous Year
<b>Net Profit/(loss) as per Statement of Profit or Loss</b>	<b>70,968,036</b>	<b>284,712,016</b>
<b>Appropriation</b>		
a. General Reserve	(14,193,607)	(56,942,403)
b. Foreign Exchange Fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(709,680)	(2,847,120)
e. Employees training fund	2,642,889	(1,215,358)
f. Client Protection Fund	(1,064,521)	(2,847,120)
g. Staff Welfare Fund	(2,129,041)	-
h. Other	70,549,782	(111,662,440)
<b>Profit/(loss) before regulatory adjustment</b>	<b>126,063,857</b>	<b>109,197,575</b>
<b>Regulatory Adjustments:</b>		
a. Interest Receivable (-)/previous accrued interest received(+)	98,127,990	(86,173,809)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment(-)/reversal(+)	-	-
d. Short provision for possible losses on Non-Banking Assets (-)/reversal(+)	-	-
e. Deferred Tax Assets recognized(-)/reversal(+)	9,148,494	211,806,300
f. Goodwill recognized (-)/Impairment of Goodwill(+)	-	-
g. Bargain purchase gain recognized (-)/reversal(+)	-	-
h. Actuarial Loss recognized (-)/reversal(+)	(45,942,223)	(77,530,317)
i. Other	-	-
<b>Net Profit/(loss) for the year end available for distribution</b>	<b>187,398,119</b>	<b>157,299,750</b>
<b>Opening Retained Earning</b>	<b>(433,369,023)</b>	<b>(591,381,843)</b>
<b>Adjustment(+/-)</b>	<b>(23,657,629)</b>	<b>713,070</b>
<b>Distribution:</b>		
Bonus share issued		
Cash dividend paid		
<b>Transfer:</b>		
Transfer from Other Reserve	-	-
<b>Total Distributable Profit/(Loss) - Retained Earnings as on year end date</b>	<b>(269,628,533)</b>	<b>(433,369,023)</b>

The accompanying notes are integral part of these financial statements.

As per our report of even date

Bharatraj Koirala  
Chairman

Prabin Raj Rokhrel  
Director

Nabaraj Dhakal  
Director

Arjun Bahadur  
Kandel  
Director

Manoj Kumar Khadka  
Director

Saroj Kumar Mahato  
Director

Rishi Ram Pandey  
Independent  
Director

Shyam Kumar Katuwal  
Chief Executive Officer

Dipak Prasad Pandey  
Deputy Chief Executive  
Officer

Manraj Khatwal  
Chief Finance  
Officer

Prem Kumar Singh  
Assistant Manager



Date: 2082-12-14

Place : Butwal, Rupandehi



**GRAMEEN BIKAS LAKSHMI PRATIYA SANSTHA LIMITED**

Statement of Cash Flows  
For the year ended 31st March 2082

Figures in NPR

Particulars	2081-82	2080-81
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	1,758,946,291	1,722,243,833
Fees and other income received	96,513,373	57,701,536
Dividend received	-	-
Receipt from other operating activities	1,032,318	-
Interest paid	(263,077,172)	(268,092,445)
Commission and fees paid	(2,832,505)	(6,813,547)
Cash payment to employees	(466,460,640)	(559,542,003)
Other expense paid	(120,027,929)	(124,040,641)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>1,004,093,736</b>	<b>821,456,733</b>
<b>(Increase)/Decrease in operating assets</b>		
Due from Nepal Rastra Bank	-	-
Placement with Bank and Financial Institutions	-	-
Other Trading Assets	-	-
Loans and advances to bank and financial institutions	-	-
Loans and advances to customers	(1,023,382,530)	419,033,660
Other assets	13,967,277	(131,786,237)
<b>Increase/(Decrease) in operating liabilities</b>		
Due to Bank and Financial Institutions	1,127,437,847	908,171,677
Due to Nepal Ratsra Bank	-	-
Deposits from customers	14,304,164	(201,298,552)
Borrowings	(39,826,800)	-
Other liabilities	(334,178,898)	(475,802,099)
<b>Net cash flow from operating activities before tax paid</b>	<b>762,414,797</b>	<b>1,339,775,181</b>
Income taxes paid	(96,235,527)	(244,422,794)
<b>Net cash flow from operating activities</b>	<b>666,179,270</b>	<b>1,095,352,387</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	-	-
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(20,980,841)	(11,413,279)
Receipt from the sale of property and equipment	3,802,458	221,474
Purchase of intangible assets	-	-
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	-
Interest received	9,829,033	19,727,111
Dividend received	-	-
<b>Net cash used in investing activities</b>	<b>(7,349,351)</b>	<b>8,535,306</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt from issue of shares	-	-
Repayment of debt securities	-	-
Reciepts from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Dividends paid	-	-
Interest paid	(561,206,021)	(632,623,694)
Other receipt/payment	(75,901,864)	(47,639,046)
<b>Net cash from financing activities</b>	<b>(637,107,885)</b>	<b>(680,262,740)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>21,722,034</b>	<b>423,624,953</b>
Cash and cash equivalents at beginning of the period	775,238,722	351,613,768
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>796,960,756</b>	<b>775,238,722</b>

The accompanying notes are integral part of these financial statements.

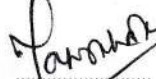
As per our report of even date


  
Bharat Raj Koirala  
Chairman

  
Prem Raj Pokhrel  
Director

  
Nabaraj Dhakal  
Director


  
Arjun Bahadur  
Kandel  
Director

  
Manoj Kumar  
Khadka  
Director


  
Saroj Kumar Mahato  
Director


  
Rishi Ram Pandey  
Independent  
Director

  
Shyam Kumar  
Katuwal  
Chief Executive  
Officer

  
Dipak Prasad Pandey  
Deputy Chief  
Executive Officer

  
Maniraj Khandel  
Chief Finance  
Officer

  
Prem Kumar Singh  
Assistant Manager

  
CA. Prabir Raj Kafle  
Proprietor  
P.R.K Associates  
Chartered Accountants

GRAMEEN BIKAS LAGHUBITTA BITTIYA SANSTHA LIMITED

Financial Statements  
For the year ended 32nd Ashad 2082



**1 Reporting entity**

Grameen Bikas Laghubitta Bittiya Sanstha Limited (referred as "the GBLBS or "the financial institution") is a public limited company incorporated under the Companies Act, 2063 and licensed by Nepal Rastra Bank to conduct micro-finance activities. Grameen Bikas Laghubitta Bittiya Sanstha Ltd. (GBLBS), formerly Nepal Grameen Bikas Bank Ltd., came into existence in 2014 August 15 (Shrawan 30, 2071) with a successful merger of the then five regional level Grameen Bikas Banks operated in the then five development regions of Nepal. The head office of the institution is located in Butwal, Rupandehi district of Lumbini Province. GBLBS was registered as a public limited company on 30th July 2014 (Shrawan 14, 2071) under the Company Act, 2063 and is regulated under the Bank and Financial Institution Act, 2073. The name "Nepal Grameen Bikas Bank Ltd." was changed into "Grameen Bikas Laghubitta Bittiya Sanstha Ltd." as per the decision of the Annual General Meeting of the institution and approval of the Office of the Company Registrar (approval date: 2074/12/28). The shares of the financial institution has been listed in nepse with share symbol "GBLBS".

The principal activities of the financial institution is to provide microfinance loan and services with the prime objective of alleviating poverty, hardship, and suffering of the rural people throughout its working area. The unique traits of the institution are well-defined target groups (especially women), area approach, group guarantee lending, non-collateral lending, etc. In order to achieve its goal, the institution has been working through micro-credit services and capacity development programs for the community. Moreover, it has followed the Grameen Bank Model started by Prof. Muhammad Yunus (Nobel Laureate), a Bangladeshi social entrepreneur, banker and economist. During the period, the Microfinance has provided its services through 189 total branch offices and 5 Operation & Supervision offices located in four provinces by the end of FY 2080.081.

**2 Basis of Preparation**

The financial statements have been prepared on accrual basis of accounting except the Cash Flow information, which is prepared on a cash basis, using the direct method as prescribed by Nepal Financial Reporting Standards (NFRSs), as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to Financial Statement comprising summary of principal accounting policies and explanatory notes that are significant importance to the stakeholders.

**2.1 Statement of Compliance**

The financial statements also comply the requirements of Companies Act 2063 and policy, procedures and directives of Securities Board of Nepal. The financial statements of the Microfinance, have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board (ASB) Nepal established under Nepal Chartered Accountants Act 2059. The financial statements are based on the formats mandated by the Directive No. 4 of The Unified Directives to Microfinance, 2080 as made applicable by the Nepal Rastra Bank.

These financial statements for the year ended 32nd Ashadh, 2082 are prepared in accordance with NFRS and these financial statements were approved by the board of Directors dated 14th Chaitra 2082.

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

**2.2.1 Reporting Period**

The reporting period for this financial statements is the period ending on 32nd Ashadh 2082 (i.e., FY 2081-82). Financial information of following period/dates are provided on the financial statements.

1. Comparative NFRS financial statements (financial statements as on and for the periods ended on 31st Ashadh 2081)

2. NFRS financial statements for current period (financial statements as on and for the period ended on 32nd Ashadh 2082)

**2.2.2 Approval of Financial Statements**

The financial statements are yet to be authorised for issue by the Board of Directors.

**2.3 Functional and Presentation Currency**

The financial statements are presented in Nepalese Rupee (NPR), which is also the functional currency of the Microfinance. Figures are rounded off to nearest Rupee, accordingly, minor rounding off error may exist.

**2.4 Use of Estimates, Assumptions and Judgments**

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards (NFRS) requires the use of certain critical accounting estimates and judgments. It also requires the management to exercise judgment in the process of applying the company's accounting policies. The company makes certain estimates and assumptions regarding the future events. The estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, the actual results may differ from these estimates and assumptions. The estimates and assumptions that might result in adjustment to the carrying amounts of assets and liabilities within the next financial year are on the following components:

**1. Classification of financial assets**

The classification of financial assets into amortized cost or at fair value (either through profit or loss or through other comprehensive income) depends upon whether the contractual cash flows from such instruments are solely payments of principal and interest (SPPI criterion), including the business model within which such instruments are managed. The classification of the financial assets has been based on the business model of the Microfinance at the reporting date. The reclassification of financial assets can only occur upon change in the business model of the entity.

**2. Fair value of financial assets**

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Fair value of financial statements are determined on three levels on the basis of available market on reporting date and the measurement may change depending on available market circumstances.

The fair value of financial instruments that are traded in an active market is the closing price on the reporting dates. Whenever the instruments are not actively traded in active market, they are determined using other techniques considering the observable market inputs to the extent possible.

The Microfinance measures fair values using the following fair value hierarchy as provided in NFRS 13.

**Level 1 inputs** are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Microfinance can access at the measurement date.

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

**Level 3 inputs** are unobservable inputs for the asset or liability. The Microfinance has used the accounting book value and considered if there exists factors that would otherwise result in changes to the book value of assets or liabilities.

### 3. Impairment loss on financial assets

Impairment loss on financial assets is provided on the higher of loan loss provision as per NRB Directives to Microfinance 2080 and NFRS 9. On calculating loss as per NFRS 9, estimates are made on amount of loans that are considered to require individual assessment, grouping of loans for collective assessment, parameters for assessing impairment, objective and subjective parameters for assessment of significant increase in credit risk, default of financial assets, probability of default, loss given default, future cash flow estimates, historical data on similar types of loan or group of loans.

### 4. Useful life and salvage value of property and equipment

The management reconsiders the economic useful life and salvage value of property and equipment on each reporting dates based on the information available on such dates.

### 5. Impairment loss of non-financial assets

The non-financial assets are tested for impairment on identification of indicators for impairment i.e., triggering events. The impairment loss is recognised when the carrying amount exceeds the recoverable amount. The Microfinance has not identified any triggering event during the reporting period, hence it has not tested the non-financial assets for impairment.

### 6. Current Tax and Deferred tax

Significant management judgment is required to arrive at the figure of current tax and deferred tax, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Microfinance has calculated the current and deferred tax based on its assumptions and estimates on parameters available when the financial statements were prepared.

### 7. Employee benefit obligations

Judgment is required to determine the estimated liability that shall arise on part of accumulated leave of staff and gratuity which is generally paid out on retirement or termination of employment. Valuation of such is done by qualified actuary using assumption like interest rate, rate of increase in annual compensation, remaining service period etc. Factors considered may change depending on market changes or legal changes which are beyond the control of the company.

The Microfinance pays gratuity to its employees as per the Employee Service Bylaw, as follows:

1. Past Service less than 5 Years - Nil
2. Past Service Years greater than equal to 5 years and less than 10 years - 1 month's Salary for each completed year of Service
3. Past Service Years greater than equal to 10 years and less than 15 years - 1.5 month's Salary for each completed year of Service
4. Past Service Years greater than equal to 15 years and less than 20 years - 2 months Salary for each completed year of service
5. Past Service Years greater than equal to 20 years, 2.5 months Salary for each completed year of Service.

The Microfinance has identified such gratuity benefit, the liability of which arises after retirement of employees, as "Defined Benefit Plan" as per NAS 19 Employee Benefits.

The Microfinance pays leave benefits to its employees as per the Employee Service Bylaw, as follows:

**Home Leave:** Employees are entitled for 30 days' home leave in a year. Such leave can be accumulated for total 120 days during the employment period. If the leave is accumulated for more than 120 days during the period of employment, it can be withdrawn by the employee based on the prevailing salary. It can also be withdrawn if the leave is accumulated for more than 60 days during the period of employment, however, the encashment shall not exceed for 30 days.

Hence, such leave benefit has been identified as "Other Long-term Employee Benefit" as per NAS 19.

**Sick Leave:** Employees are entitled to 15 days sick leave in a year, which can be accumulated. It can be encashed by the employees only upon the end of the employment period. Hence, such leave benefit has been identified as "Defined Benefit Plan" as per NAS 19.

NAS 19 requires gain/loss on actuarial remeasurement of Defined Benefit Plan to be recognised through other comprehensive income while that of Other Long-term Employee Benefit through profit or loss.

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Changes in Accounting Policies  
 There has been no significant change in the accounting policies adopted by the Microfinance except where required due to adoption of Nepal Financial Reporting Standards.

Discounting  
 Discounting has been applied whenever the assets and liabilities are of non-current in nature and the impact of time value of money is not insignificant.

Going Concern  
 The Management has made an assessment on the Microfinance's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt over the Microfinance's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Separate Financial Statements  
 The presented financial statements is the separate financial statements of the Microfinance. The Microfinance does not have subsidiary, accordingly, preparation of consolidated financial statements as per NFRS 10 is not required.

Significant Accounting Policies  
 The significant accounting policies adopted by Microfinance while preparing financial statements are as follows:

Note No.	Accounting Policy	Information Note No.
3.1	Basis of Measurement	4.1
3.2	Basis of Consolidation	4.5
3.3	Cash and Cash Equivalent	4.4
3.4	Financial Assets and Financial Liabilities	4.11
3.5	Trading Assets	4.12
3.6	Derivative Assets and Liabilities	4.10
3.7	Property and Equipment	4.9
3.8	Goodwill Intangible assets	4.18, 4.22, 4.23
3.9	Investment Property	4.20
3.10	Income tax	4.27, 4.29, 4.31, 4.33, 4.37
3.11	Deposits, debt securities issued and subordinated liabilities	4.28
3.12	Provisions	4.23
3.13	Revenue	
3.14	Interest expense	
3.15	Employees Benefits	
3.16	Leases	
3.17	Foreign currency translation	4.24, 4.25
3.18	Financial guarantee and loan commitment	
3.19	Share capital and reserves	
3.2	Earning per share including diluted	5.4
3.21	Segment reporting	
3.22	Events after reporting date	

3.1 **Basis of Measurement**  
 The financial statements are prepared on historical cost convention except for the following material items:  
**Particulars**  
 Investment in shares and mutual fund schemes  
 Non-banking assets  
 Loans to employees  
 Property and equipment, investment property and intangible assets

- Measurement Basis**  
 Fair value  
 Lower of Market Value or Outstanding Receivable at the date of booking NBA  
 Amortized cost  
 Deemed cost as fair value

3.2 **Basis of consolidation**  
 The Microfinance does not have subsidiary companies, accordingly, consolidation of financial statements is required.

