



कम्पनी ऐन, २०६३ अन्तर्गत संस्थापित र
मैज तथा वित्तीय संस्था सम्बन्धी ऐन, २०६३ अन्तर्गतको कामकाजको लागि
मल्टीपुर्पस फिनान्स क. लिमिटेड (वित्तीय संस्था)
Multipurpose Finance Co. Limited (Bittiya Sanstha)
(नेपाल राष्ट्र बैंकबाट "ग" वर्गको इजाजत पत्र प्राप्त वित्तीय संस्था)

MULTIPURPOE FINANCE COMPANY Limited

Annual Financial Statement
FY 2077/78

Submitted BY:

S. K. D. & Associates
Chartered Accountants

5th Floor, Krishna Bhawan
Maharajgunj, Kathmandu, Nepal
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S.K.D. & Associates Chartered Accountants

Mem. No. 1566
COP No. 1061

5th Floor, Krishna Bhawan, Maharajgunj, Kathmandu
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MULTIPURPOSE FINANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

We have audited the accompanying financial statement of Multipurpose Finance Company Limited ("the financial institution") which comprise the Statement of Financial Position as at Ashadh 31, 2078 (July 15, 2021), the Statement of Profit or Loss (including Other Comprehensive Income), the Statement of Change in Equity and the Statement of Cash Flow for the Year then ended on that date, and a summary of the significant accounting policies and other explanatory information (here after referred to as "the financial statement").

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, and subject to the effect of matters mentioned in 'Basis of Qualified Opinion' section, the aforesaid financial statements presents fairly, in all material respects, the financial position of Financial Institution as at Ashadh 31, 2078 (July 15, 2021) and its financial performance, change in equity, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Financial Reporting Standards and comply with Companies Act, 2063 and Bank and Financial Institution Act, 2073.

Basis of Qualified Opinion

We conduct our audit of the financial statement 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 on the Financial Institution according with the Handbook of the Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion in the financial statements.

The financial position of the Financial Institution as at Ashadh 31, 2078 (July 15, 2021) and its financial performance, change in equity and cash flow for the year then ended will change if the effects of the following points are considered:

1. Actuarial valuation of employee long term benefits is required under Para 66 and 67 of Nepal Accounting Standards (NAS)-19 to recognize adequate employee long term benefits in the financial statements. The financial institution has recognized staff gratuity as per its policy which is a deviation from NAS-19.
2. Nepal financial Reporting Standard (NFRS)-9 requires that a financial assets shall be measured at fair value. Similarly, NAS 40 requires fair value of investment property. The financial institution has not considered fair value of its investment property and impairment loss has not been recognized which is deviation from NRFS-9 and NAS-40.



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Information Other than the financial Statements and Auditor's Report Thereon

The Financial Institution Management is responsible for the preparation of other information. The other information comprises the information included in the Management Report, Report of the Board of Directors and Chairman's Statement but does not include the financial statement and our auditor's report thereon.

Our opinion in the financial statements does not cover the other information and we don't express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements of our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management and those Charges with Governance for the Financial Statements

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

In preparing the financial statement, management is responsible for assessing the Financial Institution's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Financial Institution or to cease the operation, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Financial Institution's financial reporting process.

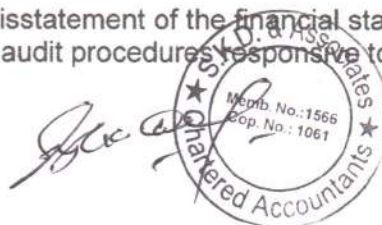
Auditors Responsibility for the Audit of the Financial Statements

Our objective 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 and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatement 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 decision of user 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 through the audit.

We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and



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- obtain audit evidence that is sufficient and appropriate to provide the basis of our opinion. The risk of not detecting a material misstatement resulting from a fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation or the override of internal control.
- Obtain an understanding of internal controls 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 Financial Institution's internal control.
- Evaluate the appropriateness of accounting policy used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtain whether a material on uncertainty exist related to event or condition that may cast significant doubt on the Financial Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtain up to the date of an auditor's report. However, further events or condition may cause the Financial Institution to cease to continue as a going concern.
- Evaluate overall presentation, structure and content of the financial statements; include the disclosures, and whether the financial statements represent the underlying transaction and event in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Financial Institution to express an opinion in the Financial Statements. We are responsible for the direction, suspension and performance of the financial institution audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirement regarding independence and communicate with them all relationships and other matters that may reasonably 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:

- We have obtained all the information and explanation, which we were considered necessary for the purpose of our audit.
- The Statement of Financial Position, Statement of Profit or Loss (including other Comprehensive Income), Statement of Cash Flows and attached Schedules deal with by these reports are prepared as per procedures and format prescribed by Nepal Rastra Bank and agree with the books of account maintained by the Financial Institution.
- The proper book of account has required by the law have been maintained by the Financial Institution.
- During our examination of the books of account of the Financial Institution, we have not come across any cases where any office holder of the Financial Institution has acted contrary to the provisions of law or caused loss or damage to the Financial Institution.
- The Financial Institution has been functioning as per the Directives of Nepal Rastra Bank.
- We have not come across any fraudulence in the accounts, based on our sample examination of the books.

Dated: Mangsir 29, 2078
Kathmandu, Nepal
UDIIN No: 211215CA01566FAHSM

For, S. K. D. & Associates
Chartered Accountants

CA. Suraj Kumar Dhakal
Principal

Multipurpose Finance Company Limited
Statement of Financial Position
As on 31 Asadh 2078 (July 15, 2021)

	Note	2078 Asar 31	2077 Asar 31
Assets			
Cash and cash equivalent	4.1	372,645,942	181,179,319
Due from Nepal Rastra Bank	4.2	-	-
Placement with Banks and Financial Institutions	4.3	-	-
Derivative financial instruments	4.4	-	-
Other trading assets	4.5	-	-
Loans and advances to B/Fis	4.6	-	-
Loans and advances to customers	4.7	429,041,107	322,017,982
Investment securities	4.8	54,166,865	194,500
Current tax assets	4.9	-	-
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	4,101,349	4,531,349
Property and equipment	4.13	30,274,613	30,161,967
Goodwill and Intangible assets	4.14	-	-
Deferred tax assets	4.15	497,032	113,957
Other assets	4.16	4,004,954	29,447,689
Total Assets		894,731,862	567,646,763
Liabilities			
Due to Banks and Financial Institutions	4.17	-	-
Due to Nepal Rastra Bank	4.18	-	-
Derivative financial instruments	4.19	-	-
Deposits from customers	4.20	369,730,643	238,883,779
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	1,327,564	2,959,363
Provisions	4.22	-	-
Deferred tax liabilities	4.15	-	-
Other Liabilities	4.23	14,894,023	26,339,854
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
Total Liabilities		385,952,230	268,182,996
Equity			
Share capital	4.26	400,000,000	224,037,900
Share premium		21,341,453	1,378,058
Retained earnings		38,416,608	28,521,889
Reserves	4.27	49,021,571	45,525,920
Total equity attributable to equity holders		508,779,632	299,463,767
Non-controlling interest		-	-
Total Equity		508,779,632	299,463,767
Total liabilities and equity		894,731,862	567,646,763
Contingent liabilities and commitment	4.28	-	-
Net assets value per share		127.19	133.67

As per our report of even date

Rajnish Kumar Singh
Chief Executive Officer



Ajit K. Mishra
Dy General Manager

Phul Mishra
Chairperson

CA. Suraj K. Dhakal
Principal
S. K. D. & Associates
Chartered Accountants



Arpana Kumari Mishra
Director

Jay Prakash Thakur
Director

Shivahari P. Bhattarai
Director

Date: 2078/08/29
Place: Rajbiraj, Nepal

Multipurpose Finance Company Limited

Statement of Profit or Loss
For the year ended 31 Asar 2078 (July 15, 2021)

	Note	2078 Asar 31	2077 Asar 31
Interest income	4. 29	61,839,881	54,814,653
Interest expense	4. 30	34,386,816	28,014,261
Net interest income		27,453,065	26,800,392
Fee and commission income	4. 31	2,655,262	4,053,811
Fee and commission expense	4. 32	-	-
Net fee and commission income		2,655,262	4,053,811
Net interest, fee and commission income		30,108,327	30,854,203
Net trading income	4. 33	4,787,932	-
Other operating income	4. 34	-	-
Total operating income		34,896,259	30,854,203
Impairment charge/ (reversal) for loans and other losses	4. 35	1,562,979	(499,478)
Net operating income		33,333,279	31,353,681
Operating expense			
Personnel expenses	4. 36	6,323,174	5,864,215
Other operating expenses	4. 37	5,731,991	4,275,184
Depreciation & amortisation	4. 38	282,254	277,443
Operating Profit		20,995,861	20,936,840
Non operating income	4. 39	-	-
Non operating expense	4. 40	-	-
Profit before income tax		20,995,861	20,936,840
Income tax expense	4. 41		
Current Tax		6,905,264	6,273,447
Deferred Tax		(58,085)	822,559
Profit for the year		14,148,681	13,840,834
Profit attributable to:			
Equity holders of the Bank		14,148,681	13,840,834
Non-controlling interest		-	-
Profit for the year		14,148,681	13,840,834
Earnings per share			
Basic earnings per share		3.54	6.18
Diluted earnings per share		3.54	3.46

As per our report of even date

Rajnish Kumar Singh
Chief Executive Officer

Ajit K. Mishra
Dy General Manager

Phul Mishra
Chairperson

CA. Suraj K. Dhakal
Principal
S. K. D & Associates
Chartered Accountants

Arpana Kumari Mishra
Director

Jay Prakash Thakur
Director


Shivahari P. Bhattarai
Director

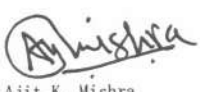
Place: Rajbira, Nepal
2078/05/19


Multipurpose Finance Company Limited
Statement of Other Comprehensive Income
As on 31 Asadh 2078 (July 15, 2021)


	Note	2078 Asar 31	2077 Asar 31
Profit for the year		14,148,681	13,840,834
Other comprehensive income, net of income tax			
a) Items that will not be reclassified to profit or loss			
Gains/(losses) from investment in equity instruments measured at fair value		(1,223,302)	-
Gains/(losses) from investment in mutual fund units measured at fair value		140,000	-
Gains/(losses) on revaluation		-	-
Actuarial gains/(losses) on defined benefit plans		-	-
Income tax relating to above items		324,991	-
Net other comprehensive income that will not be reclassified to profit or loss		(758,312)	-
b) Items that are or may be reclassified to profit or loss			
Gains/(losses) on cash flow hedge		-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)		-	-
Income tax relating to above items		-	-
Reclassify to profit or loss		-	-
Net other comprehensive income that are or may be reclassified to profit or loss		-	-
c) Share of other comprehensive income of associate accounted as per equity method		-	-
Other comprehensive income for the year, net of income tax		(758,312)	-
Total Comprehensive Income for the year		13,390,370	13,840,834
Total Comprehensive Income attributable to:			
Equity holders of the Bank		13,390,370	13,840,834
Non-controlling interest		-	-
Total Comprehensive Income for the year		13,390,370	13,840,834


As per our report of even date

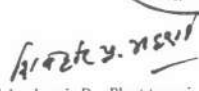

Rajnish Kumar Singh
Chief Executive Officer


Ajit K. Mishra
Dy General Manager


Phul Mishra
Chairperson

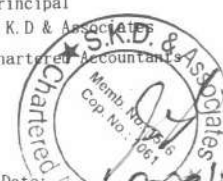

Arpana Kumari Mishra
Director


Jay Prakash Thakur
Director


Shivahari P. Bhattarai
Director

CA. Suraj K. Dhakal
Principal
S. K. D. & Associates
Chartered Accountants

Date: 07/08/29
Place: Rajbiraj, Nepal



Multipurpose Finance Company Limited
Statement of Cash Flows
For the year ended 31 Asar 2078 (July 15, 2021)