3.3 **Cash and cash equivalent**  
 Cash and cash equivalent comprises of cash, demand deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In general, short term investments with original maturity of up to three months are considered as cash equivalent. Cash and cash equivalent are presented at amortized cost on the financial statements.

3.4 **Financial assets and financial liabilities**  
 Financial assets are any assets that is cash, equity instrument of another entity or any contractual right to receive cash or financial assets of another entity.  
 Financial liability is any liability with contractual obligation to deliver cash or other financial assets to another entity.

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**2.5 Changes in Accounting Policies**

There has been no significant change in the accounting policies adopted by the Microfinance except where required due to adoption of Nepal Financial Reporting Standards.

**2.6 Discounting**

Discounting has been applied whenever the assets and liabilities are of non-current in nature and the impact of time value of money is not insignificant.

**2.7 Going Concern**

The Management has made an assessment on the Microfinance's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt over the Microfinance's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**2.8 Separate Financial Statements**

The presented financial statements is the separate financial statements of the Microfinance. The Microfinance does not have subsidiary, accordingly, preparation of consolidated financial statements as per NFRS 10 is not required.

**3 Significant Accounting Policies**

The significant accounting policies adopted by Microfinance while preparing financial statements are as follows:

Note No.	Accounting Policy	Information Note No.
3.1	Basis of Measurement	
3.2	Basis of Consolidation	
3.3	Cash and Cash Equivalent	4.1
3.4	Financial Assets and Financial Liabilities	
3.5	Trading Assets	4.5
3.6	Derivative Assets and Liabilities	4.4
3.7	Property and Equipment	4.11
3.8	Goodwill Intangible assets	4.12
3.9	Investment Property	4.10
3.10	Income tax	4.9
3.11	Deposits, debt securities issued and subordinated liabilities	4.18, 4.22, 4.23
3.12	Provisions	4.20
3.13	Revenue	4.27, 4.29, 4.31, 4.33, 4.37
3.14	Interest expense	4.28
3.15	Employees Benefits	4.23
3.16	Leases	
3.17	Foreign currency translation	
3.18	Financial guarantee and loan commitment	
3.19	Share capital and reserves	4.24, 4.25
3.2	Earning per share including diluted	
3.21	Segment reporting	5.4
3.22	Events after reporting date	

**3.1 Basis of Measurement**

The financial statements are prepared on historical cost convention except for the following material items:

Particulars	Measurement Basis
Investment in shares and mutual fund schemes	Fair value
Non-banking assets	Lower of Market Value or Outstanding Receivable at the date of booking NBA
Loans to employees	Amortized cost
Property and equipment, investment property and intangible assets	Deemed cost as fair value

**3.2 Basis of consolidation**

The Microfinance does not have subsidiary companies, accordingly, consolidation of financial statements is required.

**3.3 Cash and cash equivalent**

Cash and cash equivalent comprises of cash, demand deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In general, short term investments with original maturity of up to three months are considered as cash equivalent. Cash and cash equivalent are presented at amortized cost on the financial statements.

**3.4 Financial assets and financial liabilities**

Financial assets are any assets that is cash, equity instrument of another entity or any contractual right to receive cash or financial assets of another entity.

Financial liability is any liability with contractual obligation to deliver cash or other financial assets to another entity.

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### 3.4.1 Recognition

The Microfinance initially recognises financial assets or financial liabilities on the date on which the Microfinance becomes party to the contractual arrangement.

### 3.4.2 Classification and Measurement

**Financial Assets:** The classification and measurement of financial assets depend on how these are managed i.e. the Microfinance's business model and their contractual cash-flow characteristics. Based on these factors, financial assets are classified on following three categories:

i) At Amortized Cost

ii) At Fair Value through Profit or Loss (FVPL)

iii) At Fair Value through Other Comprehensive Income (FVOCI)

i) **At amortized cost:** Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments for which the Microfinance has the business model of collecting the contractual cash flows and holding till maturity. They are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

ii) **At fair value through profit or loss:** Financial assets are classified at fair value through profit or loss (FVTPL) if the Microfinance holds such instruments for the purpose of trading or designates such assets at fair value through profit or loss to prevent accounting mismatch. The attributable transaction costs and changes in fair value are taken to profit or loss.

iii) **At fair value through other comprehensive income:** Financial assets at FVOCI are non-derivative financial assets that are not classified in any of the above category. Financial assets at FVOCI are measured at fair value. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein are recognized in other comprehensive income and presented in the fair value reserve in equity. The Microfinance has irrevocably opted to classify the investment made in shares as a part of long-term strategic investment as financial assets at FVOCI on initial recognition.

**Financial Liabilities:** The Microfinance classifies its financial liabilities, other than financial guarantee and loan commitments, as measured at amortised cost or fair value through profit or loss. Financial liability is measured initially at fair value, or an item not at fair value through profit or loss, at transactions costs that are directly attributable to its acquisition or issue.

### 3.4.3 De-recognition

#### Financial Assets

Financial assets are partially or fully de-recognized in any of the following condition:

- termination of contractual rights to cash flow

- upon transfer of contractual cash flows in a transaction in which substantially all of the risk and rewards of the ownership of the financial assets are transferred or in which the Microfinance neither transfer nor retains substantially all of the risk and rewards of the ownership and it does not retain control of the financial assets.

On derecognition of a financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognised) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of profit or loss.

#### Financial Liabilities

Upon settlement or termination of any liability related to financial liability, financial liability is de-recognized. The difference between the carrying amount and settlement amount is accounted through statement of profit or loss.

### 3.4.4 Determination of fair value

Fair value 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. Fair value is initially considered based on quoted rate where the assets or liabilities are transacted on principal market, in the absence of which the most advantageous market is the active market.

When available, the Microfinance measures the fair value of an instrument using the quoted price in an active market for that instrument. The market is regarded as active if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market then the Microfinance uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Fair value of non-financial assets like property & equipment, investment property and intangible assets are considered the deemed cost of such assets in line with NFRS 1.

#### Fair Value Hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values.

Level 1: Fair value is determined based on quoted price of financial instruments in active market.

Level 2: Fair value is determined based on quoted price of similar financial instruments within consideration to significant observable inputs.

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Level 3: Fair value is determined using other method as the inputs for valuation are unobservable inputs for the asset or liability. Microfinance has used the accounting value and considered if there exists factors that could affect the measurement in changes to the book value of assets or liabilities for this level of valuation.

**3.4.5 Impairment**

During the year FY 2081/82, The Institute of Chartered Accountants of Nepal (ICAN) and Accounting Standards Board of Nepal (ASB Nepal) has pronounced that full version of NFRS 9 containing Expected Credit Loss (ECL) to be effective from Shrawan 1st, 2081 and financial statements of Ashadh end 2082 (including quarterly financials thereon) incorporates ECL reporting. In relation to the same, "NFRS 9 – Expected Credit Loss Related Guidelines, 2024" was pronounced by the Bank and Financial Institution regulation department of Nepal Rastra Bank on Jestha 1st 2081, providing detailed guidelines for the consistent and prudent application of NFRS 9.

Initially, the updated standard of NFRS 9: Financial Instruments (in line with NFRSs 2018) was pronounced by Institute of Chartered Accountants of Nepal (ICAN) to be effective from 16th July 2021. However, due to various reasons including challenges posed by emergence of COVID, limited time availability and lack of technical expertise, full implementation of NFRS 9 was deferred till FY 2080/81, for banks and financial institutions. Hence, the provisions of NFRS 9 that includes expected credit loss, is fully effective in the Microfinance from FY 2081/82.

The Microfinance recognizes a loss allowance for expected credit losses on a financial asset that are measured at Amortized Cost (AC), Fair Value Through Other Comprehensive Income (FVTOCI), a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply.

The ECL approach results in the early recognition of credit losses because it includes, not only losses that have already been incurred, but also expected future credit losses – it is a forward-looking model.

Any financial instrument classified and measured at FVTPL is not covered under impairment requirements of NFRS 9. The methods for the calculation of Expected Credit Loss is classified into 3 broad approaches:

**1. General approach**

These approaches are applicable to financial assets measured at amortized cost, financial assets measured at FVOCI with recycling, Loan commitments (not at FVTPL), Financial guarantee contracts (not at FVTPL).

Lifetime ECL is recognized for all financial assets where the credit risk has increased significantly since initial recognition.

At the reporting date, if the credit risk has not increased significantly since initial recognition, the Microfinance measures the loss allowance for those financial assets at an amount equal to 12- month ECL.

For loan commitments and financial guarantee contracts, the date that the entity becomes party to the irrevocable commitments is considered to be the date of initial recognition for the purpose of applying the impairment requirements. The Microfinance recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with NFRS 9.

Under the general approach, NFRS 9 recognizes a three-stage approach to measure expected credit losses and recognize interest income.

**Stage 1:**

The financial instruments that have not had a significant increase in credit risk since initial recognition are classified in Stage 1. The Financial instruments at stage 1 require, at initial recognition, a provision for ECL associated with the probability of default events occurring within the next 12 months (12-month ECL). For those financial assets with a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity. Interest is calculated on the gross carrying amount of the financial asset before adjusting for ECL.

This stage includes the following:

- i. Initially recognized financial instruments (other than those purchased or originated credit impaired financial assets)
- ii. Financial instruments having no significant increase in credit risk since initial recognition.
- iii. Financial assets for which contractual payments are not overdue or are overdue for up to 1 month.
- iv. Financial instruments having low credit risk at the reporting date.

For this purpose, instruments with low credit risk include:

- All exposures on Nepal Government/Province/Local Level or Nepal Rastra Bank
- Exposures fully guaranteed by Nepal Government/Province/Local Level.
- Foreign Sovereign exposures having rating BBB- and above from an external rating agency at the reporting date.
- All exposures on BIS, IMF, EC, ECB and multilateral development banks with risk weight of 0% as defined in Capital Adequacy Framework 2015.
- Debenture/bonds having rating of AA or above at reporting date from external credit rating agency.

The Microfinance determines at each reporting date whether the financial instruments meet the requirement of low credit risk. If the instrument does not meet the requirement of low credit risk, the Microfinance determines whether the risk of default on the financial instrument has been increased significantly or not after initial recognition. If the risk has been increased, the instruments are classified under stage 2 and accordingly lifetime ECL is recognized.

**Stage 2:**

The financial instruments having significant increase in credit risk since initial recognition are classified in Stage 2. A provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL). Interest income is continued to be recognized on a gross basis.

This stage includes the following:

- i. Financial instruments having significant increase in credit risk since initial recognition.
- ii. Financial instruments having contractual payments overdue for more than 1 month but not exceeding 3 months.
- iii. Loans classified as 'Watchlist' as per NRB directive on prudential provisioning.
- iv. Loans without approved credit line or with credit line revoked by microfinance.
- v. Loan that has been restructured/rescheduled but not classified as non-performing loan as per existing provisions of NRB directives. However, rescheduling of installment/EMI based loans resulting in reduction in number of installments due to prepayments or change in number of installments due to change in interest rates under floating interest rate are not applicable.
- vi. Claims on non-investment grade financial instruments i.e. with a credit rating of BB+ or below.

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**Stage 3:**

The credit impaired or defaulted financial instruments are classified as Stage 3. A provision is required for the lifetime ECL representing the losses over the life of the instrument (lifetime ECL) with the probability of default (POD) 100%. Interest income is calculated on an actual receipt basis.

This stage includes the following:

- i. Financial instruments having contractual payments overdue for more than 3 months
- ii. The Microfinance considers that the borrower is unlikely to pay its credit obligations to the Microfinance in full, without realizing securities (if held).  
The indicators of unlikeliness to pay include:
  - The Microfinance puts credit obligation on non-accrued status.
  - The Microfinance consents to distressed restructuring of credit obligation resulting in reduction in financial obligation due to material forgiveness, postponement of principal, interest
  - The Microfinance has filed for the debtor's bankruptcy or a similar order in respect of the borrower's credit obligation.
  - The Microfinance sells a part of the credit obligation at a material credit-related economic loss.
  - The debtor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation.
  - There is evidence that full repayment based on contractual terms is unlikely without the Microfinance's realization of collateral regardless of whether the exposure is current or past due by a few days.
- iii. Loan is classified non-performing as per NRB prudential provisioning directive.
- iv. Credit impaired financial instruments with objective evidence of impairment.
- v. The financial assets classified as purchased or originated credit impaired (POCI) assets as per NFRS 9. POCI assets also refer to new loans disbursed during the current reporting period for accounts that were classified under Stage 3 at previous reporting date.

Particulars	Stage 1	Stage 2	Stage 3
Nature	12 month expected credit loss	Lifetime expected credit loss	Lifetime expected credit loss
Risk	No significant risk since initial recognition	Significant credit risk since initial recognition	Credit impaired (With objective evidence of impairment)
Nature	Performing	Performing	Non-performing
Interest Revenue	Effective interest on gross carrying amount	Effective interest on gross carrying amount	Interest on Actual Receipt Basis

The ECL approach results in the early recognition of credit losses because it includes, not only losses that have already been incurred, but also expected future credit losses – it is a forward-looking model. The Microfinance incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Microfinance also obtained experienced credit judgement from economic outlook and Risk Management Departments to formulate a base case, a best case and a worst-case scenario. The base case represents a most-likely outcome and is aligned with information used by the Microfinance for strategic planning and budgeting. Quantitative economic factors are based on economic data and forecasts published by the NSO, NRB, and other reliable sources and statistical models. The Microfinance also obtained experienced credit judgement from economic outlook and Risk Management Departments to formulate a base case, a best case and a worst-case scenario. The base case represents a most-likely outcome and is aligned with information used by the Microfinance for strategic planning and budgeting. Quantitative economic factors are based on economic data and forecasts published by the NSO, NRB, and other reliable sources and statistical models.

**Drivers of Credit Risk**

Parameters	Sources
GDP	CBS
Agricultural GDP	NRB
Inflation	World Bank
Unemployment Rate	NRB
Interest Rate	NRB
Remittance Inflow	NRB
Per Capita Income	CBS

The Microfinance measures ECL in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes and the reasonable and supportable information available without undue cost or effort at the reporting date, about past events, current conditions and forecast of future economic conditions. While estimating the ECLs, the Microfinance considers three probability-weighted scenarios (a base case, a best case and a worse case).

The calculation of ECL consists of three key components and discount factor:

- Probability of Default (PD)
- Loss Given Default

The Microfinance measures ECL in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes and the reasonable and supportable information available without undue cost or effort at the reporting date, about past events, current conditions and forecast of future economic conditions. While estimating the ECLs, the Microfinance considers three probability-weighted scenarios (a base case, a best case and a worse case).

The calculation of ECL consists of three key components and discount factor:

- Probability of Default (PD)
- Loss Given Default
- Exposure at Default (EAD)

$ECL = PD * LGD * EAD * \text{Discount Factor}$

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The Microfinance writes off a loan or an investment security, either partially or fully and any related allowance for impairment losses, when the Finance determines that there is no realistic prospect of recovery.

For the purpose of collective assesment of imparment Microfiance has categorized assets into following board products :

- Micro Business Loan
- Micro Enterprises Loan
- special member loan
- Micro Enterprise Loan (A)
- BioGas Loan Group
- Seasonal Loan
- Irrigation Loan
- Emergency Loan
- Refinance Loan
- Toilet Loan
- Loan Against Group Saving
- Housing Loan Non-Collateral
- Bio Gas Loan
- Micro Enterprises B
- Housing Loan Collateral
- Joined Project Loan
- Group fund Loan

**Regulatory Backstop Measures**

The Microfinance, following regulatory backstop as mentioned Clause 16 of "NFRS 9- Expected Credit Loss Related Guidelines, 2024" has recognize impairment on credit exposures as the HIGHER of total ECL calculated as per NFRS 9 and existing regulatory provisions as mentioned in Unified NRB Directives no 02. The Following table below depicts the calculation of impairment allowance as per NFRS 9 and NRB Directives:





S.N.	Financial Statement Items	2080/81		
		As per NFRS 9 (ECL)	As per NFRS 9 (ECL)	As per NRB
<b>On Balance Sheet Items:</b>				
1	Cash and Cash Equivalent			
2	Due from Nepal Rastra Bank			
3	Placement with Bank and Financial Institutions			
4	Derivative financial instruments			
5	Other trading assets			
6	Loan and advances to B/Fis			
7	Loans and advances to customers	833,834,318	1,212,240,935	288,568,801
8	Investment securities			
9	Current tax assets			
10	Investment in subsidiaries			
11	Investment in associates			
12	Other assets:			
	a) Lease Receivable			
	b) Contract Asset			
	c) Others			
<b>Off Balance Sheet Items:</b>				
13	Loan Commitments			
14	Financial guarantee contracts			
15	Others			
	<b>Total</b>	<b>833,834,318</b>	<b>1,150,384,148</b>	<b>288,568,801</b>

**Classification of Loan**

Particulars	As on 32 Ashadh 2082
<b>Performing Loan</b>	<b>11,952,579,727</b>
Pass Loan	9,645,212,834
Watchlist Loan	896,371,250
Rescheduled/Restructured Loan	1,410,995,643
<b>Non-Performing Loan(NPL)</b>	<b>1,322,898,945</b>
Substandard Loan	78,898,415
Doubtful Loan	206,404,982
Loss Loan	1,037,595,548
<b>Total</b>	<b>13,275,478,672</b>
<b>NPL Percentage</b>	<b>9.96</b>

**Loan Classification and Corresponding ECL:**

Classification	Stage	2081/82		2080/81	
		Outstanding amount	ECL	Outstanding Amount	ECL
<b>Performing Loans</b>					
Pass Loan	Stage 1	8,834,771,611	39,327,945	7,487,083,008	18,782,176
Watchlist	Stage 2	905,582,118	13,004,614	1,748,618,557	12,625,779
Restructure	Stage 2	821,796,071	12,686,231	2,072,640,638	21,306,935
<b>Non- Performing Loans</b>					
Restructure	Stage 3	2,034,867,438	461,556,680	53,506,933	5,015,878
Substandard	Stage 3	79,908,611	11,195,951	62,534,078	4,502,961
Doubtful	Stage 3	49,907,826	7,169,921	47,152,752	3,323,389
Loss Loan	Stage 3	514,247,274	273,944,213	723,986,258	218,565,230
Stage 1 tran	Stage 3	12,233,111	2,996,612	41,145,482	3,456,860
Stage 2 tran	Stage 3	42,166,040	11,952,153	15,204,577	989,592
<b>Off balance Sheet exposures</b>					
Receivables					
<b>Total</b>		<b>13,295,480,100</b>	<b>833,834,319</b>	<b>12,251,872,283</b>	<b>288,568,801</b>
<b>Corresponding ECL</b>					
Stage 1		8,832,985,008	39,110,840	7,481,273,127	18,710,772
Stage 2		1,726,567,401	25,529,999	3,818,873,234	33,792,637
Stage 3		2,735,927,691	769,193,480	951,725,922	236,065,392
<b>Off balance Sheet exposures</b>					
Receivables					
<b>Total</b>		<b>13,295,480,100</b>	<b>833,834,319</b>	<b>12,251,872,283</b>	<b>288,568,801</b>

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**Comparison of Impairment as per NFRS and NRB :**

Particulars	As on 32 Ashadh 2082
<b>LLP as per NRB Directives</b>	<b>212,740,935</b>
On Pass Loan	261,312
On Watchlist Loan	36,516,690
On Rescheduled/Restructured Loan	93,496,551
On Substandard Loan	57,947,871
On Doubtful Loan	170,904,649
On Loss Loan	658,106,208
Additional impairment recognised by the NRB	128,517,964
Additional impairment recognised by the Auditor's	40,489,690
<b>Impairment as per NFRS</b>	<b>833,834,319</b>

**3.4.6. Amortized cost measurement**

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

**3.4.7 Effective Interest Method**

Effective Interest Method is the method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

**3.5 Trading assets**

Trading assets are those assets that the Microfinance acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

**3.6 Derivatives assets and derivative liabilities**

Derivative assets and liabilities are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The changes in value of instruments are accounted through profit or loss.

**3.7 Property and Equipment**

Non-financial tangible assets that are held for providing service to customers and for administrative use of the Microfinance are classified as Property and Equipment.

**Recognition**

Property and Equipment are recognized in books whenever it is probable that future economic benefits associated with such assets will flow to the entity and the amount of assets can be reliably measured.

**Measurement**

At initial recognition, items of property and equipment are measured at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the Microfinance. Ongoing repair and maintenance are expensed off as incurred.

Subsequent to the initial measurement, NAS 16 provides accounting policy choice to measure the assets either on cost or on revaluation. The Microfinance has measured all items at cost on subsequent measurement. On transition to NFRS, the Microfinance has elected to continue with the carrying value of all of its property and equipment measured as per the previous GAAP and use that carrying value as the deemed cost in line with provisions of NFRS 1, considering the carrying amount as per previous GAAP approximately equates the fair value of such assets.

**Derecognition**

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

**Assets not capitalized**

Items of property and equipment with original cost up to Rs. 5,000 are directly accounted as expenses.

**Capital Work in Progress**

Assets in the course of construction are capitalized in the assets under capital work in progress (CWIP). At the point when an asset is capable of operating in the manner intended by the management, the cost of construction is transferred to the appropriate category of property and equipment and depreciation commences.

**Residual Value**

The Microfinance has assessed the salvage value of all property and equipment considering the expected realizable value on the end of life of such assets.

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**Depreciation**

Depreciation is charged upon the assets is available for use and disposal. When the asset is disposed off, classified as held for sale or ceases to generate economic benefits.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and ready for intended use. Depreciation is provided on all other items of property and equipment so as to write-off their carrying value over the expected useful economic lives.

Items of property and equipment are depreciated on Straight Line Method over their useful life.

Management of the Microfinance has assessed useful life of property and equipment, as follows:

<u>Items</u>	<u>Useful Life</u>
Building	50 years
Leasehold Properties	Lease period
Vehicle	8 - 12 years
Office Equipment, Furniture & Fixture, Computer	7 - 10 years
Other Assets	8 - 10 years

**3.8 Goodwill and Intangible assets**

**Goodwill**

Goodwill arises on the acquisition of financial institutions when the aggregate of the fair value of the consideration transferred and non-controlling interest exceeds the amount of the identifiable assets and liabilities acquired. If the amount of the identifiable assets and liabilities acquired is greater, the difference is recognised immediately in the Statement of profit or loss.

Goodwill is allocated to cash generating unit (CGU) at the lowest level at which goodwill is monitored for internal management process. Impairment testing is performed annually, and whenever there is an indication that CGU may be impaired. If the present value of expected cash inflows is less than carrying amount, the impairment loss is recognized and accounted through Statement of Profit or Loss. Goodwill is stated at cost less accumulated impairment losses.

**Acquired Intangible Assets**

Intangible assets are recognized whenever the cost of assets can be reliably measured, by the past experience it is demonstrated the Microfinance has control over such assets for the specified period and it is probable that future economic benefits could be derived from such assets. The Microfinance has followed NAS 38 for accounting of intangible assets.

**Computer Software**

Computer software are capitalised on the basis of the purchase cost of software or license and costs incurred to bring it to use. The cost of internally developed software includes directly attributable costs.

Intangible assets are amortized over the period of its estimated use, or in case of licenses, over the period of contractual right of use. Whenever there is no specific life or license period, such software are amortized over the period of five years.

At each reporting date, impairment test of intangible assets is done in order to oversee whether the carrying amount exceeds recoverable amount. Impairment loss is charged to Statement of Profit or Loss.

On transition to NFRS, the Microfinance has elected to continue with the carrying value of all of its intangible assets measured as per the previous GAAP and use that carrying value as the deemed cost as fair value in line with provisions of NFRS 1.

**3.9 Investment Property**

Investment property is land and building held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the supply of services or for administrative purpose.

**3.10 Income tax**

Income tax expenses include current tax, deferred tax and any adjustments recognised in the period for current tax of prior periods.

**Current Tax**

Current tax is the amount of income tax payable in respect of taxable profit. This is calculated as per the provisions of Income Tax Act with the effective tax rate for current period. Taxable profit differs from the profit reported in the statement of profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible. Income tax rate applicable for Microfinance is 30% (previous year rate was 30%).

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Particulars		Amounts
Profit as per NFRS (Before Staff Bonus Provision)		64,607,374
Less: Staff Bonus Provision		3,180,369
Profit as per NFRS (After Staff Bonus Provision)		60,427,006
Add:		
Inadmissible Expenses as per Income tax Act, 2058		
1	Depreciation as per Accounting System	38,084,953
2	Impairment of loans as per books	-6,939,351
3	Staff Gratuity Provision	43,029,520
4	Staff Leave Provision	50,333,081
5	Interest Cost on Employee Benefit Obligations	74,520,363
6	Interest Cost on Lease Liabilities	6,118,705
7	Interest income on plan assets	0
8	Fines and Penalties	647,091
9	Repair and Maintenance Expenses as per Accounting System	2,019,120
10	LLP as per tax - Reversal of excess claim	0
11	Gain on Sale of Vehicle as per Financial	-2,330,618
		205,482,865
Less:		
Admissible Expenses as Per Income Tax Act, 2058		
1	Depreciation as per Section 19	8,899,221
2	LLP as per tax	0
3	Payment of staff Gratuity	178,196,489
4	Leave encashment	76,387,494
5	Recovery of loan written off	104,913
6	Bad Debt Recovery	0
7	Lease Payments	38,228,117
8	Adjustment of Grant Income	0
9	Repair and maintenance expenses as per section 16	2,019,120
10	Less: Loss Carried Forward	137,246,553
	<b>Total Taxable Income</b>	<b>-175,172,037</b>
	Income Tax Liability	0
	Advance Tax deposited	250,891,233
	<b>Income Tax Receivable/(Payable)</b>	<b>250,891,233</b>

#### Deferred Tax

Deferred tax is calculated on temporary differences i.e., the difference between the tax base of assets and liabilities and carrying amount in the financial statements. Deferred tax is calculated using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized when it is probable that future taxable profit will be available to adjust the impact of temporary differences. Changes in deferred tax over period is recognized as deferred tax income/expenses in Statement of Profit or Loss.

#### Income tax on items of OCI

Income tax arising on the items of other comprehensive income is charged to statement of OCI itself.

#### 3.11 Deposits, debt securities issued and subordinated liabilities

##### Deposits:

Deposits by members is initially recognized at fair value, net of transaction costs for those financial liabilities not at fair value through profit or loss. The transaction price is considered as the fair value for measuring the deposits.

##### 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 bank designates the liabilities at fair value through profit or loss. However, the microfinance does not have debt securities during the reporting period.

##### Subordinated 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 did not have any such liabilities.

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### 3.12 Provisions and Contingent Liabilities

Provision is a liability with uncertain timing and event. 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. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**Contingent Liabilities:** Contingent liabilities are i) possible obligations arising from past events whose existence will be confirmed on happening or not happening or uncertain future events not wholly within the control of Microfinance, or ii) a present obligation arising from past events but are not recognized because outflow of resources to settle may not be required or such amount can not be reliably estimated.

Contingent liabilities are separately disclosed in the financial statements.

### 3.13 Revenue Recognition

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

#### 3.13.1 Interest income

Interest income includes interest income on loan and advance, investment securities except on those investment securities measure at fair value through profit or loss, cash and cash equivalent, due from Nepal Rastra Bank, due from BFs, loan and advances to staff etc. Interest income on loans and advances are recognized on amortised principal which is nearer to the effective interest method suggested by NFRS. The adoption of effective interest method is not possible due to constraints of time, effort and cost in short term compared to the benefits it provides. Interest of loans and advances which are significantly impaired are not recognized. Interest income on government bond, treasury bills and bank balances are recognized under effective interest method.

Further NRB Interest Income Guideline 2025 issued on 27th July 2025 set the criteria for determining when interest income recognition should be continue:

- (a) Stage-1:-Based on coupon interest rate on principal outstanding for all financial assets(accrual basis)
- (b) Stage-2:-Based on coupon interest rate on principal outstanding for all financial assets(accrual basis)
- (c) Stage-3:-Based on cash basis approach (incremental)

Hence, Accrued interest on Loans (other than loans whose contractual payments and or interest are more than 3 month in arrears) has been recognized.

As on Asadh End 2082 the Microfinance has ceased accrual of interest amounting to NPR. 981,924,924 related to stage 3 loan which was NPR. 753,072,958 related to bad loan as on Asadh End 2081.

Microfinance, in general, generates interest income from loan to customers, investment in debt securities and call deposits.

Particulars	As at 31st Ashadh 2080	As at 31st Ashadh 2081	As at 32nd Ashadh 2082
Interest Suspense( Receivable)	916,786,054	1,061,771,783	1,152,489,922
Interest receivable due for 1 year or less	179,114,151	308,698,825	170,564,998
Interest receivable due for more than 1 year	737,671,903	753,072,958	981,924,924

#### 3.13.2 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided based on satisfaction of the performance obligations. The fees and commission income and expense that are integral to the effective interest rate on the financial assets and financial liability are included in the measurement of the effective interest rate. The Microfinance has opted to use carve-out as mentioned in Note 2.1.1 (b) on this matter and accounted all realized fee and commission income upfront.

Commission on guarantees issued that are for more than one year are immediately accounted as income. If the period of guarantee is more than one year, then the proportionate amount of fee is accounted as income.

#### 3.13.3 Dividend income

Dividend income is recognized when the right to receive dividend is established i.e. when the dividend is approved by general meeting of companies.

#### 3.13.4 Net trading income

Income derived from buying/selling of assets and liabilities classified as for trading purpose are accounted as net trading income. Gain and loss on trading assets and liabilities are recognized on mark to market basis and not on realization basis.

#### 3.13.5 Other Operating Income

Income other than interest, fees & commission and trading income are accounted as other operating income. This primarily comprises of changes in foreign exchange rate, dividend income, gain on disposal of non-financial assets etc.

#### 3.14 Interest expense

Interest on deposit accepted from customer and borrowings of the Microfinance are accounted on accrual basis.





**3.15 Employees Benefits**

Employee expenses includes the amount paid to employees or microfinance in respect of their service. Payment in respect of services include short-term, post-employment, termination and other long-term employee benefits. Other long-term employee benefits are in the form of defined contribution plan and defined benefit plan. Expenses under defined contribution plan are accounted as they incur and on defined benefit plan as per the actuarial valuation.

Short term employee benefits include salary, allowance, annual bonus based on profit of the Microfinance, subsidized loans etc. These are provided as the services are rendered by the employees and measured on undiscounted amount of payment made.

Defined Benefit Plans include the gratuity entitle to the employees as per Employee Service Bylaw of the Microfinance. Other long-term employee benefits include accumulated leave not encashed during service period. These are generally paid on retirement or termination of service of the employee, or when the accumulation exceeds the prescribed period.