	2078 Asar 31	2077 Asar 31
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	61,839,881	54,814,653
Fees and other income received	2,655,262	4,053,811
Dividend received		
Receipts from other operating activities	4,787,932	-
Interest paid	(34,386,816)	(28,014,261)
Commission and fees paid	-	-
Cash payment to employees	(4,223,588)	(3,770,531)
Other expense paid	(5,731,991)	(4,246,760)
Operating cash flows before changes in operating assets and liabilities	24,940,680	22,836,912
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank		
Placement with bank and financial institutions		
Other trading assets		
Loan and advances to bank and financial institutions		
Loan and advances to customers	(108,586,104)	(101,158,623)
Other assets	25,059,660	3,546,833
Increase/ (Decrease) in operating liabilities		
Due to bank and financial institutions		
Due to Nepal Rastra Bank		
Deposit from customers	130,846,864	25,685,320
Borrowings		
Other Liabilities	(15,177,216)	2,690,812
Net cash flow from operating activities before tax paid	57,083,884	(46,398,746)
Income taxes paid	(6,847,180)	(7,096,006)
Net cash flow from operating activities	50,236,704	(53,494,752)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(54,730,676)	-
Receipts from sale of investment securities		
Purchase of property and equipment	(394,900)	(63,931)
Receipt from sale of property and equipment		
Purchase of intangible assets		
Receipts from the sale of intangible assets		
Investment properties	430,000	1,781,000
Receipts from the sale of investment properties		
Interest received		
Dividend received	-	-
Net cash used in investing activities	(54,695,576)	1,717,069
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Receipt from issue of right shares shares	175,962,100	182,564,300
Security premium	19,963,395	1,378,058
Dividends paid	-	-
Interest paid	-	-
Other receipt/payment	-	(124,153)
Net cash from financing activities	195,925,495	183,818,205
Net increase (decrease) in cash and cash equivalents	191,466,623	132,040,521
Cash and cash equivalents at Shrawan 01, 2077	181,179,319	49,138,798
Effect of exchange rate fluctuations on cash and cash equivalents held		
Cash and cash equivalents at Ashadh end 2078	372,645,942	181,179,319

As per our report of even date

Rajnish Kumar Singh
Chief Executive Officer

Ajit K. Mishra
Dy General Manager

Phul Mishra
Chairperson

Arpana Kumari Mishra
Director

Jay Prakash Thakur
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Shivahari P. Bhattarai
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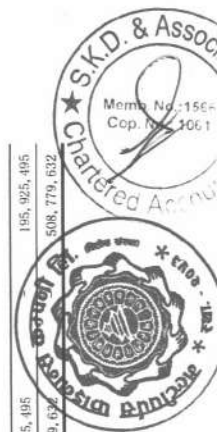
CA. Suraj K. Bhakal
Principal S.K.D. & Associates
S. K. D. & Associates
Chartered Accountants
Firm No. 156

Date: 2078/08/19
Place: Rajbiraj, Nepal

Multipurpose Finance Company Limited
Statement of Change in Equity

As on 31 Asadh 2078 (July 15, 2021)

	Attributable to equity holders of the Bank										Non-controlling Interest	Total
	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total		
Balance at Shrawan 01, 2076 (16-Jul-2019)	41,473,600	-	10,101,321	-	9,612,968	-	23,872,950	15,820,720	923,169	101,804,728	-	101,804,728
Adjusted / Restatement	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted / restated Balance at Shrawan 01, 2076 (15-Jul-2019)	41,473,600	-	10,101,321	-	9,612,968	-	23,872,950	15,820,720	923,169	101,804,728	-	101,804,728
Comprehensive Income for the FY 2076-77 (2019-20) :												
Profit for the year								13,840,834		13,840,834	-	13,840,834
Other Comprehensive Income, net of tax								-		-		-
Gains/(losses) from investment in equity instruments measured at fair value								-		-		-
Gains/(losses) on revaluation								-		-		-
Actuarial gain / (loss) on defined benefit plan								-		-		-
Gain / (loss) on cash flow hedge								-		-		-
Exchange gains / (losses) (arising from translating financial assets of foreign operation)								-		-		-
Total Comprehensive Income for the year								13,840,834		13,840,834		13,840,834
Transfer to Reserves during the year			2,768,167		(1,766,909)			(1,139,665)	138,408	(124,153)		(124,153)
Transfer from Reserves during the year												
Transactions with Owners, directly recognized in Equity :												
Share issued	182,564,300	1,378,058								183,942,358		183,942,358
Share based payments												
Dividend to equity holders												
Bonus shares issued												
Cash Dividend Paid												
Other												
Total Contributions by and Distributions	182,564,300	1,378,058	2,768,167	-	(1,766,909)	-	-	(1,139,665)	14,255	183,818,205		183,818,205
Balance at Asar 31, 2077 (16-Jul-2020)	224,037,900	1,378,058	12,869,488	-	7,846,059	-	23,872,950	28,521,889	937,424	299,463,767		299,463,767
Comprehensive Income for the FY 2077-78 (2020-21) :												
Profit for the year								14,148,681		14,148,681		14,148,681
Other Comprehensive Income, net of tax								-		(758,312)		(758,312)
Gains/(losses) from investment in equity instruments measured at fair value								-		(758,312)		(758,312)
Gains/(losses) on revaluation								-		-		-
Actuarial gain / (loss) on defined benefit plan								-		-		-
Gain / (loss) on cash flow hedge								-		-		-
Exchange gains / (losses) (arising from translating financial assets of foreign operation)								-		-		-
Total Comprehensive Income for the year								14,148,681		13,390,369		13,390,369
Transfer to Reserves during the year			2,829,736		1,282,739			(4,253,962)	141,487	-		-
Transfer from Reserves during the year								-		-		-
Transactions with Owners, directly recognized in Equity :												
Share issued	175,962,100	19,963,995								195,926,095		195,926,095
Dividend to equity holders												
Bonus shares issued												
Cash Dividend Paid												
Total Contributions by and Distributions	175,962,100	19,963,995	2,829,736	-	1,282,739	-	-	(4,253,962)	141,487	195,926,095		195,926,095
Balance at Asar 31, 2078 (15-Jul-2021)	400,000,000	21,341,453	15,699,224	-	9,128,797	(758,312)	23,872,950	38,418,608	1,078,911	508,779,632		508,779,632



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Multipurpose Finance Company Limited

Notes to the Financial Statements

For the year ended 31 Ashadh 2078 (July 15, 2021)

1. Reporting entity

1.1. Corporate information

Multipurpose Finance Company Limited (hereinafter referred to as "the Financial Institution") is a public limited company domiciled in Nepal. It was incorporated on BS 2053-10-10 (AD 1997-01-23) under then prevailing Companies Act, 2011(1964) of Nepal. It is a class "C" licensed financial institution regulated under the Banks and Financial Institutions Act, 2073(2017). It commenced operations as financial institution on 2054-11-17 (1998-03-01) and has its registered head office in Rajbiraj, Saptari, Nepal.

1.2. Principal activities of the Financial Institution

Principal activities of the Financial Institution comprise full-fledged financing services including financial intermediation, trade finance services, remittance and other ancillary banking services to a diverse clientele encompassing individuals and organizations.

2. Basis of preparation

2.1. Statement of compliance

The financial statements of the Financial Institution have been prepared in accordance with Nepal Financial Reporting Standards 2013 (NFRS) developed by the Accounting Standards Board, Nepal (ASBN) and pronounced for application by the Institute of Chartered Accountants of Nepal (ICAN) on September 13, 2013. These financial statements comply with the requirements of the Companies Act, 2006 and amendments thereto and also provide appropriate disclosures required under regulations of the Securities Exchange Board of Nepal (SEBON).

Details of the significant accounting policies followed by the Financial Institution in the preparation of financial statements for the reporting period are given in Note 3.

2.1.1. Reporting pronouncements

Nepal Rastra Bank (NRB), the Banks and Financial Institutions regulator of the country, has instructed banks and financial institutions to prepare their financial statements in accordance with NFRS effective from financial year 2017-18. NRB circular to this effect was issued under reference number Bai.bi.ni.bi./Niti/Paripatra/KaKhaGa/10/074/75 dated November 30, 2017. NRB has also implemented standardized format of financial statements.

The Accounting Standards Board of Nepal has developed NFRS 2013 by converging with International Financial Reporting Standards 2012 (IFRS) as issued by the International Accounting Standards Board (IASB). The Institute of Chartered Accountants of Nepal has pronounced implementation of NFRS.

Accompanying financial statements for the year ended July 15, 2021 are the set of financial statements the Financial Institution has prepared in accordance with NFRS.

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2.2. Reporting period and approval of financial statements

The accompanying financial statements cover annual reporting period between July 16, 2020 and July 15, 2021 (the reporting period) and the status is reported as at the year-end date of July 15, 2021 (the report date). These financial statements, inclusive of comparative figures of July 16, 2020 have been approved and authorized for issue by the board of directors as per its decision dated and have recommended for its approval at the shareholders annual general meeting.

2.2.1. Responsibility for financial statements

The board of directors of the Financial Institution is responsible for the preparation of financial statements of the Financial Institution which reflects a true and fair view of the financial position and performance of the Financial Institution. The board is of the view that the financial statements in its entirety have been prepared in conformity with the prevailing financial reporting standards and the Companies Act of Nepal.

The board of directors acknowledges their responsibility for financial statements as set out in the 'Statement of Director's Responsibility' and in the certification on the statement of financial position.

These financial statements include the following components:

- a Statement of Financial Position [SoFP] providing the information on the financial position of the Financial Institution as at the end of the reported period;
- a Statement of Profit or Loss [SoPL] and a Statement of Other Comprehensive Income [SoCI] providing the information on the financial performance of the Financial Institution for the reported period;
- a Statement of Changes in Equity [SoCE] reporting all changes in the shareholders' funds during the reported period of the Financial Institution;
- a Statement of Cash Flows [SoCF] providing the information to the users, on the ability of the Financial Institution to generate cash and cash equivalents and utilization of those cash flows; and
- Notes to the financial statements comprising significant accounting policies, other disclosures and other explanatory information relevant to the study of financial statements.

2.3. Functional and presentation currency

Financial statements are presented in Nepalese Rupees (NPR), the functional currency of Financial Institution. Assets and liabilities are presented in the order of liquidity in the statement of financial position. Incomes and expenses are classified 'by nature' in the presentation of statement of profit or loss. Cash flows from operations are derived using the direct method in the presentation of statement of cash flows.

2.4. Use of estimates, assumptions and judgments

Preparation of financial statements in conformity with NFRS required the Financial Institution's management to make critical judgments, estimates and assumptions such that could potentially have a material impact on the reported financial figures. These affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.



On an ongoing basis the management reviews these estimates and underlying assumptions to ensure that they continue to be relevant and reasonable. Revisions to accounting estimates are recognized prospectively.

The most significant areas of assumptions and estimation applied in the application of accounting policies that have the most significant effect on the amounts recognized in the financial statements are listed hereinafter and their description follows:

- Fair value of financial instruments
- Classification of financial assets and financial liabilities
- Impairment losses on financial assets
- Impairment losses on non-financial assets
- Useful economic life of property and equipment
- Taxation and deferred tax
- Defined benefit obligations
- Provisions for liabilities, commitments and contingencies

Information about significant areas of estimation and critical judgments in applying accounting policies, other than those stated above and which have significant effects on the amount recognized in the financial statements are described in the respective areas.

2.4.1. Fair value of financial instruments

Fair value of financial assets and financial liabilities, for which there is no observable market prices, are determined using a variety of valuation techniques that include the use of statistical models. The Financial Institution measures fair value using a fair value hierarchy that reflects the significance of input used in making measurements. The use of fair value hierarchy is described in Note 5.1.7.

2.4.2. Classification of financial assets and liabilities

Significant accounting policies of the Financial Institution provide scope for financial assets and financial liabilities to be recognized under different accounting classifications. These are either measured at fair value or at amortized cost and can be presented under any of the following accounting classifications based on specific circumstances.

- Financial assets or financial liabilities subsequently measured at Amortized Cost; or
- Financial assets or financial liabilities designated as at Fair Value Through Profit or Loss (FVTPL); or
- Financial assets or financial liabilities subsequently measured at Fair Value Through Profit or Loss (FVTPL); or
- Financial assets subsequently measured at Fair Value through Other Comprehensive Income (FVTOCI).