**3.16 Leases**

NFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lease accounting by removing the distinction between operating and financial lease and requiring the recognition of a right-of-use assets and a lease liability at commencement for all leases, except for short-term leases and lease of low value assets when such recognition exemptions are adopted. The impact of adoption of NFRS 16 on the financial statements is described below.

The date of initial application of NFRS 16 for the Microfinance is 1st Shrawan 2078.

The Microfinance has applied NFRS 16 using the modified retrospective approach which:

- requires the Microfinance to recognize the effect of initially applying NFRS 16 by considering the date of initial application as the date of commencement of lease.
- does not permit restatement of comparatives, which continue to be presented under NAS 17 and IFRIC 4.

Under NFRS 16, right-of-use assets are tested for impairment in accordance with NAS 36.

For short-term leases (lease term of 12 month or less) and leases of low-value assets, the microfinance has opted to recognize a lease expenses on straight-line

basis as permitted by NFRS 16. This expenses is presented with in 'Notes 4.35- Other Operating expenses' in the statement of profit or loss.

The Microfinance has used the following practical expedients when applying the modified restrospective approach to lease previously classified as operating leases applying NAS 17.

- The Microfinance has applied a single discount rate of 11.5% to a portfolio of lease with reasonably similar characteristics.
- The Microfinance has elected not to recognize right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Microfinance has excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application.
- The Microfinance has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

**3.17 Foreign Currency Transaction**

Transaction in foreign currencies are recorded in the functional currency at spot rate i.e., the rate of exchange prevailing on the date of transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange prevailing on that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payment during the year and the amortised cost in the foreign currency translated at the rate of exchange at the reporting date.

Non-monetary assets and liabilities that measured at fair value in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in the foreign currency are translated using the rate of exchange on the date of transactions. The resulting exchange gain or loss differences are generally recognised in Profit or Loss.

**3.18 Financial guarantee and loan commitment**

Financial guarantees are contract that require the Microfinance to make specified payments to reimburse the holder for a loss that incurs because a specified debtors fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below market interest rate included within other liabilities.

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**3.19 Share Capital and Reserves**

**3.19.1 Share Capital**

Equity share capital is financial instruments issued by the company only to those extent that they do not meet the definition of financial liabilities.

All the issued shares are paid up and are listed with Nepal Stock Exchange for the purpose of trading by shareholders. All shares have right to vote on the basis of the number of shares held. The Microfinance does not have shares other than ordinary shares.

**3.19.2 Reserves**

Microfinance has created various types of reserves as part of regulatory requirement.

**a) General Reserve**

General reserve is the statutory reserve. In this reserve, the amount transferred from appropriation of net profit according to the Banks and Financial Institutions Act, 2073 shall be included. No type of dividend (cash or bonus share) shall be distributed from the amount in general/statutory reserve. Approval of NRB shall be required in order to use the amount in this reserve.

**Movement in General Reserve during this fiscal year:**

Particulars	Amount(NPR)
Opening Balance of 1st Sharwan 2081	389,675,336
<b>Addition to the Fund this FY</b>	
a. Provision of this FY (20% of net profit as per NFRS)	14,193,607
b. 50% of Dividend in excess of 15% Dividend	-
<b>Total (A)</b>	403,868,943
<b>Less : Expenses from Fund this FY</b>	
<b>Total (B)</b>	-
<b>Closing Balance as on Ashad End 2082 (A-B)</b>	<b>403,868,943</b>

**b) Exchange Equalization Reserve**

Exchange equalization reserve is a statutory reserve. A bank which has earned foreign exchange revaluation gain on foreign currency other than Indian currency has to allocate 25 percent of such revaluation gain to this reserve as per provision of the Bank and Financial Institution Act. Any amount allocated to exchange equalization reserve as per the provision of the Bank and Financial Institutions Act, shall be presented under this heading.

**c) Corporate Social Responsibility (CSR) Reserve**

In line with Point 16 of Directive 6/080 Microfinance is required to allocate 1% of its net profit for the year for CSR and is required to create CSR Reserve. The amount appropriated to this reserve is expensed off as prescribed in the same Directive in the next fiscal year.

**Movement in CSR Fund this fiscal year:**

Particulars	Amount(NPR)
Opening Balance of 1st Sharwan 2081	5,059,104
<b>Addition to the Fund this FY</b>	
a. Provision of this FY (1% of net profit as per NFRS)	709,680
<b>Total (A)</b>	5,768,785
<b>Less : Expenses from Fund this FY</b>	
a. Financial Literacy program	103,830
<b>Total (B)</b>	103,830
<b>Closing Balance as on Ashad End 2082 (A-B)</b>	<b>5,664,955</b>

**d) Client Protection Fund**

Client protection fund is created at 1.5% of net profit.

**Movement in Client Protection Fund this fiscal year:**

Particulars	Amount(NPR)
Opening Balance of 1st Sharwan 2081	181,509,575
a. Interest Income to the fund	5,339,589
b. Miscellenious Addition	
c. 1.5% of Net Profit as per NFRS of the FY	1,064,521
d. 35% of Dividend in excess of 15%	
<b>Total (A)</b>	187,913,685
<b>Less : Expenses from Fund this FY</b>	
a. Assistance to member during pregnancy for hygiene foods and expenses for medical cure of member, Social Service expenses(Kajkriya kharcha, Bittiya Sakcharta, customer medical expenses,	11,595,272
b. Help for centre home repair	
c. Scholarship Expenses	
d. Training and Observation Expenses of Member	
<b>Total Expenses (B)</b>	11,595,272
<b>Closing Balance as on Ashad End 2082 (A-B)</b>	<b>176,318,413</b>

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e) **Regulatory Reserve**

The amount that is allocated from Profit/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 Ashadh 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.

Details of Regulatory reserve has been presented herewith

Particulars	FY 2081.082	FY 2080.081
Interest Receivable	113,088,324	211,216,315
Income from Reversal of Provision of Restructured Loans	19,977,045	19,977,045
Short provision for possible losses on investments	-	-
Short provision on NBA	-	-
Deferred Tax assets	550,198,413	559,346,907
Gain on Bargain Purchase	-	-
Actuarial Gain Recognized	106,728,980	60,786,757
Fair Value loss recognized in OCI	-	-
Others	14	14
<b>Total</b>	<b>789,992,776</b>	<b>851,327,038</b>

f) **Capital Reserve**

The capital reserve represents the amount of those reserves which are in nature of capital and which shall not be available for distribution of cash dividend. The amount from share forfeiture due to non-payment of remaining amount for the unpaid shares, capital grants received in cash or kind, capital reserve arising out of merger and acquisition etc should be presented under this heading.

g) **Fair Value Reserve**

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

h) **Actuarial Gain Reserve**

This reserve is for presenting the OCI component of defined benefit obligations. This is not an actual reserve.

j) **Assets Revaluation Reserve**

Any reserve created from revaluation of assets (such as Property & Equipment, Intangible Assets, Investment Property) shall be presented under this heading. Revaluation reserves often serve as a cushion against unexpected losses but may not be fully available to absorb unexpected losses due to the subsequent deterioration in market values and tax consequences of revaluation.

j) **Capital Redemption Reserve**

This head shall include the statutory reserve created for making payment towards Redeemable Non-Convertible Preference Shares.

k) **Proposed Dividend Distribution**

The Board of the microfinance has not recommended any dividend.

l) **Investment Adjustment Reserve**

It is a regulatory reserve created as a cushion for adverse price movements in bank's investments as directed by the Directives of Nepal Rastra Bank.

3.19.3 **Share Premium**

The amount of money collected on issue of shares in excess of its face value shall be presented under this heading. The outstanding amount in this account shall not be considered eligible for distribution of cash dividend.

3.19.4 **Retained Earning**

The accumulated profits which has not been distributed to shareholders and has been ploughed back in the licensed institutions' operations and is free for distribution of dividend to the shareholders shall be presented under this heading.

3.20 **Earning per share including diluted**

The Microfinance measures earning per share on the basis of the earning attributable to the equity shareholders for the Period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 Earnings per Share.

3.21 **Segment reporting**

The Microfinance's operating segments are organized and managed separately through the respective department/business managers according to the nature of products and services provided with each segment representing a strategic business unit. These business units are reviewed by Chief Executive Officer of the Microfinance.

The Microfinance has identified segment reporting on the basis of Operation & Supervision office.

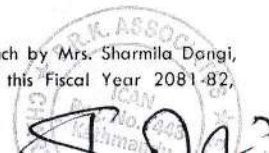
3.22 **Events after Reporting Date**

These are the events occurring between the reporting date and up to the date of approval of financial statements which are either adjustable or unadjustable.

Adjustable events are adjusted in the presented financial statements. There is no event that require additional disclosure in the financial statements.

3.23 **Fraud Recovery and Disciplinary Action – Ranjha Branch**

During the fiscal year 2080-81, preliminary investigation revealed embezzlement of Rs. 1,37,16,759.90 at the Ranjha Branch by Mrs. Sharmila Dangri, Assistant Manager (field staff), through creation of dummy loan accounts and misappropriation of customer deposits. In this Fiscal Year 2081-82, Management has recovered Rs.1,37,16,759.90 and management has taken disciplinary action against her.





**GRAMEEN BIKAS LAGHUBITTA BITTIYA SANSTHA LIMITED**  
**Notes to the Financial Statements for the year ended 32nd Ashad 2082**

**Note No. 4.1**

**Cash and cash equivalents**

Cash and cash equivalent comprise the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, treasury bills having original maturity of less than three months and cash in transit is presented as follows:

Particulars	As at 32nd Ashad 2082	As at
		31st Ashadh 2081
Cash in hand	20,514,273	20,046,044
Balance with B/FIs	637,929,806	623,483,670
Money at call and short notice	138,140,977	131,333,308
Other	375,700	375,700
<b>Total</b>	<b>796,960,756</b>	<b>775,238,722</b>

**Note No. 4.2**

**Statutory Balances and Due from Nepal Rastra Bank**

Balances held with Nepal Rastra Bank including balance for compulsory cash reserve is presented as follows:

Particulars	As at 32nd Ashad 2082	As at
		31st Ashadh 2081
Statutory Balances with NRB	324,035	324,035
Statutory Balances with BFIs	-	-
Securities Purchased under re-sale agreement	-	-
Other deposit and receivable from NRB	-	-
<b>Total</b>	<b>324,035</b>	<b>324,035</b>

**Note No. 4.3**

**Placement with Bank and Financial Institutions**

Placements with domestic as well as foreign bank and financial institutions with original maturities of more than three months from the acquisition date are presented as follows:

Particulars	As at 32nd Ashad 2082	As at
		31st Ashadh 2081
Placements with domestic B/FIs	-	-
Less: Allowances for Impairment	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**GRAMEEN BIKAS LAGHUBITTA BHATTA SANSTHA LIMITED**  
Notes to the Financial Statements for the year ended 32nd Ashad 2082

**Note No. 4.4**

**Derivative Financial Instruments**

The Microfinance does not have any Derivative Financial Instruments.

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Held for trading</b>	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<b>Held for risk management</b>	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<b>Total</b>	-	-

**Note No. 4.5**

**Other Trading Assets**

The Micro Finance does not have any trading assets.

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Treasury Bills	-	-
Government Bonds	-	-
NRB Bonds	-	-
Domestic Corporate Bonds	-	-
Equities	-	-
Other	-	-
<b>Total</b>	-	-
Pledged	-	-
Non-pledged	-	-

**Note No. 4.6**

**Loans and advances to MFIs and Cooperatives**

The Micro Finance does not have any Loans and advances to MFIs and Cooperatives

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Loans to microfinance institutions	-	-
Loans to FIs	-	-
Loans to Cooperatives	-	-
Less: Allowance for impairment	-	-
<b>Other</b>	-	-
Less: Allowance for impairment	-	-
<b>Total</b>	-	-

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**GRAMEEN BIKAS LAGANA BHATTIYA SANSTHA LIMITED**  
**Notes to the Financial Statements for the year ended 32nd Ashad 2082**

**Note 4.6.1.**

**Allowance for impairment**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Balance for 1 <sup>st</sup> Shrawan	-	-
Impairment loss for the year	-	-
Charge for the year	-	-
Recoveries/reversal	-	-
Amount written off	-	-
<b>Balance at Asar end</b>		

**Note No. 4.7**

**Loans and advances to customers**

Sum of the outstanding amount of all loans and advances extended to the customers other than BFIs, bills purchased and discounted and amortized cost of staff loans; less the amount of impairment allowances is presented under this head.

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Loans and advances measured at amortised cost	13,275,478,672	12,231,765,941
AIR On Loans and Advances	170,564,998	308,698,825
<b>Less: Impairment allowances</b>	<b>(1,212,240,935)</b>	<b>(1,219,180,286)</b>
Collective Allowances	(62,995,183)	(153,199,470)
Individual Allowances	(1,149,245,752)	(1,065,980,816)
<b>Net amount</b>	<b>12,233,802,734</b>	<b>11,321,284,480</b>
Loans and advances to staff measured at FVTPL	92,092,070	128,213,341
Less: Fair Value Adjustment	(15,100,235)	(30,891,306)
<b>Net amount</b>	<b>76,991,835</b>	<b>97,322,035</b>
<b>Total</b>	<b>12,310,794,569</b>	<b>11,418,606,516</b>

**Note No. 4.7.1**

**Analysis of Loans and advacnes- By Product**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Product</b>		
Term Loans	12,063,237,736	11,012,585,655
Short term, term loan	-	-
Hire purchase loan	-	-
Personal Residential Loans	-	-
Staff loans	76,991,835	97,322,035
Others	-	-
<b>Sub Total</b>	<b>12,140,229,571</b>	<b>11,109,907,690</b>
Interest receivable	170,564,998	308,698,825
<b>Grand Total</b>	<b>12,310,794,569</b>	<b>11,418,606,516</b>





GRAMEEN BIKAS LAGHUBITTA BITTA SANSTHA LIMITED  
Notes to the Financial Statements for the year ended 32nd Ashad 2082

Note No. 4.7.2

Analysis of Loans and advances- By Collateral

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Secured</b>		
Immovable assets	3,605,063,272	3,372,067,026
Government Guarantee		
Collateral of Government securities		
Collateral of fixed deposit receipt		
Group Guarantee	9,670,415,400	8,859,698,915
Personal Guarantee		
Other collateral		
<b>Subtotal</b>	<b>13,275,478,672</b>	<b>12,231,765,941</b>
Unsecured	-	-
<b>Grand Total</b>	<b>13,275,478,672</b>	<b>12,231,765,941</b>

Note No. 4.7.3

Allowances for Impairment

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Specific allowance for impairment</b>		
<b>Balance at Shrawan 1</b>	<b>153,199,470</b>	<b>137,906,074</b>
Impairment loss for the year	-	-
Recoveries/reversal during the year	(90,204,287)	15,293,397
Write-offs	-	-
Exchange rate variance on foreign currency	-	-
Other Movement	-	-
<b>Balance at Asadh end</b>	<b>62,995,183</b>	<b>153,199,470</b>
<b>Collective allowances for impairment</b>		
<b>Balance at Shrawan 1</b>	<b>1,065,980,816</b>	<b>1,446,368,018</b>
Impairment loss for the year	83,264,936	(380,387,202)
Recoveries/reversal during the year	-	-
Write-offs	-	-
Exchange rate variance on foreign currency	-	-
Other Movement	-	-
<b>Balance at Asadh end</b>	<b>1,149,245,752</b>	<b>1,065,980,816</b>
<b>Total Allowance for impairment</b>	<b>1,212,240,935</b>	<b>1,219,180,286</b>

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GRAMEEN BIKAS LAGHUBITTA BIKAS SANSTHA LIMITED  
Notes to the Financial Statements for the year ended 32nd Ashad 2082

**Note No. 4.8**

**Investment securities**

Investments made by Microfinance in financial instruments has been presented under this account head in three categories i.e. investment securities designated at fair value through profit or loss, investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income which is as follows:

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Investment securities measured at amortised cost	-	-
Investment Securities measured at FVTPL	-	-
Investment Securities measured at FVTOCI	2,025,000	2,025,000
<b>Total</b>	<b>2,025,000</b>	<b>2,025,000</b>

**Note No. 4.8.1**

**Investment securities measured at amortized cost**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Debt securities	-	-
Government bonds	-	-
Government treasury bills	-	-
Nepal Rastra Bank bonds	-	-
Nepal Rastra Bank deposits instruments	-	-
Other	-	-
Less: specific allowances for impairment	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Note No. 4.8.2**

**Investment in equity measured at fair value through other comprehensive income**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Equity instrument	-	-
Quoted equity instrument	-	-
Unquoted equity instrument	2,025,000	2,025,000
Less: specific allowances for impairment	-	-
<b>Total</b>	<b>2,025,000</b>	<b>2,025,000</b>

**Note No. 4.9**

Advance tax deposited by the bank less tax liabilities are presented under this head. Liabilities recognized for the purpose of current income tax, including fees, penalties are presented under this head.