Presentation and / or measurement of the amounts recognized in financial statements could be different for a particular financial asset or financial liability under any two different accounting classifications. The Financial Institution's management exercise judgment in the application of appropriate accounting policy to achieve correct accounting classifications for its financial assets and financial liabilities. Accounting policy relating to financial assets and financial liabilities is presented in Note 3.4.3 and the related explanatory information is presented in Note 5.3.

2.4.3. Impairment losses on financial assets

Impairment loss on financial assets – loans and advances are determined at the higher of:

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- Loan loss provision amount derived as prescribed in directive no. 02 of Nepal Rastra Bank; and
- Impairment loss amount determined as per Incurred Loss Model specified in para 63 of NAS 39.

There arise a need for the Financial Institution's management to apply judgment and estimation in assessing and determining the amount of impairment loss on financial assets measured at amortized cost. Some of the areas that require management judgment and estimation are listed herein below:

- selection of appropriate impairment assessment tool;
- defining individually significant assets;
- designing impairment assessment questionnaire;
- estimating future recoverable cash flows on financial asset; and
- adjusting results of historical data analysis to incorporate the economic conditions and portfolio factors that existed at the reporting date.

Exercise of judgment is an integral part of the impairment assessment process and the Financial Institution exercises its experienced judgment to adjust observable data for a Financial Institution of financial assets to reflect current circumstances. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

The Financial Institution's policy in accounting for impairment of financial assets is explained in Note 3.4.8.

2.4.4. Impairment losses on non-financial assets

At each reporting date, or more frequently if events or changes in circumstances necessitates, the Financial Institution assesses whether there are any indicators of impairment for a non-financial asset. This requires the estimation of the 'Value in Use' of such individual assets. Estimating the 'Value in Use' requires the management to make an estimate of the expected future cash flows from the asset and also to select a suitable discount rate to calculate the present value of the relevant cash flows. This valuation requires the management to make estimates about expected future cash flows and discount rates. Additional disclosure on this is stated in Note 3.22.

2.4.5. Useful economic life of property and equipment

The Financial Institution reviews the residual values, useful lives and methods of depreciation of property and equipment at regular intervals. Judgment of the management is exercised in the estimation of these values, rates, methods.

2.4.6. Taxation and deferred tax

The Financial Institution is subject to income tax under Income Tax Act 2002 A.D. and amendments thereto, and due to the potential differences that may exist between the Financial Institutions and the Income Tax Authorities with regard to the interpretation of complex tax provisions, management judgment is required to determine the total provision for current tax and deferred tax amounts.

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which such losses can be utilized. Judgment is

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required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Additional disclosure on tax is stated in Note 3.10.

2.4.7. Defined benefit obligations

The Financial Institution recognizes following two types of employee liabilities as defined benefit obligations:

- a) Gratuity Liability
- b) Accumulated Leave Liability

The cost of the defined benefit obligations is determined using actuarial valuation from an independent actuary. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, attrition rate, future salary increases, mortality rates and future pension increases, etc.

In determining the appropriate discount rate, management considers the interest rates of Nepal government bonds with maturities corresponding to the expected duration of the defined benefit obligation as may be available. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future salary increase rates. The Financial Institution reviews actuarial assumptions at each reporting date. Additional disclosure on this is stated in Note 3.15

2.4.8. Provisions for liabilities, commitments and contingencies

The Financial Institution receives legal claims in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless they are remote. Additional disclosure on this is stated in Note 5.6.

Information about significant areas of estimation and critical judgments in applying accounting policies, other than those stated above, and which have significant effects on the amounts recognized in the financial statements are described in respective notes.

2.5. Changes in accounting policies

The Financial Institution has consistently applied the accounting policies for all periods reported in the financial statements. There were no changes in accounting policy in the reporting period.

2.6. New standards issued but not yet effective

The ASBN has not issued a new NFRS since the current version of NFRS were issued in September 2013. However, the IASB has issued a number of new IFRS standards and interpretations, including

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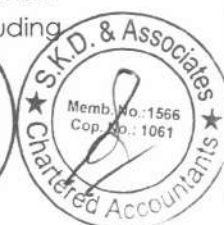
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amendments to the existing IFRS, since the IFRS 2012 based on which NFRS 2013 have been developed.

2.7. New standards and interpretations not adopted

The updates on IFRS subsequent to 2012 become applicable when the ASBN incorporates them within the NFRS. The Financial Institution has not adopted those standards.

2.8. Discounting

The Financial Institution calculates amortized cost of a financial asset or a financial liability using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of a financial asset or a financial liability to the net carrying amount of the financial asset or liability. If expected life cannot be determined reliably, then the contractual life is used.

In case where the Financial Institution assesses that the transaction amount of a financial asset or a financial liability does not represent its fair value, the related future cash flows are discounted at prevailing interest rate to determine the initial fair value.

2.9. Going concern

The management has made an assessment of its 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 upon the Financial Institution's ability to continue as a going concern, such as restrictions or plans to curtail operations. Therefore, the financial statements of the Financial Institution continue to be prepared on a going concern basis.

2.10. Offsetting

In the Statement of Financial Position, financial assets and financial liabilities are netted off only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not netted off in the Statement of Profit or Loss unless required or permitted by an Accounting Standard or Interpretation and as specifically disclosed in the accounting policy of the Financial Institution.

2.11. Materiality and aggregation

In the financial statements materiality and aggregation is dealt with in compliance with Nepal Accounting Standard – NAS 1 "Presentation of Financial Statements" and within the scope of formats implemented by Nepal Rastra Bank. Accordingly, each material class of similar items is presented separately and items that are not similar in nature or function are also presented separately unless these are immaterial.

2.12. Rounding

The amounts in the financial statements are rounded off to the nearest Rupees, except where otherwise indicated as permitted by NAS 1 – "Presentation of Financial Statements".

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2.13. Comparative information

Accounting policies are consistently applied across all periods reported. The presentation and classification of financial figures relating to previous period are regrouped or reclassified where relevant to facilitate consistent presentation and better comparability.

2.14. Events after the reporting date

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue.

All material and important events that occurred after the reporting date have been considered and appropriate disclosures have been made in line with NAS 10 – "Events After the Reporting Period". Explanatory information on events after the reporting date is presented in Note 5.10.

3. Significant Accounting Policies

The Financial Institution has applied the accounting policies set out below consistently to all periods presented in the accompanying financial statements unless specifically stated otherwise.

Index of significant accounting policies is produced below for easy reference.

Principal Note	Accounting Policy Topic	Additional Note	Page No.
3	Significant Accounting Policies		
3.1	Basis of measurement		
3.2	Basis of consolidation		
3.3	Cash and cash equivalent	4.1	
3.4	Loan and advances to customers	4.7	
3.6	Property and equipment	4.13	
3.7	Investment securities	4.8	
3.8	Deferred tax assets	4.15	
3.9	Current tax assets	4.9	
3.10	Deposits	4.20	
3.11	Revenue recognition	4.29 4.31	
3.12	Interest expense	4.30	
3.13	Foreign currency transactions, translation and balances		
3.14	Share capital and reserves	4.26, 4.27	
3.15	Earnings per share		
3.16	Segment reporting		
3.17	Impairment of Non-Financial Assets		
3.18	Statement of cash flows		

Basis of Measurement

Financial Statements of the Financial Institution have been prepared on historical cost convention including for the following:

- Investment Property (land and building acquired as non-banking assets)
- Liabilities for employee defined benefit obligations and liabilities for long service leave

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3.1. Basis of consolidation

The Financial Institution's financial statements comprise stand-alone financial statements only it has no subsidiary companies that require consolidation.

- a. Business combination : None
- b. Non-controlling interest (NCI) : None
- c. Subsidiaries : None
- d. Loss of control : None
- e. Special Purpose Entity (SPE) : None
- f. Transaction elimination on consolidation : None

3.2. Cash and cash equivalent

Cash and cash equivalent comprise of the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the licensed institution in the management of its short term commitments. Restricted deposits are not included in cash and cash equivalents. These are measured at amortized cost and presented as a line item on the face of Statement of Financial Position (SoFP).

3.3. Financial assets and financial liabilities

Financial assets refer to assets that arise from contractual agreements on future cash flows or from owning equity instruments of another entity. Since financial assets derive their value from a contractual claim, these are non-physical in form and are usually regarded as being more liquid than other tangible assets. Common examples of financial assets are cash, cash equivalents, bank balances, placements, investments in debt and equity instruments, derivative assets and loans and advances.

Financial liabilities are obligations that arise from contractual agreements and that require settlement by way of delivering cash or another financial asset. Settlement could also require exchanging other financial assets or financial liabilities under potentially unfavorable conditions. Settlement may also be made by issuing own equity instruments. Common examples of financial liabilities are due to banks, derivative liabilities, deposit accounts, money market borrowings and debt capital instruments.

The contractual agreements, generally referred to as financial instruments, are characterized by the existence of counter parties and the contract terms give rise to a financial asset to one counterparty and a corresponding financial liability or equity instrument to the other counterparty.

The Financial Institution has applied NFRS 9 – "Financial Instruments" in the classification and measurement of its financial instruments. Para 5.2.2 of NFRS 9 prescribes the application of impairment requirements in paragraphs 58-65 and AG84-AG93 of NAS 39 to financial assets measured at amortized cost. Accordingly, the Financial Institution has applied Para 63 of IAS 39 and measured impairment loss on financial assets measured at amortized cost following the incurred loss model.

3.3.1. Date of recognition of financial instruments

All financial assets and financial liabilities are initially recognized in the Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

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3.3.2. Initial recognition and measurement of financial instruments

All financial assets and financial liabilities are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

3.3.3. Classification and subsequent measurement of financial assets

Financial assets are classified based on how the asset is measured subsequent to its initial recognition as per NFRS 9 – "Financial Instrument". Accordingly, at the time of initial recognition, financial assets are classified as:

- financial assets subsequently measured at amortized cost, and
- financial assets subsequently measured at fair value.

Classification and subsequent measurement of financial assets are arrived at on the basis of both the following criteria:

- the entity's business model for managing the financial assets, and
- the contractual cash flow characteristics of the financial asset.

Details on different classes of financial assets recognized on the financial statements are presented in Note 5.3.

3.3.4. Classification and subsequent measurement of financial liabilities

Financial liabilities are classified based on how the liability is measured subsequent to its initial recognition as per NFRS 9 – "Financial Instrument". Accordingly, at the time of initial recognition, financial liabilities are classified as:

- subsequently measured at FVTPL, or
- subsequently measured at amortized cost.

Details on different classes of financial liabilities recognized on the financial statements are presented in Note 5.3.

3.3.5. Reclassification of financial assets and liabilities

Reclassification of financial assets and liabilities are at the election of management and determined on an instrument by instrument basis. Reclassification of financial assets is done if and only if the business model objective for the financial asset changes so its previous model assessment would no longer apply.

NFRS 9 does not permit reclassification in the following cases:

- for equity investments measured at FVTOCI; and
- where the fair value option has been exercised in any circumstance for a financial asset or a financial liability.

3.3.6. De-recognition of financial assets and financial liabilities

3.3.6.1. De-recognition of financial assets

The Financial Institution derecognizes a financial asset, or where applicable a part of financial asset or part of a Financial Institution of similar financial assets, when:

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- the contractual rights to the cash flows from the financial asset expire; or
- the Financial Institution transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred; or
- the Financial Institution has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and:
 - o either the Financial Institution has transferred substantially all the risks and rewards of the asset; or
 - o the Financial Institution has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the statement of profit or loss. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Financial Institution is recognized as a separate asset or liability.

Where there is the Financial Institution's continuing involvement that takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received by the Financial Institution and which it could be required to repay.

3.3.6.2. De-recognition of financial liabilities

The Financial Institution derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of profit or loss as a disposal gain or loss.

3.3.7. Fair value of financial assets and financial liabilities

'Fair Value' is the price that would be received on sell of an asset or paid for transfer of a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Financial Institution.

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

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

Fair Value of non-financial assets such as land and building are derived based on reports of independent professional property valuers.