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Current tax assets</b>		
Current year income tax assets	250,891,233	154,655,706
Tax assets of prior periods	-	-
<b>Total</b>	<b>250,891,233</b>	<b>154,655,706</b>
<b>Current tax Liabilities</b>		
Current year income tax liabilities	-	-
Tax Liabilities of prior periods	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>250,891,233</b>	<b>154,655,706</b>

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**GRAMEEN BIKAS LAGHUBANK SANSTHA LIMITED**  
**Notes to the Financial Statements for the year ended 31st Ashad 2082**

Note No 4.8.3

**Information relating to investment in equities**

Particulars	As at 32nd Ashad 2082		As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
<b>Investment in Unquoted Equity</b>						
Nepal Finsoft company Ltd 20,000 shares of Rs. 100 each	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Grameen Network Nepal 150 shares of Rs. 100 each	15,000	15,000	15,000	15,000	15,000	15,000
Centre for Microfinance Company Pvt. Ltd. 100 shares of Rs. 100 each	10,000	10,000	10,000	10,000	10,000	10,000
<b>Total</b>	<b>2,025,000</b>	<b>2,025,000</b>	<b>2,025,000</b>	<b>2,025,000</b>	<b>2,025,000</b>	<b>2,025,000</b>

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**GRAMEEN BIKAS LAKSHUBITTA BITTIYA SANSTHA LIMITED**  
**Notes to the Financial Statements for the year ended 32nd Ashad 2082**

**Note No 4.10**

**Investment Properties**

Land or land and building other than those classified as property and equipment; and non-current assets held for sale under relevant accounting standard has been presented under this account head. This shall include land, land and building acquired as non-banking assets by the bank but not sold.

The MFI has no investment properties.

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Investment Properties measured at fair value</b>		
Balance as on Shrawan 1	-	-
Addition/Disposal during the year	-	-
Net changes in fair value during the year	-	-
Adjustment/Transfer	-	-
Net Amount		
<b>Investment Properties measured at cost</b>		
Balance as on Shrawan 1	-	-
Addition/Disposal during the year	-	-
Adjustment/Transfer	-	-
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
Net Amount	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



**GRAMEEN BIKAS LIMITED**  
**Notes to the Financial Statements for the year ended 31st Ashad 2082**



**Note 4.11 Property and Equipment**

Particulars	Land	Vehicle	Office Equipment	Other Assets	Total
<b>Cost</b>					
<b>Opening Balance as on Asar end 2080</b>	4,596,038	32,099,056	71,530,308	3,052,146	227,074,850
Addition during the Year					
Acquisition					
Acquisition of Right-of-use asset			10,390,500	132,675	10,523,175
Capitalization					17,702,770
Disposal during the year		890,103.3			890,103
Adjustment/Revaluation		(1,339,278)			(26,271,618)
<b>Balance as on Asar end 2080</b>	4,596,038	31,649,881	81,920,809	3,184,821	229,919,281
Adjustment/Restatement					
<b>Restated Balance as on 1st Shrawan 2081</b>	4,596,038	31,649,881	81,920,809	3,184,821	229,919,281
Addition during the Year					
Acquisition					
Acquisition of Right-of-use asset		18,775,000	961,841	544,000	20,280,841
Capitalization					26,716,938
Disposal during the year					
Adjustment/Revaluation		(11,937,205)			(47,045,197)
<b>Balance as on Ashad end 2082</b>	4,596,038	38,487,677	82,882,650	3,728,821	229,871,864
<b>Depreciation and Impairment</b>					
<b>Balance as on Asar end 2080</b>		26,416,415	52,370,730	2,379,047	135,240,120
Impairment for the year					
Depreciation charge for the Year		921,566.4	4,040,392	152,278	5,175,205
Amortisation of Right-of-use asset					31,441,875
Disposals					(26,271,618)
Adjustment		(1,339,278)			
<b>Balance as on Asar end 2081</b>		25,998,704	56,411,122	2,531,325	145,585,582
Adjustment/Restatement					
<b>Restated Balance as on 1st Shrawan 2081</b>		25,998,704	56,411,122	2,531,325	145,585,582
Impairment for the year					
Depreciation charge for the Year		1,364,119	5,129,205	183,998	6,738,294
Amortisation of Right-of-use asset					31,179,717
Disposals		(10,465,364)			(42,260,307)
Adjustment					
<b>Balance as on Ashad end 2082</b>		16,897,458	61,540,328	2,715,323	141,243,286
<b>Capital Work in Progress</b>					
<b>Net Book Value</b>					
As on 32nd Ashadh 2080	4,596,038	4,664,812	11,456,160	6,742,760	69,013,236
As on 31st Ashadh 2081	4,596,038	5,651,178	25,509,686	653,496	84,333,698
As on 32nd Ashad 2082	4,596,038	21,590,218	21,342,322	1,013,498	88,628,577

Right-of-use assets recognised and accounted as per NFRS 16 Leases have been presented under "Building", which is the corresponding underlying asset represented by the lease. New rate of 8.99% (Rate of Cost of Fund as on 31 Ashad 2081) is taken for calculation of new house rent agreement.

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**GRAMEEN BIKAS BANK LIMITED**  
Notes to the Financial Statements for the year ended 32nd Ashad 2082



**Note : 4.12**  
**Goodwill and Intangible Assets**

Particulars	Goodwill	Software		Total
		Purchased	Developed	
<b>Cost</b>				
Balance as on 32nd Ashadh 2080	-	4,086,411	-	4,086,411
Addition during the Year				
Acquisition				
Capitalization				
Disposal during the year				
Adjustment/Revaluation				
Balance as on 31st Ashadh 2081	-	4,086,411	-	4,086,411
Adjustment/Restatement	0	0	0	
Restated Balance as on 1st Shrawan 2081	-	4,086,411	-	4,086,411
Addition during the Year				
Acquisition		700,000		700,000
Capitalization				
Disposal during the year				
Adjustment/Revaluation				
Balance as on 31st Chaitra 2081	-	4,786,411	-	4,786,411
Amortization and Impairment				
Adjustment				
Balance as on 32nd Ashadh 2080	-	791,274.79	-	791,274.79
Amortization charge for the Year				
Impairment for the year		817,281		817,281
Disposals				
Adjustment				
Balance as on 31st Ashadh 2081	-	1,608,556	-	1,608,556
Adjustment/Restatement				
Restated Balance as on 1st Shrawan 2081	-	1,608,556	-	1,608,556
Amortization charge for the Year		820,352		820,352
Impairment for the year				
Disposals				
Adjustment				
Balance as on 31st Chaitra 2082	-	2,428,907	-	2,428,907
Capital Work in Progress				
Net Book Value				
As on 32nd Ashadh 2080	-	3,133,529	-	3,133,529
As on 31st Ashadh 2081	-	2,477,856	-	2,477,856
As on 32nd Ashad 2082	-	2,357,504	-	2,357,504



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**GRAMEEN BIKAS LAGHUBI TRUST SOCIETY LIMITED**  
Notes to the Financial Statements for the year ended 32nd Ashad 2082



Note No. 4.13

(Figures in NPR)

**Deferred Tax**

Deferred tax is calculated on temporary differences between the book values of financial assets/liabilities and tax bases of assets/liabilities using the statutory tax rate of 30%. Details as follows:

Particulars	As at 32nd Ashad 2082		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)
<b>Deferred tax on temporary differences on following items</b>			
Investment properties (NBA)			-
Interest Receivable		-	-
Employees' Defined Benefit Plan	332,017,637		332,017,637
Provisions ( Bank deposit and advance)	164,540,101		164,540,101
Property and Equipment		12,302,651	(12,302,651)
Intangible Assets		-	-
Lease Liabilities	13,391,715		13,391,715
Other temporary differences			-
<b>Deferred tax on temporary differences</b>			<b>497,646,802</b>
Deferred tax on carry forward of unused tax losses	52,551,611		52,551,611
<b>Net Deferred tax asset/(liabilities) as on 32nd Ashad 2082</b>			<b>550,198,413</b>
Deferred tax asset/(liabilities) as on Shrawan 1, 2081			<b>559,346,907</b>
<b>Deferred Tax income/(expense) during the year</b>			<b>(9,148,494)</b>
Deferred tax income/(expense) recognised in profit or loss			10,541,030
Deferred tax income/(expense) recognised in other comprehensive			(19,689,524)
Deferred tax income/(expense) recognised in directly in equity			-

Particulars	As at 31nd Ashadh 2081		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)
<b>Deferred tax on temporary differences on following items</b>			
Interest Receivable		-	-
Employees' Defined Benefit Plan	374,403,957		374,403,957
Loan Loss Provision	182,277,597		182,277,597
Property and Equipment		13,534,042	(13,534,042)
Intangible Assets		-	-
Lease Liabilities	16,199,395		16,199,395
Other temporary differences			-
<b>Deferred tax on temporary differences</b>			<b>559,346,907</b>
Deferred tax on carry forward of unused tax losses	-		-
<b>Net Deferred tax asset/(liabilities) as on 31nd Ashadh 2080</b>			<b>559,346,907</b>
Deferred tax asset/(liabilities) as on Shrawan 1, 2079			<b>771,153,207</b>
<b>Deferred Tax income/(expense) during the year</b>			<b>(211,806,300)</b>
Deferred tax income/(expense) recognised in profit or loss			(178,579,021)
Deferred tax income/(expense) recognised in other comprehensive income			(33,227,279)
Deferred tax income/(expense) recognised in directly in equity			-



Particulars	As at 31nd Ashadh 2080		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)
<b>Deferred tax on temporary differences on following items</b>			
Interest Receivable	-	-	-
Employees' Defined Benefit Plan	481,164,575	-	481,164,575
Loan Loss Provision	285,996,321	-	285,996,321
Property and Equipment	-	10,526,526	(10,526,526)
Intangible Assets	-	-	-
Lease Liabilities	14,518,836	-	14,518,836
Other temporary differences	-	-	-
Deferred tax on temporary differences	781,679,732	10,526,526	771,153,207
Deferred tax on carry forward of unused tax losses	-	-	-
<b>Net Deferred tax asset/(liabilities) as on 31st Ashadh 2079</b>			771,153,207
Deferred tax asset/(liabilities) as on Shrawan 1, 2078			678,296,544
<b>Deferred Tax income/(expense) during the year</b>			92,856,663
Deferred tax expense/(income) recognised in profit or loss			161,856,857
Deferred tax expense/(income) recognised in other comprehensive income			(69,000,194)
Deferred tax expense/(income) recognised in directly in equity			

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Note No. 4.14

**Other Assets**

Other Asset include accounts receivable, interest receivable, accrued income, prepayments, deposit, deferred employee benefits and stationery stock details presented as follows:

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Assets held for sale	-	-
Other non banking assets	-	-
Bills receivable	-	-
Accounts receivable	54,105,967	120,169,881
Accrued Income	-	-
Prepayments and deposits	2,698,737	5,524,353
Staff Advances	168,037	168,037
Income tax deposit	-	-
Deferred Employee Expenditure	15,100,235	30,891,306
Other Miscellaneous Assets	113,248,598	106,682,233
<b>Total</b>	<b>185,321,575</b>	<b>263,435,810</b>

Note:4.15

**Due to Bank and Financial Institutions**

Deposits from other BFIs is shown under this head. Details as follows:

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Borrowing from BFIs	7,247,481,441	6,120,043,594
Settlement and clearing accounts	-	-
Other	-	-
<b>Total</b>	<b>7,247,481,441</b>	<b>6,120,043,594</b>

Note:4.16

**Due to Nepal Rastra Bank**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Refinance from NRB	-	-
Standing liquidity facility	-	-
Lender of last resort facility from NRB	-	-
Securities sold under repurchase agreement	-	-
Other payable to NRB	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Note:4.17

**Derivative financial instruments**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Held for trading</b>		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<b>Held for risk management</b>		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<b>Total</b>	<b>-</b>	<b>-</b>





**GRAMEEN BIKAS LAGANA SANSTHA LIMITED**  
Notes to the Financial Statements for the year ended 32nd Ashad 2082

**Note:4.18**

**Deposits from Customers**

All deposits account other than deposit from bank and financial institutions (local and foreign bank and NRB) is presented under this head. Details are presented as follows:

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Institutional Customers:</b>		
Term deposits	-	-
Call Deposits	-	-
Other	-	-
<b>Sub total:</b>	-	-
<b>Individual Customers:</b>		
Term deposits	-	-
Saving Deposits	-	-
Savings from Members	3,560,713,376	3,546,409,212
Other	-	-
<b>Sub total:</b>	3,560,713,376	3,546,409,212
<b>Total</b>	3,560,713,376	3,546,409,212

**Note:4.19**

**Borrowing**

The Microfinance does not have any borrowings as on reporting date.