Explanatory information on fair value measurement of assets and liabilities, along with the fair value hierarchy adopted by the Financial Institution in determining the fair value of financial assets, is provided in Note 5.1.7.

3.3.8. Impairment of financial assets

The Financial Institution, at the end of each reporting period, assesses whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Financial Institution of financial assets that can be reliably estimated.

It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Objective evidence of impairment includes observable data such as following:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- where observable data indicate that there is a measurable decrease in the estimated future cash flows from a Bank of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Financial Institution, including adverse changes in repayment patterns or economic conditions that correlate with defaults.

Statistical methods are used to determine impairment losses on a collective basis for homogenous portfolio of loan assets. The Financial Institution applies "net flow rate" methodology to calculate historical loss experience on a collective portfolio basis. Under this, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately turn into uncollectible. The loss rates are regularly reviewed against actual loss experience.

3.4.9.1 Loan loss provision amount as prescribed in directive no. 02 of Nepal Rastra Bank

Impairment loss on financial assets – loans and advances are determined at the higher of:

- Loan loss provision amount derived as prescribed in directive no. 02/75 of Nepal Rastra Bank; and



- Impairment loss amount determined as per Incurred Loss Model specified in para 63 of NAS 39.

As a result, Financial institution has recognized Loan loss provision amount derived as prescribed in directive no. 02/75 of Nepal Rastra Bank because this amount is higher than impairment loss amount determined as per Incurred Loss Model specified in para 63 of NAS 39.

Particulars	FY 2077-78	FY 2076-77
Gross loan and advances to customers excluding staff loans and accrued interest	426,883,694.27	31,85,85,807.65
Loan loss provision as per NRB Directive	7,451,055.36	58,88,076.34
Loan loss provision as per NFRS	50,64,657.00	47,19,087.00
Loan loss revision recognized (whichever is higher)	7,451,055.36	58,88,076.34

Loan loss provision derived as prescribed in directive no. 02 of Nepal Rastra Bank are considered for making provision against loan and advances during the year.

3.3.9. Loan to employees at below market interest rate

The Financial Institutions generally provides loans to its employees at below market interest rate. This asset is bifurcated and recognized as two different elements viz. a prepaid employee benefit and a loan asset. Initially fair value of a loan to an employee is estimated by discounting the future loan repayments using a market rate of interest. The initial difference between the transaction price of the loan and its fair value is recognized as employee benefit. The remaining part of the loan receivable is accounted for as a financial asset subsequently measured at amortized cost.

The prepaid employee benefit element is accounted for as short-term employee benefit under NAS 19 – "Employee Benefits". The balance in prepaid employee benefit is amortized over the full term of the loan with corresponding expense recognition determined at the difference between:

- the interest income for the period applying effective interest rate on the fair value of the loan; and
- the interest payable by the employee.

Since there is no substantial difference on the rate of interest at which loan is given to employee and current market rate of interest, the asset is not bifurcated and recognized as two different elements viz. a prepaid employee benefit and a loan asset in this year.

3.4. Trading assets

Trading assets are those assets that are acquired principally for the purpose of selling in the near term, or held as part of a portfolio that is managed together for short-term profit. It includes non-derivative financial assets such as government bonds, NRB bonds, domestic corporate bonds, treasury bills, equities, etc. held primarily for trading purpose. If a trading asset is a debt instrument, it is subject to the same accounting policy applied to financial assets measured at amortized cost. If a trading asset is an equity instrument, it is subject to the same accounting policy applied to financial assets measured at FVTPL.

3.5. Derivative assets and derivative liabilities

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3.6. Property and equipment

Property and equipment are tangible items that are held for and used in the provision of services, for rental to others, or for administrative purposes, and are expected to be used for more than one year period. The Financial Institution applies NAS 16 – "Property, Plant and Equipment" in the accounting of property and equipment.

Additional information on property and equipment with a reconciliation of carrying amounts, accumulated amortization at the beginning and at the end of the periods is presented in Note 4.13.

3.6.1. Basis of recognition

Property and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Financial Institution and the cost of the asset can be reliably measured.

3.6.2. Basis of measurement

An item of property and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and eligible subsequent costs. Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Financial Institution. Ongoing repairs and maintenance are expensed as incurred.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalized as part of Computer Equipment.

3.6.3. Cost model

The Financial Institution applies the cost model to all property and equipment and records these at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

3.6.4. Revaluation model

The Financial Institution doesn't apply revaluation model any class of property and equipment.

3.6.5. De-recognition

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the profit or loss in the year the asset is derecognized. When replacement costs are recognized in the carrying amount of an item of property and equipment, the remaining carrying amount of the replaced part is derecognized.

3.6.6. Capital work-in-progress

These are expenses of a capital nature directly incurred in the construction of buildings and system development, awaiting capitalization. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant

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asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

3.6.7. Depreciation

The Financial Institution provides depreciation from the date the assets are available for use up to the date of disposal. The assets are depreciated on a straight line basis over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Financial Institution other than disclosed separately.

Class of Fixed Assets	Estimated Useful Life
Freehold Building	Up to 50 years
Motor Vehicles	Up to 10 years
Plant and Machinery	Up to 10 years
Furniture & Fixture	Up to 10 years
Office Equipment	Up to 10 years

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.6.8. Changes in estimates

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

3.7. Goodwill and Intangible assets

3.7.1. Goodwill

Goodwill that arises on the acquisition of Subsidiaries is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the bank's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

At the reporting date, the financial institution does not have intangible asset in the form of goodwill, arising on business combination.

3.7.2. Intangible assets

Intangible assets are identifiable non-monetary asset without physical substance, which are held for and used in the provision of services, for rental to others or for administrative purposes. The financial institution applies NAS 38 – "Intangible Assets" in accounting for its intangible assets.

The financial institution recognizes an intangible asset when:

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- the cost of the asset can be measured reliably;
- there is control over the asset as a result of past events (for example, purchase or self-creation); and
- future economic benefits (inflows of cash or other assets) are expected from the asset.

Intangibles can be acquired by separate purchase; as part of a business combination; by a government grant; by exchange of assets; or by self-creation (internal generation). An intangible asset appearing in the financial institution's books is computer software which is already written off from the books.

3.7.3. Computer software

Software acquired by the Financial Institution is measured at cost less accumulated amortization and any accumulated impairment losses.

Additional information on intangible assets with a reconciliation of carrying amounts, accumulated amortization at the beginning and at the end of the periods is presented in Note 4.5.

3.7.4. Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the Cash Generating Unit level as appropriate, when circumstances indicate that the carrying value is impaired. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the 'indefinite life assessment' continues to remain valid. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

At the reporting date the Financial Institution does not have intangible assets with indefinite useful lives.

3.7.5. De-recognition of intangible assets

Intangible assets are de-recognized on disposal or when future economic benefits are no more expected from their use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceed and the carrying amount of the asset. Such a gain or loss is recognized in the profit or loss.

3.7.6. Amortization and impairment of intangible assets

The useful lives of intangible assets are assessed as either finite or infinite. Except for goodwill other intangible assets with finite lives are amortized on a straight line basis in the statement of profit or loss from the date when the asset is available for use, over the best estimate of the useful economic life based on a pattern in which the asset's economic benefits are consumed by the Financial Institution. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Financial Institution assumes that there is no residual value for its intangible assets.

Class of Intangible Assets	Estimated Useful Life
IT Software	Up to 5 years

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Expenditure on an intangible item that was initially recognized as an expense by the Financial Institution in previous annual financial statements or interim financial statements are not recognized as part of the cost of an intangible asset at a later date.

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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Goodwill and intangible assets with infinite useful lives such as license are not amortized, but are assessed for impairment annually. The assessment of infinite life is reviewed annually to determine whether the infinite life continues to be supportable.

3.8. Investment property

Investment properties are land or building or both other than those classified as property and equipment under NAS 16 – "Property, Plant and Equipment"; and assets classified as non-current assets held for sale under NFRS 5 – "Non-Current Assets Held for Sale & Discontinued Operations". The Financial Institution has recognized as investment property all land or land and building acquired as non-banking assets through foreclosure by the Financial Institution.

Non-banking assets (only land and building) are initially recognized at cost. Subsequent to initial recognition the Financial Institution has chosen to apply the cost model allowed by NAS 40 – "Investment Property" and since it is not intended for owner-occupied use, a depreciation charge is not raised.

3.9. Income Tax

Tax expense is the aggregate amount included in the determination of profit or loss for the period in respect of current and deferred taxes. The Financial Institution applies NAS 12 – "Income Taxes" for the accounting of Income Tax. Income tax expense is recognized in the Statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or directly in other comprehensive income. Tax expense relating to items recognized directly in other comprehensive income is recognized in the Statement of Other Comprehensive Income.

3.9.1. Current Tax

Current tax comprises the amount of income taxes payable (or recoverable) in respect of the taxable profit (or tax loss) for the reporting period, and any amount adjusted to the tax payable (or receivable) in respect of previous years. It is measured using tax rates enacted, or substantively enacted, at the reporting date.

The Financial Institution has determined tax provision for the reported period based on its accounting profit for that period, and incorporating the effects of adjustments for taxation purpose as required under the Income Tax Act 2002 A.D. (2058 B.S.) and amendments thereto, using a corporate tax rate of 30.00%.

The Financial Institution recognizes a current tax liability to the extent that the current tax expense for current and prior periods remain unpaid. Conversely, a current tax asset is recognized if the tax paid in respect of current and prior periods exceed the amount payable for those periods. Explanatory information on current tax calculation is stated in Note 4.41.

3.9.2. Deferred Tax

Deferred tax is recognized at the reporting date in respect of temporary differences between:

- the carrying amounts of assets and liabilities for financial reporting purposes; and
- the amounts used for taxation purposes (i.e. tax base).

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;



- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and carried forward unused tax losses (if any), to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they will be reversed, using tax rates enacted, or substantively enacted, at the reporting date. Deferred tax income or expense relating to items recognized directly in equity is recognized in Other Comprehensive Income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Explanatory information on deferred tax calculation is stated in Note 4.15.

3.10. Deposits, debt securities issued and subordinated liabilities

3.10.1. Deposits from customers and BFIs

The Financial Institution presents deposit accounts held by customers and those held by BFIs in the Financial Institution under respective line items in the face of the consolidated statement of financial position. These are classified as financial liabilities measured at amortized cost.

3.10.2. Debt securities issued

The Financial Institution presents debt securities, debenture issued by the Financial Institution under this line item. These are classified as financial liabilities measured at amortized cost. The Financial Institution does not have any debt securities issued at the reporting date.

3.10.3. Subordinated liabilities

These comprise of liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors. Items eligible for presentation under this line item include redeemable preference share, subordinated notes issued, borrowings etc. These are subject to the same accounting policies applied to financial liabilities measured at amortized cost. The Financial Institution does not have any subordinated liabilities at the reporting date.

3.11. Provisions

The Financial Institution applies NAS 37 – "Provisions, Contingent Liabilities & Contingent Assets" in the accounting of provisions.

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3.11.1. Provisions for onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Financial Institution from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The Financial Institution does not have any onerous contracts at the reporting date.

3.11.2. Other provisions

A provision is recognized if, as a result of a past event, the Financial Institution has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount of Provisions are determined by discounting the expected future cash outflows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense in profit or loss.

Before a provision is established, the Financial Institution recognizes any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

3.12. 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 measured reliably. The Financial Institution applies NAS 18 – "Revenue" in the accounting of revenue, unless otherwise stated.

3.12.1. Interest income

Interest income are recognized in profit or loss using the effective interest rate (EIR) method for all financial assets measured at amortized cost. Interest income is earned on bank balances, investments in money market and capital market instruments, loans and advances, etc.

EIR method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. EIR is the rate that exactly discounts estimated future cash receipts or cash payments through the expected life of the financial asset to the net carrying amount of the financial asset.

When calculating EIR the Financial Institution estimates future cash flows considering all contractual terms of the financial asset, but not future credit losses. The Financial Institution has excluded from EIR calculation the upfront management fees received at the origination of long tenor loans and advances to customers.