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Domestic Borrowing:</b>		
Nepal Government	89,826,800	129,653,600
Other licensed institution	-	-
Other	-	-
<b>Sub total</b>	89,826,800	129,653,600
<b>Foreign Borrowing:</b>		
Foreign Bank and Financial Institutions	-	-
Multilateral Development Bank	-	-
Other institutions	-	-
<b>Sub total</b>	-	-
<b>Total</b>	89,826,800	129,653,600

**Note:4.20**

**Provisions**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contract	-	-
Other Provisions	-	-
<b>Total</b>	-	-

**Note:4.20.1**

**Movement in provision**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Balance at shrawan 1st	-	-
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Unwind of discount	-	-
<b>Balance at Ashadh End</b>	-	-

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**GRAMEEN BIKAS SANSTHA LIMITED**  
 Notes to the Financial Statements for the year ended 32nd Ashad 2082

Note:4.21

**Other liabilities**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Liability for employees defined benefit obligations	380,596,914	615,781,402
Liability for long-service leave	88,657,084	89,214,362
Short-term employee benefits	-	-
Bills Payable	-	-
Creditors and Accruals	72,400,974	71,483,912
Interest payable on deposit	5,892	5,892
Interest payable on borrowing	56,218,686	57,762,213
Liabilities on deferred grant income	378,832	378,832
Unpaid Dividend	418,474	423,605
Lease Liabilities	44,639,051	53,997,983
Employee bonus payable	3,180,369	15,988,067
Other	28,028,997	23,583,314
<b>Total</b>	<b>674,525,272</b>	<b>928,619,583</b>

Note:4.21.1

**Defined benefit obligation**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Present value of funded obligations	863,593,087	979,820,258
Present value of non-funded obligations	154,475,286	178,978,569
<b>Total present value of obligations</b>	<b>1,018,068,373</b>	<b>1,158,798,827</b>
Fair value of plan assets	638,426,018	543,017,425
<b>Present value of net obligations</b>	<b>379,642,355</b>	<b>615,781,402</b>
<b>Recognised liability for defined benefit obligation</b>	<b>379,642,355</b>	<b>615,781,402</b>

Note:4.21.2

**Plan Assets**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Equity securities	-	-
Government bonds	-	-
Bank deposits	-	-
Other	638,426,018	543,017,425
<b>Total</b>	<b>638,426,018</b>	<b>543,017,425</b>

Note:4.21.3

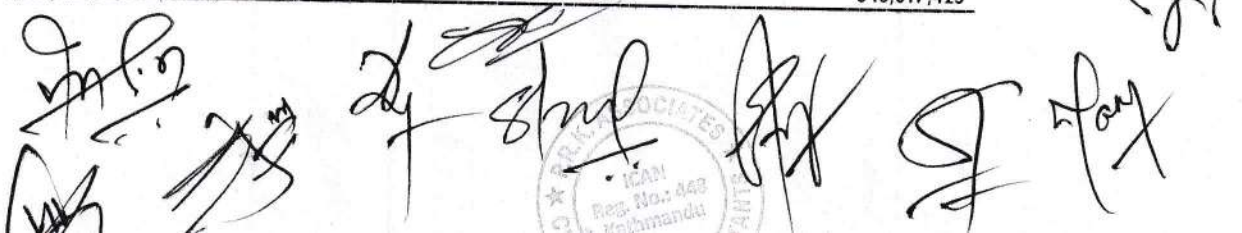
**Movement in the present value of defined benefit obligations**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Defined benefit obligation at 1 <sup>st</sup> Shrawan	1,158,798,827	1,505,378,881
Actuarial losses/(gain)	(99,918,583)	(110,459,095)
Benefit paid by the plan	(209,450,838)	(435,931,961)
Current service cost	57,288,309	84,044,145
Interest cost	111,350,658	115,766,857
<b>Defined benefit obligation at Ashadh end</b>	<b>1,018,068,373</b>	<b>1,158,798,827</b>

Note:4.21.4

**Movement in the fair value of plan assets**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Fair value of plan assets at 1 <sup>st</sup> Shrawan	543,017,425	581,779,163
Contributions paid into the plan	250,000,000	304,000,000
Benefit paid during the year	(178,196,489)	(386,310,164)
Actuarial (losses) gains	(34,286,836)	298,500
Expected return on plan assets	57,891,918	43,249,926
<b>Fair value of plan assets at Ashadh end</b>	<b>638,426,018</b>	<b>543,017,425</b>



**GRAMEEN BIKAS LAGHBIKA BITHA SANSTHA LIMITED**  
Notes to the Financial Statements ended 32nd Ashad 2082



**Note:4.21.5**

**Amount recognised in profit or loss**

Particulars	As at	
	32nd Ashad 2082	31st Ashadh 2081
Current service cost	70,472,497	100,280,105
Interest on obligation	119,852,233	123,557,332
Expected return on plan assets	(57,891,918)	(43,249,926)
Actuarial loss/(gain)	22,890,104	15,428,288
<b>Total</b>	<b>155,322,916</b>	<b>196,015,799</b>

**Note:4.21.6**

**Amount recognised in other comprehensive income**

Particulars	As at	
	32nd Ashad 2082	31st Ashadh 2081
Actuarial (gain)/loss	(65,631,747)	(110,757,595)
<b>Total</b>	<b>(65,631,747)</b>	<b>(110,757,595)</b>

**Note:4.21.7**

**Actuarial assumptions**

Particulars	As at	
	32nd Ashad 2082	31st Ashadh 2081
Discount rate	10%	8%
Expected return on plan assets		
Future salary increase	8%	8%
Withdrawal rate	0.50%	0.50%
<b>Total</b>	<b>18.5%</b>	<b>16.5%</b>

**Note:4.21.8**

**Long-service leave**

Particulars	As at	
	32nd Ashad 2082	31st Ashadh 2081
Present value of funded obligations	-	-
Present value of non-funded obligations	88,657,084	89,214,362
<b>Total present value of obligations</b>	<b>88,657,084</b>	<b>89,214,362</b>
Fair value of plan assets	-	-
<b>Present value of net obligations</b>	<b>88,657,084</b>	<b>89,214,362</b>
Recognised liability for long-service leave	88,657,084	89,214,362

**Note:4.21.9**

**Movement in the present value of long-service leave**

Particulars	As at	
	32nd Ashad 2082	31st Ashadh 2081
Other long-term obligation at 1 <sup>st</sup> Shrawan	89,214,362	98,503,036
Actuarial losses/(gain)	22,890,104	15,428,288
Benefit paid by the plan	(45,133,145)	(48,743,397)
Current service cost	13,184,188	16,235,960
Interest cost	8,501,575	7,790,475
<b>Other long-term obligation at Ashadh end</b>	<b>88,657,084</b>	<b>89,214,362</b>

**Note:4.22**

**Debt securities issued**

Particulars	As at	
	32nd Ashad 2082	31st Ashadh 2081
Debt securities issued designated at fair value through profit or loss	-	-
Debt securities issued at amortised cost	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Note:4.23**

**Subordinated liabilities**

Particulars	As at	
	32nd Ashad 2082	31st Ashadh 2081
Redeemable preference shares	-	-
Irredeemable cumulative preference shares(liabilities component)	-	-
Other	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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No. 4

2082

**GRAMEEN BIKAS LAJCHUBITZA FINANCIAL SANSTHA LIMITED**  
Notes to the Financial Statements ended 32nd Ashad 2082



**Note:4.24**

**Share capital**

(Figures in NPR)

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Ordinary shares	982,500,000	982,500,000
Convetible preference share(Equity component)	-	-
Irredemable preference share(Equity component)	-	-
Perpetual debt(Equity component only)	-	-
<b>Total</b>	<b>982,500,000</b>	<b>982,500,000</b>

**Note:4.24.1**

**Ordinary shares**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Authorized capital:		
15,000,000 ordinary share of Rs.100 each	1,500,000,000	1,500,000,000
Issued capital:		
9,825,000 ordinary share of Rs.100 each	982,500,000	982,500,000
Subscribed and paid of capital:		
9,825,000 ordinary share of Rs.100 each	982,500,000	982,500,000
<b>Total</b>	<b>982,500,000</b>	<b>982,500,000</b>

**Note:4.24.2**

**Ordinary share ownership**

Particulars	As at 32nd Ashadh 2082		As at 31st Ashadh 2081	
	Percent	Amount	Percent	Amount
<b>Domestic ownership(promoter)</b>	<b>69.91%</b>	<b>686,865,750</b>	<b>69.91%</b>	<b>686,846,101</b>
Nepal Government	30.17%	296,420,250	30.17%	296,370,512
"A" class licensed institutions	17.94%	176,260,500	17.94%	176,272,963
Other licensed institutions	10.40%	102,180,000	10.40%	102,149,700
Other institutions	1.83%	17,979,750	1.83%	17,997,100
Other	9.57%	94,025,250	9.57%	94,055,826
<b>Domestic ownership(public)</b>	<b>30.09%</b>	<b>295,634,250</b>	<b>30.09%</b>	<b>295,653,899</b>
Nepal Government				
"A" class licensed institution	0.10%	982,500	0.10%	1,000,000
Other licensed institutions				
Other institutions	2.92%	28,689,000	2.92%	28,728,580
Other	27.07%	265,962,750	27.07%	265,925,319
<b>Foreign ownership Promoter</b>				
<b>Foreign ownership public</b>				
<b>Total</b>	<b>100.00%</b>	<b>982,500,000</b>	<b>100.00%</b>	<b>982,500,000</b>

**Note:4.24.3**

**List of shareholders holding shares on and above 0.5%**

S.No.	Name of Shareholders	Share Helds	% of Holdings
1	Nepal Government	2963705.0	30.17%
2	Nepal Bank Ltd	677551	6.90%
3	Rastriya Banijaya Bank Ltd	500476	5.09%
4	Nabil Bank Ltd	225668	2.30%
6	Himalayan Bank Ltd	143994	1.47%
7	Nepal SBI Bank Ltd	139215	1.42%
8	Nepal Investment Mega Bank Ltd	72898	0.74%
9	Peoples Investment Com. Ltd	1005012	10.23%
10	Shova Mishra	66705	0.68%
	<b>Total</b>	<b>5795224.0</b>	<b>58.99%</b>

**Note:4.25**

**Reserves**

Following reserves are maintained by the Microfinance.

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Statutory General Reserve	403,868,943	389,675,336
Capital reserve	107,000,000	107,000,000
Exchange equalization reserve	-	-
Investment adjustment reserve	25,000	25,000
Corporate social responsibility reserve	5,664,955	5,059,104
Client Protection Fund	176,318,413	181,509,575
Capital redemption reserve	-	-
Assets revaluation reserve	-	-
Regulatory reserve	789,992,776	851,327,038
Actuarial Reserve	239,631,629	193,689,406
Dividend equalization reserve	-	-
Staff Training Fund	14,604,429	24,033,675
Staff Welfare Fund	38,850,851	37,592,058


**GRAMEEN BIKAS LAGHUBITTA MITTHA SANSTHA LIMITED**  
**Notes to the Financial Statements for the year ended 32nd Ashad 2082**

**Note No. 4.26**

**Contingent Liabilities and Commitment**

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Contingent Liabilities	6,764,478	6,764,478
Undrawn and undisbursed facilities	-	-
Capital commitment	-	-
Lease commitment	-	-
Litigation	-	-
others	-	-
<b>Total</b>	<b>6,764,478</b>	<b>6,764,478</b>

**Note:** The Inland Revenue Office, Bhairahawa, through a tax assessment order for the fiscal years 2062/63 and 2063/64, ordered the former Paschimanchal Grameen Bikas Bank Ltd., Butwal, to deposit tax liabilities of Rs. 28,10,068.00 and Rs. 39,54,410.00 respectively in total Rs. 6764478. Against this order, a case was registered at the Revenue Tribunal, Pokhara, via a letter dated 2067/03/21. The Revenue Tribunal, Pokhara, ruled in favor of the institution on 2068/05/24. However, information has been received that the Inland Revenue Office has filed an appeal at the Supreme Court. Therefore, the potential liability that may arise from this case has continued to be shown as a Contingent Liability this year as well.

**Note No. 4.26.1**

**Capital commitments**

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

Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
<b>Capital commitments in relation to Property and Equipment</b>		
Approved and contracted for	-	-
Approved but not contracted for	-	-
<b>Sub Total</b>	-	-
<b>Capital commitments in relation to Intangible assets</b>		
Approved and contracted for	-	-
Approved but not contracted for	-	-
<b>Sub Total</b>	-	-
<b>Total</b>	-	-

**Note No. 4.26.2**

**Lease Commitments**

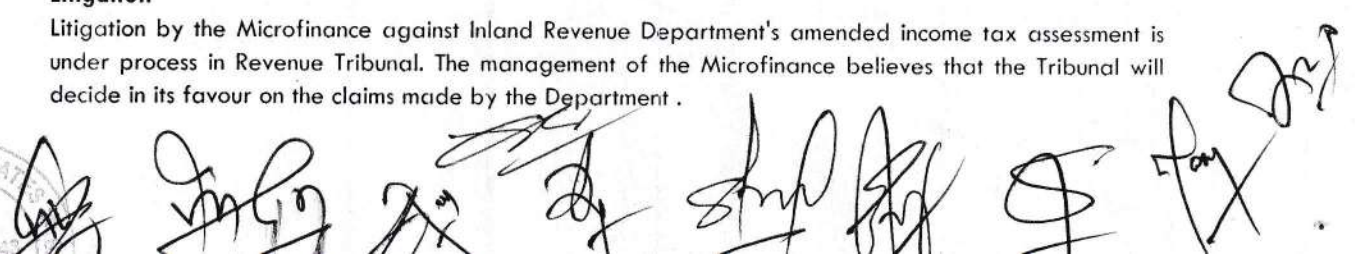
Particulars	As at 32nd Ashad 2082	As at 31st Ashadh 2081
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
<b>Grand Total</b>	-	-

**Note No. 4.26.3**

**Litigation**

Litigation by the Microfinance against Inland Revenue Department's amended income tax assessment is under process in Revenue Tribunal. The management of the Microfinance believes that the Tribunal will decide in its favour on the claims made by the Department.





**GRAMEEN BIKAS LAGHURITA BI SANSTHA LIMITED**  
Notes to the Financial Statement for the year ended 32nd Ashad 2082



**Note: 4.27**

**Interest income**

(Figures in NPR)

Interest income include interest income on loan and advance, investment securities except on those investment securities measure at fair value through profit or loss, cash and cash equivalent, due from BFIs, loan and advances to staff etc.

Details presented as follows:

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Cash and cash equivalents	9,829,033	19,727,111
Due from Nepal Rastra Bank		
Placement with Banks and Financial Institutions		
Loans and Advances to Financial Institutions		
Loans and advances to customers	1,676,978,132	1,843,961,237
Investment securities		
Loans and advances to staff	18,354,695	19,661,316
Other	-	1
<b>Total Interest Income</b>	<b>1,705,161,860</b>	<b>1,883,349,665</b>

**Note: 4.28**

**Interest expense**

Interest expenses include interest accrued on deposits collected and debt securities issued, and unwinding of lease liabilities. Details presented as follows:

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposits from customers	263,077,172	268,092,445
Borrowing	561,206,021	632,623,694
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	6,118,705	7,639,704
<b>Total Interest Expenses</b>	<b>830,401,899</b>	<b>908,355,844</b>

**Note: 4.29**

**Fees and Commission Income**

Fees and commission income include management fee, service charges, syndication fee, forex transaction commission etc.

Details presented as follows:

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Loan Administration fees	-	-
Service fees	67,091,045	50,227,775
Commitment fees	-	-
Card Issuance fees	-	-
pepayment and swap fees	-	-
Remittance fees	-	-
Brokerage fees	-	-
Other Fees and Commission Income	28,770,414	6,580,694
<b>Total Fees and Commission Income</b>	<b>95,861,459</b>	<b>56,808,469</b>



**Note: 4.30**

**Fees and Commission Expense**

Fees and commission expense include ATM management fees, card related fees, remittance fees & commissions/TT/swift charges etc.

Details presented as follows:

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Brokerage	-	-
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	29,551
Other Fees and Commission Expense	2,832,505	6,783,996
<b>Total Fees and Commission Expenses</b>	<b>2,832,505</b>	<b>6,813,547</b>

**Note: 4.31**

**Net trading income**

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/Loss Foreign Exchange Transaction	-	-
Other	-	-
<b>Total Net Trading Income</b>	<b>-</b>	<b>-</b>

**Note: 4.32**

**Other operating income**

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
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	2,330,618	125,499
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain on Bargain Purchase	-	-
Gain/Loss on sale of gold and silver	-	-
Other	1,032,318	95,975
<b>Total</b>	<b>3,362,936</b>	<b>221,474</b>

**Note: 4.33**

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

Detail presented as follows:

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Impairment charge/(reversal) on loan and advances to B/FIs	-	-
Impairment charge/(reversal) on loan and advances to customer	(6,939,351)	(365,093,806)
Impairment charge/(reversal) on financial investment	-	(19,711,204)
Impairment charge/(reversal) on sundry debtors	64,146,958.36	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
<b>Total</b>	<b>57,207,607</b>	<b>(384,805,010)</b>

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**Note: 4.34**

**Personnel Expense**

All expenses related to employees of the Microfinance Bank are included under this head. Details presented as follows:

Particulars	For the year ended	For the year ended
	32nd Ashad 2082	31st Ashadh 2081
Salary	366,866,900	389,839,432
Allowances	73,886,654	78,730,939
Gratuity expenses	43,029,520	67,935,532
Provident fund	28,175,574	32,931,474
Social Security Fund	-	-
Uniform	5,240,000	7,286,000
Training & Development Expense	16,700,000	14,565,234
Leave encashment	50,333,081	47,772,861
Medical	23,482,878	27,314,870
Employee Insurance	7,433,076	10,016,443
Employees Incentive	-	-
Cash-settled share-based payments	-	-
Pension Expense	-	-
Voluntary Resignation scheme	-	-
Finance expenses under NFRS	74,520,363	92,101,452
Other Expenses Related to Staff	3,207,856	1,659,952
<b>Sub-Total</b>	<b>692,875,901</b>	<b>770,154,189</b>
Employees Bonus	3,180,369	15,988,067
<b>Total</b>	<b>696,056,270</b>	<b>786,142,256</b>

**Note: 4.35**

**Other operating expense**

Operating expense other than those relating to personnel expense are recognized are presented in this head.