Details of interest income on loan and advances:

Particulars	2078 Ashadh 31	2077 Ashadh 31
Cash received during the year	59,670,857.00	4,90,92,447.98
Closing Accrued Income	4,334,460.00	4,147,243.00
Opening Accrued Income	4,147,243.00	2,979,030.00
Income recognized during the year	59,831,074.00	5,02,87,660.98

financial institution has not provided any rebate on interest charges during the year ended 31st Ashadh 2078. Further financial institution has recognized cash interest received till Bhadra 15, 2078

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of Rs. 6,56,000/- as interest income with corresponding effect on interest receivable is stated in Note 4.29.

TABLE 1

Particulars	As of Asadh end 2078	
	No. of Customers	Amount (NRs.)
Accrued Interest Received after Asadh end 2078 till 15 Bhadra 2078	8	656,000
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	NA	1,259,736
Extension of moratorium period of loan provided to Industry or Project under construction	NA	NA
Restructured/Rescheduled Loan with 5% Loan Loss Provision	NA	NA
Enhancement of Working Capital Loan by 20% to COVID affected borrowers	NA	NA
Enhancement of Term Loan by 10% to COVID affected borrowers	NA	NA
Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for upto 1 year with 5% provisioning	NA	NA
Expiry Date of Additional 10% Term Loan (COVID Loan) extended for upto 1 year with 5% provisioning	NA	NA
Time Extension provided for repayment of Principal and Interest for upto two years as per clause 41 of NRB Directives 2	NA	NA

TABLE 2

Particulars	As of Asadh end 2078	
	No. of Customers	Amount (NRs.)
Refinance Loan	NA	NA
Business Continuity Loan	NA	NA

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TABLE 3

Particulars	As of Asadh end 2078	
	No. of Customers	Amount (NRs.)
Subsidized Loan	NA	NA

3.12.2. Fees and commission income

The Financial Institution earns fee and commission income on providing a diverse range of services to its customers. Such income earned on services including account maintenance, remittance transactions, agency commissions, e-commerce transactions, bank guarantees, loan management, etc. are recognized as the related services are performed. Fee and commission earned for the provision of services over a period of time are recognized as income on cash basis at the time of issue of Guarantee.

Explanatory information on net fees and commission income is stated in Note 4.31.

3.12.3. Dividend income

Dividend income is recognized when the right to receive income is established, which is the ex-dividend date for quoted equity instruments and unit investments. In line with the requirements of the Income Tax Act 2002, dividends received from domestic companies are recognized as final withholding income, while those received in respect of unit investments in mutual funds and equity interest in foreign companies are recognized in gross amounts and respective withholding taxes are recognized as tax receivables.

3.12.4. Net trading income

Trading income comprises of gains or losses relating to financial assets and liabilities held in the Financial Institution's trading books. The Financial Institution presents all accrued interest, dividend, unrealized fair value changes and disposal gains or losses in respect of trading assets and liabilities under this head.

Explanatory information on net trading income is stated in Note 4.33.

3.12.5. Net income from other financial instrument at fair value through Profit or Loss

None

3.13. Interest expense

Interest expense is recognized in profit or loss using the effective interest rate (EIR) method for all financial liabilities measured at amortized cost. Interest expense is borne on inter-bank borrowings, deposit from customers, debenture issued, refinance borrowing, etc.

Explanatory information on interest expense is stated in Note 4.30.

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3.14. Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. The Financial Institution's remuneration package includes both short term and long term benefits and comprise of items such as salary, allowances, paid leave, accumulated leave, gratuity, provident fund and annual statutory bonus.

The Financial Institution applies NAS 19 – "Employee Benefits" in accounting of all employee benefits and recognizes the followings in its financial statements:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the Financial Institution consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Explanatory information on personnel expense is stated in Note 4.36.

3.14.1. Short term employee benefits

These are employee benefits which fall due wholly within twelve months after the end of the period in which the employees render the related service. This includes salary, allowances, medical insurance, statutory bonus to employees, etc. These are measured on an undiscounted basis and are charged to profit or loss in the period the services are received. Prepaid benefits on loans advanced to employees at below-market interest rate are amortized over the full period of the loan. Financial Institution has not advanced any loan to employees at below market interest rate.

3.14.2. Defined contribution plan (DCP)

DCPs are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Financial Institution has one DCP in the form of 'Provident Fund'.

Contributions by the Financial Institution to a DCP in proportion to the services rendered by its employees are recognized as incurred in profit or loss in the same period. If there stands any payable to the DCP at the reporting date, a corresponding liability is also recognized in the SoFP.

3.14.3. Defined benefit plans (DBP)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Financial Institution has one DBP in the form of 'Gratuity'.

3.14.3.1. Description of DBP – Gratuity

An actuarial valuation is not carried out considering the small organization structure and hence actuarial gains or losses are not recognized. Instead the gratuity liability is fully funded to the corresponding DBP to the extent of gratuity entitlement earned by the employees in the same period. Employer's contribution to DBP is recognized as gratuity expense in profit or loss.

3.14.4. Other long term employee benefits

The Financial Institution has recognized accumulated leave liability, in respect of accrued leave which is expected to be utilized by employees in periods beyond one year from the reporting date, as other long term employee benefits.

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3.14.5. Terminal benefits

Termination benefits are expensed at the earlier of when the Financial Institution can no longer withdraw the offer of those benefits and when the Financial Institution recognizes costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted. The Financial Institution does not have any terminal benefit plan for the reporting period.

3.15. Leases

None

3.16. Foreign Currency translation

None

3.17. Financial guarantee and loan commitment

None

3.18. Share capital and reserves

Ordinary shares in the Financial Institution are recognized at the amount paid per ordinary share. Financial Institution's shares are listed at Nepal Stock Exchange Ltd. The holders of ordinary shares are entitled to one vote per share at general meetings of the Financial Institution and are entitled to receive the annual dividend payments. The Financial Institution does not have any other form of share capital (preference shares, convertible instruments, share based payments, etc.) apart from the ordinary shares.

There are a number of statutory and non-statutory reserve headings maintained by the Financial Institution in order to comply with regulatory framework and other operational requirements. The various reserve headings are explained hereinafter:

3.18.1. General reserve

This is a statutory reserve and is a compliance requirement of NRB directive no. 4/75 and stipulations of BAFIA. The Financial Institution is required to appropriate a minimum 20% of current year's net profit into this heading each year until it becomes double of paid up capital and then after a minimum 10% of profit each year. This reserve is not available for distribution to shareholders in any form and requires specific approval of the central bank for any transfers from this heading. The Financial Institution has consistently appropriated the required amount from each year's profit into this heading. There is no such statutory requirement for the Subsidiary.

3.18.2. Exchange equalization reserve

There is no such statutory requirement for the Financial Institution.

3.18.3. Fair value reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for financial assets. NFRS 9 requires that cumulative net change in the fair value of financial assets measured at FVTOCI is recognized under fair value reserve heading until the fair valued asset is de-recognized. Any realized fair value changes upon disposal of the re-valued asset is reclassified from this reserve heading to retained earnings.

financial institution has recognized under fair value reserve Rs. 10,83,302 as fair value loss recognized through other comprehensive income.

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3.18.4. Asset revaluation reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for non-financial assets such as property, equipment, investment property and intangible assets that are measured following a re-valuation model. 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. The Financial Institution have amount Rs. 2,38,72,950 under asset revaluation reserve.

3.18.5. Special reserve

This is a statutory reserve and is a compliance requirement of NRB circular 12/072/73. The Financial Institution is required to appropriate an amount equivalent to 100% of capitalized portion of interest income on borrowing accounts where credit facility was rescheduled or restructured, following the after effects of the great earthquake that struck the nation in April 2015. Fund in this account can be reclassified to retained earnings upon full and final repayment of the credit facility.

3.18.6. Corporate social responsibility fund

This is a statutory reserve and is a compliance requirement of NRB circular 11/073/74. The Financial Institution is required to appropriate an amount equivalent to 1% of net profit into this fund annually. The fund is created towards funding the Financial Institution's corporate social responsibility expenditure during the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of payments made under corporate social responsibility activities.

The financial Institution has not done any activities in respect of corporate social responsibility during the year. Hence balance amount of reserve is accumulated at the end of this year.

Movement of CSR are as follow:

Particulars	2077/78
Opening Reserve	269,782
Add: Addition during the year	141,487
Less: Expensed during the year	0
Closing Reserve	411,269

3.18.7. Investment adjustment reserve

This is a statutory reserve heading and is a compliance requirement of NRB directive no.4/075 and 8/075. The Financial Institution is required to maintain balance in this reserve heading which is calculated at fixed percentages of the cost of equity investments that are not held for trading. Changes in this reserve requirement are reclassified to retained earnings.

3.18.8. Actuarial gain / loss reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for employee benefits. NAS 19 requires that actuarial gain or loss resultant of the change in actuarial assumptions used to value defined benefit obligations be presented under this reserve heading. Any change in this reserve heading is recognized through other comprehensive income and is not an appropriation of net profit.

3.18.9. Training Reserve

The financial institution has not created any training reserve during the year.

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3.18.10. Regulatory Reserve

As per the NRB Directive 4/075 clause 3 the Finance is required to credit an amount equal to the adjustments made as per NFRS while preparing Opening Statement of Financial Position and NFRS compliant financial statements of succeeding years to the Regulatory Reserve. The amount shall be transferred from Retained Earning to the Regulatory Reserve in the Statement of Changes in Equity. Accordingly the Finance has credited the following amounts:

Fig. NPR

Particulars	2077/78
Opening Reserve	7,846,059
Add: Accrued Interest receivable increase	112,152
Add: Interest income after ashadh end net of tax	459,200
Add: Deferred tax assets decrease	383,075
Less: Decrease in non-banking assets	(430,000)
Add: Fair value loss	758,312
Closing Reserve	9,128,797

Heading wise (Net)

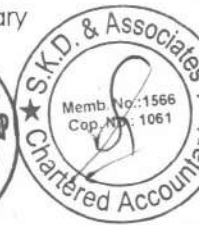
Fig. NPR

FY	Interest receivable	Short loan loss provision	Short provision for possible losses on investment	Short Provision on NBA	Deferred Tax Assets	Goodwill	Gain on Bargain Purchase	Actuarial Loss Recognized	Fair Value Loss Recognized in OCI	Other	Total
2075/76	2,085,321	-	-	6,312,349	936,516	-	-	-	-	278,782	9,612,968
2076/77	836,649	-	-	(1,781,000)	(822,559)	-	-	-	-	-	(1,766,909)
2077/78	112,152	-	-	(430,000)	383,075	-	-	-	758,312	459,200	1,282,739
Total	3,034,122	-	-	4,101,349	497,032	-	-	-	758,312	737,982	9,128,797

3.19. Earnings per share including diluted

The Financial Institution calculates basic and diluted Earnings per Share (EPS) data for its ordinary shares as required under Nepal Accounting Standards – NAS 33 on "Earnings per Share". Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Financial Institution by the weighted average number of ordinary shares outstanding during the reported period. Diluted EPS is calculated by adjusting the profit or loss that is attributable to the ordinary

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shareholders of the Financial Institution and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares, such as share options granted to employees and hybrid capital instruments.

The Financial Institution has sold its unsold right issue through auction of promoter shares of Rs. 17, 59, 62,100 and has reached its paidup capital to Rs. 40 crores as on 31st Ashadh 2078.

3.20. Segment reporting

The Financial Institution discloses information on operating segments to enable users of financial statements to evaluate the nature and financial effects of the Financial Institution's business activities and that of the economic environment in which the Financial Institution operates. Detail information on the Financial Institution's operating segment is presented in Note 5.4.

3.21. Impairment of Non-Financial Assets

The Financial Institution reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there exists any indication of impairment. Where any indication of impairment exists, the Financial Institution makes an estimation of the asset's recoverable amount.

The 'recoverable amount' of an asset is the greater of its 'Value in Use' and its 'Fair Value' less costs to sell. In determining the 'Value in use', future cash flow estimates are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining 'Fair Value' less cost to sell, an appropriate valuation model is used.

An impairment loss is recognized in the profit or loss if the carrying amount of an asset exceeds the estimated recoverable amount from that asset. The impairment loss is recognized through expense charge in profit or loss with a corresponding write down in the carrying value of the asset. Conversely, subsequent reversal of impairment charge is also recognized when a subsequent assessment of the asset's recoverable amount results in a reduction in previously recognized impairment loss for that asset.