Details presented as follows:

Particulars	For the year ended	For the year ended
	32nd Ashad 2082	31st Ashadh 2081
Directors' fee	474,500	341,500
Directors' expense	793,249	646,744
Auditors' remuneration	847,500	650,535
Other audit related expense	2,742,500	2,494,696
Professional and legal expense	1,816,972	780,362
Office administration expense	99,542,839	105,024,432
Lease expense on short-term lease	-	-
Operating expense of investment properties	-	-
Corporate Social Responsibility Expense	-	-
Client Protection expense	-	-
Onerous lease provision	-	-
Other Miscellaneous Operating Expenses	13,810,368	14,102,372
<b>Total</b>	<b>120,027,929</b>	<b>124,040,641</b>

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*[Circular stamp: P.R.I. ASSOCIATES \* SIMLHA, CAN No: 483, Simlha]*

Note No 4.35.1 Office Administration Expenses



Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Light Electricity and Water Expenses	2,521,598	2,495,313
Repair and maintenance		
(a) Building		-
(b) Vehicles	826,224	1,662,816
(c) Computer and accessories		-
(d) Office Equipment and furniture	1,038,522	1,186,660
(e) Other	154,374	61,436
Insurance	46,944,264	27,650,785
Postage, telex, telephone, fax	-	3,225,638
Printing and stationery	5,896,521	5,241,241
News paper, books and journals	23,390	27,650
Advertisement	678,495	307,247
Donation	-	-
Security expense	-	-
Deposit and loan guarantee premium	-	-
Travelling Allowance and expenses	26,672,539	28,619,997
Entertainment	250	-
Annual/special general meeting expense	577,680	626,019
Other		
(a) Linens and Curtains	31,500	190,616
(b) Registration and Renewal	1,460,973	27,688,351
(c) Committee Meeting Fees and Expenses	7,652,222	755,221
(d) Guest and Hospitality	5,064,288	5,285,443
<b>Total</b>	<b>99,542,839</b>	<b>105,024,432</b>

Note No 4.35.2 Other Miscellaneous Operating Expenses

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Technical Fee	-	-
Fuel	1,421,730	1,708,634
Writeoff expense	-	3,145,558
Software AMC	4,263,961	4,399,370
Miscellaneous	8,124,677	4,848,811
<b>Total</b>	<b>13,810,368</b>	<b>14,102,372</b>

Note: 4.36

Depreciation & Amortisation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation and amortization include depreciation on plant and equipment & amortization of intangible assets.

Details presented as follows:

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Depreciation on Property and Equipment	6,738,294	5,175,205
Depreciation on Right of use assets	30,526,307	31,441,875
Amortisation of intangible assets	820,352	817,281
<b>Total</b>	<b>38,084,953</b>	<b>37,434,361</b>

Note: 4.37

Non operating income

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Recovery of loan written off	104,913	128,980
Other Income		
Discount on Lease Rentals	547,001	764,087
<b>Total</b>	<b>651,914</b>	<b>893,067</b>





Note: 4.38

**Non Operating Expense**

The incomes that have no direct relationship with the operation of transactions are presented under this head.

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
Loan Written Off	-	-
Redundancy provision	-	-
Expenses of restructuring	-	-
Other expense	-	-
<b>Total</b>	-	-

Note: 4.39

**Income tax expense**

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
<b>Current tax expense</b>		
Current year	-	-
Adjustment for prior years	-	-
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(10,541,030)	178,579,021
Changes in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
<b>Total income tax expense</b>	<b>(10,541,030)</b>	<b>178,579,021</b>

4.39.1

**Reconciliation of tax expense as per taxable profit and accounting profit**

Particulars	For the year ended 32nd Ashad 2082	For the year ended 31st Ashadh 2081
<b>Profit before tax</b>	<b>60,427,006</b>	<b>463,291,037</b>
<b>Tax amount at tax rate of 30%</b>	<b>18,128,102</b>	<b>138,987,311</b>
Add: Tax effect of expenses that are not deductible for tax purpose	61,644,859	(138,987,311)
Less: Tax effect on exempt income	-	-
Add/Less: Tax effect on other items	(79,772,961)	-
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>
<b>Effective tax rate</b>	<b>0%</b>	<b>0%</b>

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## 5. Disclosure and Additional Information

### 5.1 Risk Management & Risk Management Framework

Risk is inherent in the Financial Institution's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Financial Institution's continuing profitability and each individuals within the Financial Institution is accountable for the risk exposures relating to his or her responsibilities. The microfinance is mainly exposed to;

1. Liquidity Risk
2. Interest Rate Risk
3. Credit Risk
4. Operational Risk

The Board of Directors has overall responsibility for the establishment and oversight of the microfinance's risk management framework. Risk Management Committee is responsible for overall risk management of the microfinance which includes managing, assessing, identifying, monitoring and reducing pertinent macro and micro-economics level business risks that could interfere with microfinance's objectives and goals and whether the microfinance is in substantial compliance with its internal operating policies and other applicable regulations and procedures, external, legal, regulatory or contractual requirements on a continuous basis. Further, Risk management committee ensures integration of all major risks in capital assesment process. Risk management policies and systems are reviewed annually to reflect changes in market conditions, products and services offered. The microfinance, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employess are assigned and made to understand their respective roles and responsibilities.

#### 5.1.1 Liquidity Risk

Liquidity risk is the risk that the microfinance will encounter difficulties in meeting its financial commitments that are settled by delivering cash or other financial assets. Hence the microfinance may be unabale to meet its payment obligations when they fall due under both normal and stress circumstanes. To limit this risk , management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of continuously managing assets with liquidity in mind and of mointoring future cash flows and liquidity on a daily basis. The microfinance has developed internal control process and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The microfinance maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flow. The microfinance also has committed lines of credit facilities that could be utilized to meet liquidity needs. Further, the microfinance maintains a statutory deposit with in A Class financial institution equal to Approx 7.08% of the member deposit and as cash reserve ratio equal to Approx 0.65% of the member's deposit and lending from different institutions which also mitigate the bar set by Nepal Rastra Bank. In accordance with the microfinance's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specific to the financial institution. The most important of these is to maintain the required ration of liquid assets to liabilities, to meet the regulatory requirement. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale.

#### 5.1.2 Interest Rate Risk

Interst rate risk is the potential that a change in overall rate will reduce the value of a bond or other fixed-rate investment. The Microfinance will take the following measures to minimize the risk arising from interest rates:

- a. Only assets and liabilities affected by changes in interest rates has been included in the assets and liabilities.
- b. When analyzing the differences in the situation where the payment term of assets and liabilities does not match, the amount of cash balance and non-payment of interest has been included.
- c. In order to manage and mimimize the interest rate risk, the microfinance has prepared quartely (October, December, March and July mid ) details and submitted to the microfinance supervision Department of Nepal Rastra Bank within fifteen days after the end of the quarter.

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**5.1.3 Credit Risk**

The risk of potential loss because of counterparty failures to meet its obligations to pay the credit obtained from microfinance as per agreed terms is known as credit risk. A loan application from which has been used by microfinance, includes all the relevant data and information required for assessment of borrowers' background, business and experience, financial statement of borrower, credibility, sector wise analysis etc.

**5.1.4 Operational Risk**

The risk that arises during day to day operations of the microfinance is called operating risk. In context of microfinance, small but large number of transactions has been done, decentralized working methods has been adopted, more focus has been given on area expansion for geo-geography versatility, priority has been given to cost reduction, due to lack of integrated information system, expansion of program in rural areas with lack of infrastructure and lack of appropriate technology to provide service as per needs of customer, there is always a possibility of operation risk in the program. The microfinance has arranged the necessary staff to carry out various responsibilities for daily operation. All the employees have to carry out their post responsibilities in the working process within the policy rules specified by the microfinance. But sometimes due to negligence of the stakeholders and personal interest attached with them, the microfinance is at risk when it goes beyond the policy rules. This type of risk is likely to reduce the profitability of microfinance and much more increase in reputational risk of microfinance. Since the operational risk is due to internal factors, this risk can be reduced only if the internal control system is strengthened.

**5.1.6 Fair Value of Financial Assets and Liabilities**

Fair value is a market based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transaction and market information might not be available. However, the objective of a fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the assets or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair values are determined according to the following hierarchy:

**Level 1:-**

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

**Level 2:-**

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

**Level 3:-**

Level 3 inputs are unobservable inputs for asset and liability.

The following table shows an analysis financial instruments recorded at fair value by level of the fair value hierarchy:

Particulars	2081-082			2080-081		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial Instrument available for sales</b>						
<b>Quoted Equities</b>						
<b>Unquoted Equities</b>						
Grameen Network Nepal (150 shares of Rs. 100 each)			15,000			15,000
Centre for Microfinance Pvt Ltd (100 ordinary shares @ NPR.100 Paid up)			10,000			10,000
Nepal Finsoft Company Ltd (20,000 Ordinary Shares @ NPR.100 Paid up)			2,000,000			2,000,000
<b>Quoted Mutual Funds</b>						
<b>Total</b>	-	-	2,025,000	-	-	2,025,000

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## 5.2 Capital Management

The Microfinance's capital management policies and practices support its investment strategy and ensure that it is adequately capitalized to withstand even in severe macroeconomic downturns. The microfinance is a licenced institution providing financial services therefore it must comply with capital requirement of Nepal Rastra Bank.

### (i) Qualitative disclosures

Nepal Rastra Bank has directed the microfinance to develop own internal policy, procedure and structure to manage all material risk inherent in business for assessing capital adequacy in relation to the risk profiles as well as strategies for maintaining capital levels. This includes basic requirements of having good governance, efficient process of managing all material risks and an effective regime for assessing and maintaining adequate capital. The microfinance has BODs approved risk management policies for proper governance as guided by Nepal Rastra Bank.

### ii) Quantitative disclosures

#### Capital Structure and Capital Adequacy

#### • Tier 1 Capital and a breakdown of its components:

Particulars	Amount(NPR.)
Paid up Equity Share Capital	982,500,000
Irredeemable Non-cumulative preference shares	-
Shares Premium	68,270,092
Proposed Bonus Equity Shares	-
Statutory General Reserves	403,868,943
Retained Earnings	(269,628,533)
Unaudited current year cumulative profit	-
Other Free Reserve Fund	-
Capital Reserves	107,000,000
Dividend Equalization Reserves	-
Capital Redemption Reserve Fund	-
Bargain purchase gain recognized	-
Less: Goodwill	-
Less: Intransigible Assets	-
Less: Deferred Tax Assets	-
Less: Investment in equity of licenced financial Institutions	-
Less: Investment in equity of institutions with financial interests	-
Less: Investment in equity of institutions in excess of limits	-
Less: Investments arising out of underwritings commitments	-
Less: Purchase of Land & Buildings in excess of limit & utilized	(4,181,450)
Less: Reciprocal crossholdings	-
Less: Others Deductions	-
<b>Total Tier 1 Capital</b>	<b>1,287,829,052</b>

#### • Tier 2 Capital and a breakdown of its components:

Particulars	Amount(NPR.)
Cumulative and /or Redeemable Preference Shares	-
Subordinated Term Debt	-
Hybrid Capital Instrument	-
General Loan loss provision	231,785,655
Exchange Equalization Reserve	-
Investment Adjustment Reserves	25,000
Assets Revaluation Reserves	-
Special Reserve Fund	-
<b>Total Tier 2 Capital</b>	<b>231,810,655</b>

#### • Total Qualifying Capital

Particulars	Amount(NPR.)
Core Capital (Tier 1)	1,287,829,052
Supplementary Capital (Tier 2)	231,810,655
<b>Total Capital Fund</b>	<b>1,519,639,707</b>

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**Statement of Risk Weighted Assets (RWA)**  
At the month end of **2018**



**A. On- Balance Sheet Items**

S.N	Description	Weight (%)	Current Period	
			Amount(NPR.)	RWA
1	Cash Balance	0	20,889,973	-
2	Gold (Tradable)	0	-	-
3	NRB Balance	0	324,035	-
4	Investment to Govt. Bond	0	-	-
5	Investment to NRB Bond	0	-	-
6	Loan Againsts Own FD	0	-	-
7	Loan Againsts Govt. bond	0	-	-
8	Accrued Interest on Govt. Bond	0	-	-
9	Investment to Youth and Small Entrepreneur Self-employment Fund	0	-	-
10	Balance on domestic banks and financial institutions	20	637,929,806	127,585,961
11	Loan againsts other's and financial institution's FD	20	-	-
12	Foreign bank balance	20	-	-
13	Money at Call	20	138,140,977	27,628,195
14	Loan against internationally rated bank guarantee	20	-	-
15	Investment to internationally rated banks	20	-	-
16	Inter-bank Lending	20	-	-
17	Investment on shares/debentures/bonds	100	2,025,000	2,025,000
18	Other Investments	100	-	-
19	Loans & Advances, bill purchase/discount	100	13,367,570,742	13,367,570,742
20	Fixed assets	100	90,986,081	90,986,081
21	Net interest receivables (Total IR-8-Interest Suspense)	100	170,564,998	170,564,998
22	Net Non-Banking Assets	100	-	-
23	Others Assets (Except advance payment on tax)	100	185,321,575	185,321,575
24	Real estate / residential housing loans exceeding the limits	100	-	-
<b>Total On-Balance-sheet Items (A)</b>			<b>14,613,753,187</b>	<b>13,971,682,553</b>

**B. Off- Balance Sheet Items**

S.N	Description	Weight (%)	Current Period	
			Amount(NPR.)	RWA
1	Bills Collection	0	-	-
2	Forward foreign exchange contract	10	-	-
3	L/C with maturity less than six months (Outstanding Value)	20	-	-
4	Guarantee againsts International rated bank's counter guarantee	20	-	-
5	L/C with maturity more than six months (Outstanding value)	50	-	-
6	Bid Bond, performance bond and underwriting	50	-	-
7	Loan sale with repurchase agreement	50	-	-
8	Advance payment guarantee	100	-	-
9	Financial and other guarantee	100	-	-
10	Irrevocable Loan commitment	100	-	-
11	Possible liabilities for income tax	100	6,764,478	6,764,478
12	All type of possible liabilities including acceptance	100	-	-
13	Rediscounted bills	100	-	-
14	Unpaid portion of partly paid share investment	100	-	-
15	Unpaid guarantee claims	200	-	-
16	Amount to be maintained for operational risk (2% of Total Assets)	100	292,275,064	292,275,064
<b>Total Off-Balance sheet Items (B)</b>			<b>299,039,542</b>	<b>299,039,542</b>
<b>Total Risk Weighted Assets (A±B)</b>				<b>14,270,722,094</b>

**C. Total Capital Fund (Tier 1 Capital + Tier 2 Capital)** 1,519,639,707

**D. Minimum capital fund to be maintained based on Risk Weighted Assets**

1	Minimum Capital Fund Required (8% of RWA)	1,141,657,768
2	Minimum Core Capital Required (4% of RWA)	570,828,884
3	Capital Fund Maintained (in %)	10.65%
4	Core Capital Maintained (in %)	9.02%

**iii) Compliance with External Requirement**

The Microfinance has complied with externally imposed capital requirements to which it is subject and there are no such consequences where the Microfinance has not complied with those requirements.

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**Note no 5.3**

**Classification of financial assets and financial liabilities**

Particulars	Fair Value through PL	Amortized Cost	Fair Value through OCI	Total
<b>Financial Assets:</b>				
Cash and cash equivalents		796,960,756		796,960,756
Due from Nepal Rastra Bank				-
Loans and advances to B/FIs				-
Loans and advances to customers		12,310,794,569		12,310,794,569
Investment securities (Govt. & Development Bonds)				-
Investment securities (Equity)	-		2,025,000	2,025,000
Other Financial assets				-
<b>Total financial Assets</b>	<b>-</b>	<b>13,107,755,325</b>	<b>2,025,000</b>	<b>13,109,780,325</b>
<b>Financial Liabilities:</b>				
Due to Bank and Financial Institutions		7,247,481,441		7,247,481,441
Due to Nepal Rastra Bank				-
Deposits from customers		3,560,713,376		3,560,713,376
Other Financial Liabilities				-
Debt securities issued				-
<b>Total financial Liabilities</b>		<b>10,808,194,817</b>		<b>10,808,194,817</b>









**Note no 5.4 Operating segment Information**

**5.4.1. General information**

(a) Factors that management used to identify the entity's reportable segments are:

- Revenue and Expenses have been identified to a segment based on the nature of the underlying operating activities of the segment. Revenue and Expenses which relates to the Institution as a whole and are not allocable to a segment on a reasonable basis have been disclosed as "Unallowable".
- Segment Assets and Segment Liabilities represent Assets and Liabilities for respective segments. Investments, tax-related assets, and other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as "Unallowable"
- Operating segments that do not meet the quantitative threshold as defined in NFRS 8 have been aggregated under the Other Segments. Operating segments not meeting the quantitative threshold and still considered reportable by the management have been disclosed separately. Aggregation is consistent with the core principle of NFRS.

(b) Description of the types of products and services from which each reportable segment derives its revenues.

Each segment provides microfinance services such as Loans, Deposits, Micro-Insurance, and Remittance services to low-income families of Nepal. The above mentioned are the main source of revenue for each operating segment.

**5.4.2 Information about profit or loss, assets and liabilities**

S.No.	Particulars	Operation & Supervision office Biratnagar	Operation & Supervision office Janakpur	Operation & Supervision office Butwal	Operation & Supervision office Nepalgunj	Operation & Supervision office Dhanagadhi	Other	Total
a	Revenues From External Customers	404,205,214	464,024,365	499,473,466	344,283,925	179,733,201		1,891,720,171
b	Intersegment Revenues	0	0	0	0	0		0
c	Net Revenues	404,205,214	464,024,365	499,473,466	344,283,925	179,733,201		1,891,720,171
d	Interest Revenue	392,413,550	442,326,168	479,095,418	329,233,841	171,172,596		1,814,241,573
e	Interest Expense	40,307,475	72,630,484	64,441,352	55,577,748	27,642,480		260,599,539
f	Net Interest Revenue	352,106,075	369,695,684	414,654,066	273,656,093	143,530,116		1,553,642,034
g	Depreciation & Amortization	1,151,222	1,610,419	1,368,203	913,675	706,238		5,749,757
h	Segment Profit/(Loss)	261,985,001	232,513,199	297,181,136	205,360,220	97,769,267		1,094,808,823
i	Entity's interest in the profit or loss of associates accounted for using equity method	0	0	0	0	0		0
j	Other Material Non-Cash Items:							
	Provision for Loan Loss	-23,322,069	-13,137,311	-27,766,301	-20,994,097	-8,190,651		-93,410,429
k	Impairment of Assets	0	0	0	0	0		0
l	Segment Assets	3,093,077,759	3,300,080,308	3,651,602,186	2,479,371,303	1,309,575,969		13,833,707,525
m	Segment Liabilities	1,220,985,151	1,350,890,017	1,565,835,226	1,164,041,577	603,484,008		5,905,235,979

**5.4.3 Measurement of operating segment profit or loss, assets and liabilities**

The microfinance has determined segments based on its five operation & supervision areas.

Revenues from external customers comprise of gross interest revenue, gross fee and commission revenue, other operating incomes.

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

(a) Revenue

Total revenues for reportable segment	1,891,720,171
Other revenues	-87,333,916
Elimination of intersegment revenues	0
Entity's revenues	1,804,386,255

(b) Profit or loss

Total profit or loss for reportable segments	1,094,808,823
Other profit or loss	-1,031,201,448
Elimination of intersegment profits	0
Unallocated amounts:	-3,180,369
Profit before income tax	60,427,006

(c) Assets

Total Assets for Reportable Segments	13,833,707,525
Other Assets	-
Unallocated Amounts	353,794,136
Entity's Assets	14,187,501,661

(d) Liabilities

Total Liabilities for Reportable Segments	5,905,235,979
Other Liabilities	5,664,130,541
Unallocated Amounts	3,180,369
Entity's Liabilities	11,572,546,889

**5.4.5 Information about geographical areas**

Revenue from following geographical areas

(a) Domestic	1,804,386,255
Operation & Supervision office Biratnagar	404,205,214
Operation & Supervision office Janakpur	464,024,365
Operation & Supervision office Butwal	499,473,466
Operation & Supervision office Nepalgunj	344,283,925
Operation & Supervision office Dhanagadhi	179,733,201
Other	-87,333,916
(b) Foreign	0
Total	1,804,386,255

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### 5.5 Share options and share based payment

The Microfinance does not extend any share options or share based payments to any of its employee. Thus during

### 5.6 Contingent liabilities and commitment

Comprehensive disclosure of the contingent liabilities and commitments are made on Note 4.26.

### 5.7 Related Party Disclosures

#### 5.7.1. List of Directors and Key Managerial Personnel

The Microfinance has carried out transactions in the ordinary course of business on an arm's length basis with parties

S.N.	Name	Relationship	Date of Appointment
1	Bhart Raj Koirala	Chairman of Board	2/4/2081
2	Suba Prasad Rijal	Board Member	11/17/2081
3	Nawaraj Dhakal	Board Member	12/29/2081
4	Arjun Bahadur Kandel	Board Member	1/25/2081
5	Manoj Kumar Khadka	Board Member	5/5/2078
6	Rishi Ram Pandey	Independent Board member	1/18/2082
7	Shayam Kumar Katuwal	Chief Executive Officer	1/14/2079
8	Dipak Prasad Pandey	Deputy Chief Executive Officer	6/9/2079

#### 5.7.2. Transactions with and Payments to Directors & Key Managerial Personnel

Board of Directors Allowances and Facilities

S.N.	Particulars	No of Meetings	Sitting Fees (NPR.)
1	Board Meeting	22	474,500
2	Audit Committee Meeting	16	137,600
3	Risk Management Committee	6	61,200
4	Anti-Money Laundering Committee	5	45,500
5	Staff Benefits and Facilities Committee	4	46,500
6	Merger Committee	11	74,200
7	Staff Recruitment	150	1,335,900
	<b>Total</b>		<b>2,175,400</b>

Further, the following expenses are made for Board of Directors in the reporting period.

S.N	Particulars	Amounts
1	Communication & News Paper	114,000
2	Air & Bus Fare Expenses	491,240
3	Tiffin & Miscellaneous Expenses	188,009
	<b>Total</b>	<b>793,249</b>

Chief Executive Officer's Emoluments and Facilities

S.N.	Particulars	Amount (NPR.)
1	Short Term Employee Benefits	2,762,422
2	Retirement Benefits	-
3	Social Security Fund Benefit	-
4	Others	-
	<b>Total</b>	<b>2,762,422</b>

### 5.8 Merger and Acquisition

The Financial Institution has started merger proces with Samaj Laghubitta Bittiya Sanstha Ltd. (Mahottari) in the reporting period. For the purpose of merger, a Memorandum of Understanding (MOU) was signed on 17/11/2081 and submitted to the Department of Banking and Financial Institutions Regulation, Nepal Rastra Bank, and theoretical approval was received from that department as per the letter dated 22/02/2082, and a special resolution regarding merger was passed at the tenth annual general meeting of the organization. As per the proposal passed in the general meeting, the merger process between the two organizations will be completed within the time limit specified by Nepal Rastra Bank after receiving final approval.

### 5.9 Additional Disclosers of non consolidated entities.

The Microfinance does not have any subsidiaries & associates. So, additional disclosure is not required.

### 5.10. Events after reporting date

No events requiring the adjustment as per NAS 10 "Events occurring after Reporting Period" are observed after the



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For the year ending 31st March 2082

Particulars	FY 2081.82	FY 2080.81	FY 2079.80	FY 2078.79	FY 2077.78
Net Profit/ Gross Income	3.94%	14.67%	-3.46%	3.84%	16.86%
Earnings Per Share	7.22	28.98	(8.05)	8.29	31.57
Market Value Per Share	850	810.7	632.75	756.00	1,225.00
Price Earning Ratio	117.68	27.98	(78.58)	91.19	38.80
Dividend (including bonus) on Share Capital	-	-	-	-	-
Cash Dividend on Share Capital	-	-	-	-	-
Interest Income/ Loans and Advances and Investments	12.8%	15.4%	17.53%	16.46%	15.09%
Staff Expenses/ Total Operating Expenses	41.25%	42.20%	87.28%	88.77%	89.37%
Interest Expenses/ Total Deposits & Borrowings	8.03%	9.62%	9.75%	7.93%	5.21%
Exchange Gain/ Total Income	-	-	-	-	-
Staff Bonus/ Total Staff Expenses	0.46%	0.02	0.00%	1.05%	0.06
Net Profit/Total Loans & Advances	0.53%	2.33%	-0.63%	2.37%	2.54%
Net Profit/ Total Assets	0.50%	2.15%	-0.63%	0.57%	2.15%
Total Loans & Advances/ Total Deposits	373%	345%	337%	328.00%	320.98%
Total Operating Expenses/ Total Assets	11.89%	14.05%	7.89%	6.76%	6.37%
Capital Adequacy (On Risk Weighted Assets)					
a. Core Capital	9.02%	8.45%	6.72%	11.81%	7.82%
b. Supplementary Capital	1.62%	1.65%	1.65%	1.17%	1.14%
c. Total Capital Fund	10.65%	10.10%	8.37%	12.98%	8.96%
Non-Performing Loan/ Total Loans & Advances	9.96%	7.25%	10.27%	6.46%	5%
Weighted Average Interest Rate Spread	7.79%	6.10%	3.62%	5.76%	8.72%
Book Net Worth (Per Share)	266.2	258.1	221.72	216.91	213.17
Number of Shares	9,825,000.00	9,825,000.00	9,825,000.00	9,825,000.00	9,825,000.00
No. of Staff	1029	818	825	853	868

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**GRAMEEN KALYAN SANSTHA LIMITED**  
**Comparison of Unaudited and Audited Financial Statements**  
**As at 31st March 2082 (FY 2081-82)**

Rs. in '000

S. No.	Particulars	As per Audited Financial Statements	As per Unaudited Financial Statements	Difference		Reasons for Variance
				Amount	%	
1	<b>Total Capital and Liabilities (1.1 to 1.7)</b>	<b>14,187,502</b>	<b>14,269,367</b>	<b>81,865</b>	<b>1%</b>	
1.1	Paid up Capital	982,500	982,500	-	0%	
1.2	Reserves and Surplus	1,632,455	1,704,607	72,152	4%	Due to audit, NFRS adjustments and Deferred Tax Adjustment.
1.3	Debtenture and Bond	-	-	-	0%	
1.4	Borrowings	7,337,308	7,337,308	-	0%	
1.5	Deposits (a+b)	3,560,713	3,560,713	-	0%	
	a. Members	3,560,713	3,560,713	-	0%	
	b. Public	-	-	-	0%	
1.6	Income Tax Liability	-	-	-	0%	
1.7	Other Liabilities	674,525	684,238	9,713	1%	Due to change in bonus provision after adjustment of additional loan loss provision by NRB and auditor. And also adjustment in service charge.
2	<b>Total Assets (2.1 to 2.7)</b>	<b>14,187,502</b>	<b>13,637,064</b>	<b>(550,438)</b>	<b>-4%</b>	
2.1	Cash and Bank Balance	659,144	659,144	0.13161	0%	Due to differences identified in bank reconciliation
2.2	Money at Call and Short Notice	138,141	138,141	(0.46392)	0%	Due to differences identified in bank reconciliation
2.3	Investments	2,025	2,025	-	0%	
2.4	Loans and Advances	12,310,795	12,562,399	251,605	2%	Due to changes in Loan loss provision due to NRB adjustment and auditor adjustment.
2.5	Fixed Assets	90,986	90,986	-	0%	
2.6	Non-Banking Assets	-	-	-	0%	
2.7	Other Assets	986,411	184,369	(802,042)	-81%	
3	<b>Profit and Loss Account</b>				0%	
3.1	Interest Income	1,705,162	1,705,161	(0.6823)	0%	Due to transferred of amount in service charge mistakenly included in interest income
3.2	Interest Expense	830,402	830,402	-	0%	
	<b>A. Net Interest Income (3.1 - 3.2)</b>	<b>874,760</b>	<b>874,759</b>	<b>(0.6823)</b>	<b>0%</b>	
3.3	Fees, Commission and Discount	95,861	97,875	2,013	2%	Due service charge reversed as per NRB and auditor adjustment.
3.4	Other Operating Income	3,363	3,363	-	0%	
3.5	Foreign Exchange Gain/Loss (Net)	-	-	-	0%	
	<b>B. Total Operating Income (A+ 3.3 + 3.4 + 3.5)</b>	<b>973,984</b>	<b>975,997</b>	<b>2,012</b>	<b>0%</b>	
3.6	Staff Expenses	692,876	692,876	-	0%	
3.7	Other Operating Expenses	160,945	160,943	-	0%	
	<b>C. Operating Profit Before Provision (B - 3.6 - 3.7)</b>	<b>120,163</b>	<b>122,178</b>	<b>2,012</b>	<b>2%</b>	
3.8	Provision for Possible Losses	1,525,794	1,274,189	-	0%	
	<b>D. Operating Profit (C - 3.8)</b>	<b>(1,405,631)</b>	<b>(1,152,011)</b>	<b>2,012</b>	<b>0%</b>	
3.9	Non-Operating Income/Expenses (Net)	652	652	-	0%	
3.10	Write Back of Provision for Possible Loss	1,468,586	1,468,586	-	0%	
	<b>E. Profit from Regular Activities (D + 3.9 + 3.10)</b>	<b>63,607</b>	<b>317,227</b>	<b>2,012</b>	<b>3%</b>	
3.11	Extraordinary Income/Expenses (Net)	-	-	-	0%	
	<b>F. Profit before Bonus and Taxes (E + 3.11)</b>	<b>63,607</b>	<b>317,227</b>	<b>2,012</b>	<b>3%</b>	
3.12	Provision for Staff Bonus	3,180	15,861	12,681	399%	Due to change in bonus provision after adjustment of additional loan loss provision by NRB and auditor. And also adjustment in service charge.
3.13	Provision for Tax	(10,541)	158,245	168,786	-1601%	Due to NFRS adjustments and deferred tax income
	<b>G. Net Profit/Loss (F - 3.12 - 3.13)</b>	<b>70,968</b>	<b>143,120</b>	<b>(179,455)</b>	<b>-253%</b>	

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