3.22. Statement of cash flows

The Financial Institution has reported its cash flow statement applying the 'Direct Method' in accordance with NAS 07 – "Statement of Cash Flows". Application of the direct method in presenting cash flow statement discloses major classes of gross cash receipts and gross cash payments, thereby provides information which may be useful in estimating future cash flows of an entity.

'Cash and Cash Equivalents', as referred to in the statement of cash flows are the same as presented on the face of the consolidated statement of financial position. 'Cash Flows' are inflows and outflows of cash and cash equivalents.

The statement of cash flows reports cash flows during the period classified by operating, investing and financing activities as defined hereunder:

- Operating Activities: are the principal revenue generating activities of the reporting entity and other activities that are not classified as investing or financing activities.
- Investing Activities: are the acquisition and disposal of long-term assets and other long term investments.
- Financing Activities: are activities that result in changes in the size and composition of the contributed equity and borrowed capital of the Financial Institution.

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Cash and Cash Equivalent

4.1

	2078 Asar 31	2077 Asar 31
Cash in Hand	15,573,647	16,830,829
Balances with BFIs	357,072,295	164,348,490
Money at call and short notice	-	-
Other	-	-
Total	372,645,942	181,179,319

Due from Nepal Rastra Bank

4.2

	2078 Asar 31	2077 Asar 31
Statutory balances with NRB	-	-
Securities purchased under resale agreement	-	-
Other deposit and receivable from NRB	-	-
Total	-	-

Placements with Banks and Financial Institutions

4.3

	2078 Asar 31	2077 Asar 31
Placement with domestic B/FIs	-	-
Placement with foreign B/FIs	-	-
Less: Allowances for impairment	-	-
Total	-	-

Derivative financial instruments

4.4

	2078 Asar 31	2077 Asar 31
Held for trading		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Held for risk management		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Total	-	-

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Other trading assets

4.5

	2078 Asar 31	2077 Asar 31
Treasury bills	-	-
Government bonds	-	-
NRB bonds	-	-
Domestic corporate bonds	-	-
Equities	-	-
Total	-	-
Pledged	-	-
Not pledged	-	-

Loans and advances to BFIs

4.6

	2078 Asar 31	2077 Asar 31
Loans to microfinance institutions	-	-
Other	-	-
Less: Allowances for impairment	-	-
Total	-	-

4.6.1 Allowances for Impairment

Balance at Sawan 1	-	-
Impairment losses for the year:		
Charge for the year	-	-
Recoveries/reversal	-	-
Amount written off	-	-
Balance at Asar end	-	-

Loans and advances to customers

4.7

	2078 Asar 31	2077 Asar 31
Loans and Advances measured at Amortized Cost	436,492,162	327,906,059
Less: Impairment Allowances	(7,451,055)	(5,888,076)
Collective Impairment	(7,290,565)	(4,153,372)
Individual Impairment	(160,490)	(1,734,704)
Net Amount	429,041,107	322,017,982
Loans and Advances measured at FVTPL	-	-
Total	429,041,107	322,017,982

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 1. A signature starting with 'S' and 'B' (likely S.B. Chakrabarti).
 2. A signature starting with 'M' (likely M. Chakrabarti).
 3. A signature starting with 'A' (likely A. Chakrabarti).
 4. A signature starting with 'K' (likely K. Chakrabarti).
 5. A signature starting with 'S' (likely S. Chakrabarti).
 6. A signature starting with 'S' (likely S. Chakrabarti).



Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

4.7.1: Analysis of Loans and Advances - By Product

	2078 Asar 31	2077 Asar 31
Product		
Term loans		
Overdraft		
Trust receipt/Import loans		
Demand and other working capital Loans	-	-
Personal residential loans	37,356,403	40,567,687
Real estate loans	-	-
Margin lending loans	-	-
Hire purchase loans	-	-
Deprived sector loans	24,259,715	18,069,285
Bills purchased		
Staffs loans	4,616,008	5,146,008
Other	365,267,576	259,948,836
Sub-Total	431,499,702	323,731,816
Interest receivable	4,334,460	4,174,243
Grand Total	435,834,162	327,906,059

4.7.2: Analysis of loans and advances - By Currency

	2078 Asar 31	2077 Asar 31
Nepalese Rupee	435,834,162	327,906,059
Indian Rupee	-	-
United State Dollar		
Great Britain Pound		
Euro		
Japanese Yen		
Chinese Yuan		
Other		
Total	435,834,162	327,906,059

4.7.3: Analysis of Loans and Advances - By Collateral

	2078 Asar 31	2077 Asar 31
Secured		
Movable/Immovable Assets	407,885,017	315,015,703
Gold and silver		
Guarantee of domestic B/Fis		
Government guarantee		
Guarantee of international rated bank		
Collateral of export document		
Collateral of fixed deposit receipt	27,949,146	12,890,356
Collateral of Government securities		
Counter guarantee		
Personal guarantee		
Other collateral		

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Multipurpose Finance Company Limited

Notes to Financial Statements

For the year ended 31 Asar 2078 (July 15, 2021)

Subtotal	435,834,162	327,906,059
Unsecured	-	-
Grand Total	435,834,162	327,906,059

4.7.4: Allowances for Impairment

	2078 Asar 31	2077 Asar 31
<u>Specific allowances for impairment</u>		
Balance at Sawan 1	1,734,704	885,710
Impairment loss for the year:	(1,574,214)	848,994
Charge for the year	-	-
Recoveries/reversal during the year	(1,574,214)	848,994
Write-offs		
Exchange rate variance on foreign currency impairment		
Other movement		
Balance at Asar end	160,490	1,734,704
<u>Collective allowances for impairment</u>		
Balance at Sawan 1	4,153,372	5,501,845
Impairment loss for the year:	3,137,193	(1,348,473)
Charge/(reversal) for the year	3,137,193	(1,348,473)
Exchange rate variance on foreign currency impairment		
Other movement		
Balance at Asar end	7,290,565	4,153,372
Total Allowances for Impairment	7,451,055	5,888,076

Investment Securities

4.8

	2078 Asar 31	2077 Asar 31
Investment securities measured at amortized cost		
Investment in equity measured at FVTOCI	44,026,865	194,500
Mutual Fund Units	10,140,000	-
Total	54,166,865	194,500

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

4.8.1: Investment Securities measured at Amortized Cost

	2078 Asar 31	2077 Asar 31
Debt Securities		
Government bonds		
Government treasury bills		
Nepal Rastra Bank bonds		
Nepal Rastra Bank deposits instruments		
Other	-	-
Less: Specific Allowances for Impairment	-	-
Total	-	-

4.8.2: Investment in Equity measured at fair value through other comprehensive income

	2078 Asar 31	2077 Asar 31
Equity Instruments		
Quoted Equity Shares	38,832,365	-
Unquoted Equity Shares	5,194,500	194,500
Mutual Fund Units	10,140,000	-
Total	54,166,865	194,500

4.8.3: Information relating to investment in equities

	2078 Asar 31		2077 Asar 31	
	cost	Fair value cost	cost	Fair value
Investment in quoted equity	40,055,667	38,832,365		
1. Api Power Company Ltd	367,735	403,000		-
(1000 shares @ 100 paidup)				
2. Asian Life Insurance Co. Limited	532,071	539,200		-
(400 shares @ 100 paidup)				
3. Chhimek Laghubitta Bikas Bank Limited	1,285,120	1,216,600		-
(700 shares @ 100 paidup)				
4. Chilime Hydropower Company Limited	1,041,526	1,030,500		-
(1500 shares @ 100 paidup)				
5. Deprosc Development Bank Limited	918,273	843,000		-
(500 shares @ 100 paidup)				
6. Everest Insurance Co. Ltd.	1,651,107	1,647,800		-
(2200 shares @ 100 paidup)				
7. Global IME Laghubitta Bittya Sanstha Ltd	3,599,273	3,541,270		-
(1258 shares @ 100 paidup)				
8. Himalyan General Insurance Co.Ltd	2,900,681	3,072,000		-
(4000 shares @ 100 paidup)				
9. Infinity Laghubitta Bittya Sanstha Ltd	2,144,131	2,131,695		-
(1143 shares @ 100 paidup)				
10. Mithila Laghubitta Bikas Bank Ltd	3,262,478	3,283,000		-
(1400 shares @ 100 paidup)				



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Multipurpose Finance Company Limited

Notes to Financial Statements

For the year ended 31 Asar 2078 (July 15, 2021)

11. National Life Insurance Co. Ltd (300 shares @ 100 paidup)	385,202	345,300	-
12. Neco Insurance Co. Ltd. (1300 shares @ 100 paidup)	2,224,132	1,752,400	-
13. Nirdhan Uthan Bank Ltd (1600 shares @ 100 paidup)	2,822,730	2,560,000	-
14. NMB Microfinance Bittiya sanstha Ltd (1500 shares @ 100 paidup)	2,339,067	2,143,500	-
15. Prabhu Insurance Ltd (1800 shares @ 100 paidup)	1,692,789	1,728,000	-
16. Premier Insurance Co. Ltd. (2000 shares @ 100 paidup)	2,577,346	2,340,000	-
17. Prime Life Insurance Company Limited (500 shares @ 100 paidup)	458,420	477,000	-
18. Sagarmatha Insurance Co. Ltd (500 shares @ 100 paidup)	834,977	672,000	-
19. Sanima Mai Hydropower Ltd. (3000 shares @ 100 paidup)	1,244,931	1,539,000	-
20. Shikhar Insurance Co. Ltd. (600 shares @ 100 paidup)	1,310,886	1,171,200	-
21. Surya Life Insurance Company Limited (3500 shares @ 100 paidup)	3,171,801	3,227,000	-
22. Swabalamban Bikas Bank Ltd (200 shares @ 100 paidup)	362,427	331,800	-
23. Swarojgar Laghu Bitta Bikas Bank Ltd (800 shares @ 100 paidup)	1,215,589	1,200,000	-
24. Vijaya laghubitta Bittiya Sanstha Ltd. (900 shares @ 100 paidup)	1,712,974	1,637,100	-
Investment in unquoted equity	5,194,500	5,194,500	
Vision Lumbini Urja Company (Sati Nadi Talukidhar 25W) (50,000 Shares of Rs 100 each)	5,000,000	5,000,000	-
Nepal clearing House Ltd (1,000 Shares of Rs 100 each)	100,000	100,000	100,000
CIB (945 Shares of Rs 100 each)	94,500	94,500	94,500
Investment in Mutual Fund Units	100,00,000	1,01,40,000	
Prabhu Select Fund (10,00,000 units of Rs 10 each)	100,00,000	1,01,40,000	-
Total	552,50,167	5,41,66,8	194,500

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Multipurpose Finance Company Limited

Notes to Financial Statements

For the year ended 31 Asar 2078 (July 15, 2021)

Current tax assets	4.9	
	2078 Asar 31	2077 Asar 31
Current tax assets	-	-
Current year income tax assets	5,110,214	3,201,480
Tax assets of prior periods	-	-
Current tax liabilities	-	-
Current year income tax liabilities	6,437,778	6,160,843
Tax liabilities of prior periods	-	-
Total	(1,327,564)	(2,959,363)

Investment in Subsidiaries 4.10

	2078 Asar 31	2077 Asar 31
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	-	-
Total Investment	-	-
Less: Impairment allowances	-	-
Net carrying amount	-	-

4.10.1: Investment in quoted subsidiaries

	2078 Asar 31		2077 Asar 31	
	Cost	Fair Value	Cost	Fair Value
....., Ltd.	-	-	-	-
.....Shares of Rs..... each	-	-	-	-
....., Ltd.	-	-	-	-
.....Shares of Rs..... each	-	-	-	-
Total	-	-	-	-

4.10.2: Investment in unquoted subsidiaries

	2078 Asar 31		2077 Asar 31	
	Cost	Fair Value	Cost	Fair Value
....., Ltd.	-	-	-	-
.....Shares of Rs..... each	-	-	-	-
....., Ltd.	-	-	-	-
.....Shares of Rs..... each	-	-	-	-
Total	-	-	-	-

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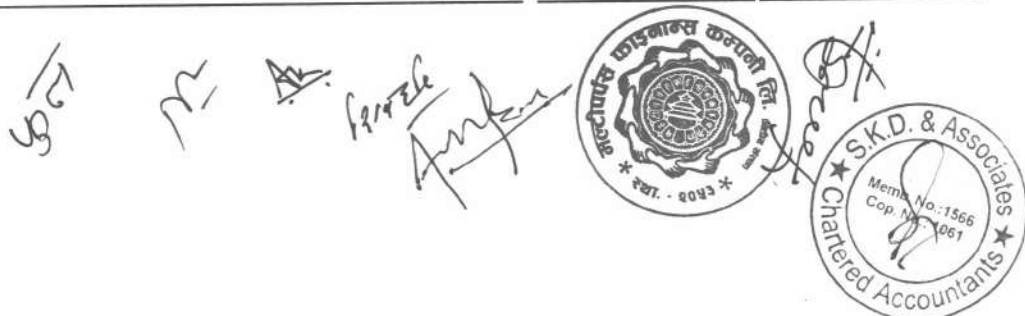


For the year ended 31 Asar 2078 (July 15, 2021)

	Percentage of ownership held by the Bank	
	2078 Asar 31	2077 Asar 31
No Subsidiary	-	-
	2078 Asar 31	
 Ltd Ltd
Equity interest held by NCI (%)	-	-
Profit/(loss) allocated during the year	-	-
Accumulated balances of NCI as on Asar end 2076	-	-
Dividend paid to NCI	-	-
		2077 Asar 31
	 Ltd
Equity interest held by NCI (%)		-
Profit/(loss) allocated during the year		-
Accumulated balances of NCI as on Asar end 2075		-
Dividend paid to NCI		-
Investment in Associates		4.11

	2078 Asar 31	2077 Asar 31
Investment in quoted associates	-	-
Investment in unquoted associates	-	-
Total Investment	-	-
Less: Impairment Allowances	-	-
Net Carrying Amount	-	-

		2075 Asar 32	
	Cost	Fair Value	Fair Value
....., Ltd.		-	-
.....Shares of Rs..... each		-	-
....., Ltd.		-	-
.....Shares of Rs..... each		-	-
Total			



Multipurpose Finance Company Limited

Notes to Financial Statements

For the year ended 31 Asar 2078 (July 15, 2021)

4.11.2: Investment in unquoted associates

	2078 Asar 31	2075 Asar 32
Cost	Fair Value	Fair Value
....., Ltd.	-	-
.....Shares of Rs..... each	-	-
....., Ltd.	-	-
.....Shares of Rs..... each	-	-
Total	-	-

4.11.3: Information relating to associates of the Bank

	Percentage of Ownership held by Bank	
	2078 Asar 31	2075 Asar 32
....., Ltd.	-	-
....., Ltd.	-	-
....., Ltd.	-	-
....., Ltd.	-	-

4.11.4: Equity value of associates

	2078 Asar 31	2075 Asar 32
....., Ltd.	-	-
....., Ltd.	-	-
Total	-	-

Investment properties

4.12

	2078 Asar 31	2077 Asar 31
Investment properties measured at fair value		
Balance as on Shrawan 01,	-	-
Addition/disposal during the year	-	-
Net changes in fair value during the year	-	-
Adjustment/transfer	-	-
Net amount	-	-

Investment properties measured at cost

	2078 Asar 31	2077 Asar 31
Balance as on Shrawan 01,	4,531,349	6,312,349
Addition/disposal during the year	(430,000)	(1,781,000)
Adjustment/transfer	-	-
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
Net amount	4,101,349	4,531,349
Total	4,101,349	4,531,349

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

4.13

Property and Equipment

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Machinery	Equipment & others	Total
Cost								
As on Shrawan 01, 2076	24,472,950	6,169,479	-	-	219,330	1,101,539	1,141,832	33,105,128.76
Addition during the year	-	-	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-	63,931	63,930.95
Revaluation	-	-	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-
Balance as on Asar end 2077	24,472,950	6,169,479	-	-	219,330	1,101,539	1,205,763	33,169,060
Addition during the Year	-	-	-	-	-	-	-	-
Acquisition	-	-	-	136,000	258,900	-	-	394,900.00
Capitalization	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-
Adjustment/ Revaluation	-	-	-	-	-	-	-	-
Balance as on Asar end 2078	24,472,950	6,169,479	-	136,000	478,230	1,101,539	1,205,763	33,563,960
Depreciation and Impairment								
As on Shrawan 01, 2076	-	1,274,735	-	-	208,922	627,594	589,975	2,701,226.01
Transfer to Reserve	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	118,657	-	-	-	76,952	81,834	277,443.07
Impairment for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	351	24,631	3,442	28,423.34
As on Asar end 2077	-	1,393,392	-	-	209,273	729,177	675,250	3,007,092
Impairment for the year	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	118,657	-	3,788	9,079	69,720	81,009	282,254
Disposals	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-
As on Asar end 2078	-	1,512,050	-	3,788	218,353	798,896	756,260	3,289,347
Capital Work in Progress Net book value								
As on Asar end 2077	24,472,950	4,776,086	-	-	-	-	530,513	30,161,967

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Property and Equipment				4.13
As on Asar end 2078	24,472,950	4,657,429	-	132,212
				259,877
				302,642
				449,503
				30,274,613

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Goodwill and Intangible Assets

4.14

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

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Multipurpose Finance Company Limited

Notes to Financial Statements

For the year ended 31 Asar 2078 (July 15, 2021)

Deferred Tax

4.15

	Previous FY 2076-77		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets /(Liabilities)
Deferred tax on temporary differences on following items			
Loans and Advances to B/Fis			
Loans and Advances to Customers	-	-	-
Investment properties			
Investment securities			
Property & equipment	-	(468,020)	(468,020)
Employees' defined benefit plan	581,977	-	581,977
Lease liabilities			
Provisions			
Other Temporary Differences	-	-	-
Deferred tax on temporary differences	936,516	-	113,957
Deferred tax on carry forward of unused tax losses			-
Deferred tax due to changes in tax rate			-
Net Deferred tax asset/ (liabilities) as on year end of 2077			113,957
Deferred tax (asset)/ liabilities as on Shrawan 01, 2076			936,516
Origination/(Reversal) during the year			822,559
Deferred tax expense/ (income) recognized in profit or loss			822,559
Deferred tax expense/ (income) recognized in other comprehensive income			-
Deferred tax expense/ (income) recognized directly in equity			



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Multipurpose Finance Company Limited

Notes to Financial Statements

For the year ended 31 Asar 2078 (July 15, 2021)

Deferred Tax

4.15

Particulars	Deferred Tax Assets	Deferred Tax Liabilities	Current FY 2077-78 Net Deferred Tax Assets /(Liabilities)
Deferred tax on temporary differences on following items			
Loans and Advances to B/Fis			
Loans and Advances to Customers	-	-	-
Investment properties			-
Investment securities			-
Property and Equipment		(502,040)	(502,040)
Employees' Defined Benefit Plan	674,081	-	674,081
Lease liabilities			
Provisions			
Fair Value Reserve	324,991	-	324,991
Deferred tax on temporary differences	999,072	(502,040)	497,032
Deferred tax on carry forward of unused tax losses			-
Deferred tax due to changes in tax rate			-
Net Deferred tax asset/ (liabilities) as on year end of 2078			497,032
Deferred tax (asset)/ liabilities as on Shrawan 01, 2077			113,957
Origination/(Reversal) during the year			(383,075)
Deferred tax expense/ (income) recognized in profit or loss			(58,085)
Deferred tax expense/ (income) recognized in other comprehensive income			(324,991)
Deferred tax expense/ (income) recognized directly in equity			



Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Other Assets

4.16

	2078 Asar 31	2077 Asar 31
Assets held for sale	-	-
Bills receivable	-	-
Accounts Receivable	426,910	250,305
Accrued Income	-	-
Prepayments and Deposits	170,388	1,946,678
Income tax deposit	-	-
Deferred employee expenditure	-	-
Other	3,407,657	27,250,706
Total	4,004,954	29,447,689

Due to Banks and Financial Institutions

4.17

	2078 Asar 31	2077 Asar 31
Money Market Deposits	-	-
Interbank borrowing	-	-
Other deposits from BFIs	-	-
Settlement and clearing accounts	-	-
Other deposits from BFIs	-	-
Total	-	-

Due to Nepal Rastra Bank

4.18

	2078 Asar 31	2077 Asar 31
Refinance from NRB	-	-
Standing Liquidity Facility	-	-
Lender of last resort facility from NRB	-	-
Securities sold under repurchase agreement	-	-
Other payable to NRB	-	-
Total	-	-

Derivative Financial Instruments

4.19

	2078 Asar 31	2077 Asar 31
Held for Trading		
Interest Rate Swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Other	-	-
Held for Trading		
Interest Rate Swap	-	-
Forward exchange contract	-	-
Other	-	-
Total	-	-

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Deposits from customers

4.20

	2078 Asar 31	2077 Asar 31
Institutional customers:		
Term deposits	57,251,000	2,150,000
Call deposits	-	-
Current deposits	-	-
Other	-	-
Individual customers:		
Term Deposits	162,339,205	144,826,639.00
Saving Deposits	150,140,438	91,907,139.97
Current deposits		
Other		
Total	369,730,643	238,883,779

4.20.1: Currency wise analysis of deposit from customers

	2078 Asar 31	2077 Asar 31
Nepalese rupee	369,730,643	238,883,779
Indian rupee		
United State dollar		
Great Britian pound		
Euro		
Japanese yen		
Chinese yen		
Other		
Total	369,730,643	238,883,779

Borrowing

4.21

	2078 Asar 31	2077 Asar 31
Domestic Borrowing		
Nepal Government	-	-
Other Institutions	-	-
Other	-	-
Sub Total	-	-
Foreign Borrowing		
Foreign Bank and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub Total	-	-
Total	-	-

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Provisions

4.22

	2078 Asar 31	2077 Asar 31
Provisions for redundancy	-	-
Provisions for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous Contracts	-	-
Other	-	-

4.22.1: Movement in Provision

	2078 Asar 31	2077 Asar 31
Balance at Shrawan 01 (start of year)	-	-
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Unwind of Discount	-	-
Balance at Asar end (end of year)	-	-

Other liabilities

4.23

	2078 Asar 31	2077 Asar 31
Liabilities for employees defined benefit obligations	4,506,014	3,380,532.62
Liabilities for long service leave	553,221	-
Short-term employee benefits	-	-
Bills payable	-	-
Creditors and accruals	561,793	426,559.35
Interest payable on deposits	6,230,039	19,434,524.17
Interest payable on borrowing	-	-
Liabilities on deferred grant income	-	-
Unpaid Dividend	-	-
Liabilities under Finance Lease	-	-
Employee bonus payable	2,099,586	2,093,684
Other Liabilities	943,370	1,004,553
Total	14,894,023	26,339,854

Debt securities issued

4.24

	2078 Asar 31	2077 Asar 31
Debt securities issued designated as at fair value through profit or loss	-	-
Debt securities issued at amortised cost	-	-
Total	-	-

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

4.23.1: Defined Benefit Obligations

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

	2078 Asar 31	2077 Asar 31
Present value of unfunded obligations		
Present value of funded obligations		
Total present value of obligations		
Fair value of plan assets		
Present value of net obligations		
Recognised liability for defined benefit obligations	-	-

4.23.2: Plan Assets

Plan assets comprise of the following:

	2078 Asar 31	2077 Asar 31
Equity securities		
Government bonds		
Bank deposit		
Other		
Total	-	-
Actual return on plan assets	-	-

4.23.3: Movement in the present value of defined benefit obligations

	2078 Asar 31	2077 Asar 31
Defined benefit obligations at Shrawan 1		
Actuarial losses		
Benefits paid by the plan		
Current service costs and interest		
Defined benefit obligations at Asar end	-	-

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

4.23.4: Movement in the fair value of plan assets

	2078 Asar 31	2077 Asar 31
Fair value of plan assets at Sawan 1		
Contributions paid into the plan		
Benefits paid during the year		
Actuarial (losses) gains		
Expected return on plan assets		
Fair value of plan assets at Asar end	-	-

4.23.5: Amount recognised in profit or loss

	2078 Asar 31	2077 Asar 31
Current service costs		
Interest on obligation		
Expected return on plan assets		
Total	-	-

4.23.6: Amount recognised in other comprehensive income

	2078 Asar 31	2077 Asar 31
Actuarial (gain)/loss		
Total	-	-

4.23.7: Actuarial assumptions

	2078 Asar 31	2077 Asar 31
Discount rate		
Expected return on plan asset		
Future salary increase		
Withdrawal rate		

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Subordinated Liabilities

4.25

	2078 Asar 31	2077 Asar 31
Redeemable preference shares	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-
Other	-	-
Total	-	-

Share capital

4.26

	2078 Asar 31	2077 Asar 31
Ordinary shares	400,000,000	224,037,900.00
Convertible preference shares (equity component only)	-	-
Irredeemable preference shares (equity component only)	-	-
Perpetual debt (equity component only)	-	-
Total	400,000,000	224,037,900

4.26.1: Ordinary Shares

	2078 Asar 31	2077 Asar 31
<u>Authorized Capital</u>	400,000,000	400,000,000
- 4,000,000 Ordinary Shares @ NPR 100 each		
<u>Issued Capital</u>	400,000,000	400,000,000
- 40,00,000 Ordinary Shares @ NPR 100 each		
<u>Subscribed and paid up capital</u>	400,000,000	224,037,900
- 40,00,000 Ordinary Shares @ NPR 100 each		
Total	400,000,000	224,037,900

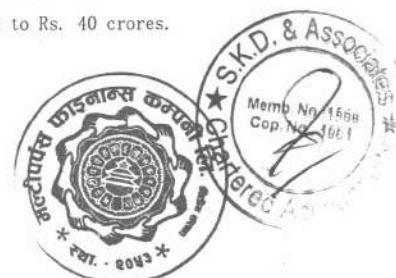
4.26.2: Ordinary share ownership

	2078 Asar 31	2077 Asar 31
	Percent	Amount
Domestic ownership	100	400,000,000
Nepal Government		
"A" class licensed institutions		
Other licensed institutions		
Other Institutions		
Public	40	160,000,71
Other	60	240,000,29
Foreign ownership		
Total	400,000,000	224,037,900

Unsold promotor right issues of Rs. 17,59,62,100 was sold through auction dated between 2077-11-28 to 2077-12-13 at security premium of Rs. 1,99,63,395. After auction, shares are fully issued and subscribed to Rs. 40 crores.

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Multipurpose Finance Company Limited

Notes to Financial Statements

For the year ended 31 Asar 2078 (July 15, 2021)

4.26.3: Details of more than 0.5% ordinary share ownership:

Name	Shares	Amount	%
Reliable Nepal Life Insurance Limited	600100	60010000	15.00%
BISHAL PANDIT	354035	35403500	8.85%
AJOD INSURANCE LIMITED	193549	19354900	4.84%
DIP NARAYAN SHAH	161835	16183500	4.05%
MENKA SINGH	154035	15403500	3.85%
RANJEET BABU PRASAD	100000	10000000	2.50%
CHANDAN AGRAWAL	80100	8010000	2.00%
NAVNEET MISHRA	64035	6403500	1.60%
MANJU KUMARI SUDI MAHASETH	50100	5010000	1.25%
PREETY RAJ SHRESTHA	50100	5010000	1.25%
AMAR KANT JHA	41763	4176300	1.04%
ARBIND KUMAR BATSHA	37336	3733600	0.93%
AJIT KUMAR MISHRA	37336	3733600	0.93%
PUSKAR PANDIT	30100	3010000	0.75%
BINA MISHRA	26136	2613600	0.65%
PARO KUMARI	25750	2575000	0.64%
NIRMAL SHAH	25100	2510000	0.63%
ARBIND KUMAR BATSHA	23224	2322400	0.58%
JAGADAMBA DEVI JHA	21297	2129700	0.53%
PUSHPA DEVI SHAH	20100	2010000	0.50%
Total	2,096,031	209,603,100	52.40%

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Reserves

4. 27

	2078 Asar 31	2077 Asar 31
Statutory general reserve	15,699,224	12,869,488
Exchange equalization reserve		
Corporate social responsibility reserve	411,269	269,782
Capital redemption reserve	-	-
Regulatory reserve	9,128,797	7,846,059
Investment adjustment reserve	600,000	600,000
Capital reserve		
Assets Revaluation reserve	23,872,950	23,872,950
Fair value reserve	(758,312)	-
Divident equalization reserve		
Acturial gain		
Special reserve	67,642	67,642
Other reserve		
Total	49,021,571	45,525,920

Contingent liabilities and commitments

4. 28

	2078 Asar 31	2077 Asar 31
Contingent liabilities	-	-
Undrawn and undisbursed facilities		
Capital commitment		
Lease Commitment		
Litigation	-	-
Total	-	-

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Interest Income 4. 29

	2078 Asar 31	2077 Asar 31
Cash and cash equivalent	2,008,807	4,526,991.94
Due from Nepal Rastra Bank	-	-
Placement with bank and financial insitutions	-	-
Loans and advances to banks and financial institutions	-	-
Loans and advances to customers	59,831,074	50,287,661
Other Interest Income	-	-
Total interest income	61,839,881	54,814,653

Interest Expenses 4. 30

	2078 Asar 31	2077 Asar 31
Due to bank and financial institutions		
Due to Nepal Rastra Bank		
Deposits from customers	34,386,816	28,014,261
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
Total Interest expense	34,386,816	28,014,261

Fees and Commission Income 4. 31

	2078 Asar 31	2077 Asar 31
Loan administration fees	2,655,262	4,053,811
Service fees	-	-
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	-	-
Prepayment and swap fees	-	-
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	-	-
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issues	-	-
Locker rental	-	-
Other fees and commision income	-	-
Total Fees and Commission Income	2,655,262	4,053,811

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Fees and Commission Expense

4.32

Particulars	Bank	
	2078 Asar 31	2077 Asar 31
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other fees and commission expense	-	-
Total Fees and Commission Expense	-	-

Net Trading income

4.33

	Bank	
	2078 Asar 31	2077 Asar 31
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	4,787,932	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/loss foreign exchange transaction	-	-
Other	-	-
Net trading income	4,787,932	-

Other Operating Income

4.34

	Bank	
	2078 Asar 31	2077 Asar 31
Foreign exchange revaluation gain	-	-
Gain/Loss on sale of investment securities	-	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instrument	-	-
Gain/loss on sale of property and equipment	-	-
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Other	-	-
Total	-	-

Impairment charge/(reversal) for loan and other losses

4.35

	Bank	
	2078 Asar 31	2077 Asar 31
Impairment charge/(reversal) on loan and advances to B/Fis	-	-
Impairment charge/(reversal) on loan and advances to customers	1,562,979	(499,478)
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with bank and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Total	1,562,979	(499,478)

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Personnel Expenses

4.36

Particulars	Bank	
	2078 Asar 31	2077 Asar 31
Salary	3,138,072	2,842,069
Allowances	259,600	240,100
Gratuity Expense	307,015	236,744
Provident Fund	287,980	141,355
Uniform	-	-
Training and development expenses	-	-
Leave encashment	-	-
Medical	-	-
Insurance	-	-
Employees incentives	-	-
Cash-settled share-based payments	-	-
Pension expenses	-	-
Finance expense under NFRSs	-	-
Other expenses related to staff	230,922	310,262
Subtotal	4,223,588	3,770,531
Employees Bonus	2,099,586	2,093,684
Grand total	6,323,174	5,864,215

Other Operating Expense

4.37

	Bank	
	2078 Asar 31	2077 Asar 31
Directors' fee	62,400	62,400
Directors' expense	-	-
Auditors' remuneration	195,000	170,000
Other audit related expenses	-	-
Professional and legal expense	-	-
Office administration expense	4,742,598	3,787,237
Operating lease expense	-	-
Operating expense of investment properties	-	-
Corporate social responsibility expense	-	-
Onerous lease provisions	-	-
Other Expenses	731,993	255,547
Total	5,731,991	4,275,184

Office administration expense

4.37.1

	Bank	
	2078 Asar 31	2077 Asar 31
Electricity & Water	131,447	154,020
Repair & Maintenance	59,725	88,650
Insurance	59,469	145,396
Postage, Telex, Telephone & Fax	44,194	46,638
Travelling Allowances & Expenses	760,870	657,485
Office expenses	868,663	2,335,937
Share issue expenses	2,071,267	-
Duty and Taxes	132,042	-
Fixed Assets Write off	-	28,423
Printing & Stationery	164,665	19,000
AGM Expenses	145,000	-
Books & Periodicals	20,000	-
Advertisements and Business Promotions	285,256	-
Total	4,742,598	3,787,237

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Multipurpose Finance Company Limited
Notes to Financial Statements
For the year ended 31 Asar 2078 (July 15, 2021)

Depreciation and Amortisation

4.38

	Bank	
	2078 Asar 31	2077 Asar 31
Depreciation on property and equipment	282,254	277,443
Depreciation on investment property	-	-
Amortization of intangible assets	-	-
Total	282,254	277,443

Non Operating Income

4.39

	Bank	
	2078 Asar 31	2077 Asar 31
Recovery of loan written off	-	-
Other income	-	-
Total	-	-

Non Operating Expenses

4.40

	Bank	
	2078 Asar 31	2077 Asar 31
Loan written off	-	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
Total	-	-

Income Tax Expenses

4.41

	Bank	
	2078 Asar 31	2077 Asar 31
Current tax expense		
Current year	6,437,778	6,160,843
Adjustments for prior years	467,486	112,604
Deferred tax expense	-	-
Origination and reversal of temporary differences	(58,085)	822,559
Changes in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
Total income tax expense	6,847,180	7,096,006

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Multipurpose Finance Company Limited

Notes to Financial Statements

For the year ended 31 Asar 2078 (July 15, 2021)

4.41.1: Reconciliation of tax expense and accounting profit

	Bank	
	2078 Asar 31	2077 Asar 31
Profit before tax stated in Statement of Profit or Loss	20,995,861	20,936,840
Adjustments for NFRS remeasurements excluded in current tax		
- incremental interest income on loans and advances (accrual accounting)	(160,217)	(1,195,213)
- reversal of loss provision on investment securities	-	-
Profit before tax prior to remeasurements required under NFRS	20,835,644	19,741,627
Add: Tax effect of expenses that are not deductible for tax purpose		
Donation	-	-
Gratuity Provision	307,015	236,744
Other	-	-
Loan loss provision	1,562,979	869,902
Fine and Penalty	-	-
Depreciation charged as Company Act	282,254	277,443
Assets Written Off	-	28,423
Prior period bills	-	328,879
Less: Tax effect on exempt income		
Provision written back on Other Assets	-	-
Provision for non banking assets	-	-
Excess Loan loss provision as per income tax act	(1,132,979)	(499,478)
Depreciation charged as per Income Tax	(395,652)	(447,396)
Gain on Sale of Investment securities	-	-
Taxable Income	21,459,261	20,536,145
Current Tax Expense @ 30% of taxable income	6,437,778	6,160,843
Previous year tax expenses	467,486	112,604
Deferred Tax Expense/ (Income)	(58,085)	822,559
Total income tax expense	6,847,180	7,096,006
Effective tax rate	30%	30%

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Multipurpose Finance Company Limited
Statement of Distribution of Profit or Loss
As on 31 Asadh 2078 (July 15, 2021)
(As per NRB Regulations)

	2078 Asar 31	2077 Asar 31
Opening balance in retained earnings	28,521,889	15,820,720
Net profit or (loss) as per statement of profit or loss	14,148,681	13,840,834
Less: appropriations (-) / contributions (+):		
a. General reserve	(2,829,736)	(2,768,167)
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(141,487)	(138,408)
e. Employees' training fund	-	-
f. Other	-	-
Profit or (loss) before regulatory adjustment	39,699,347	26,754,979
Regulatory adjustment :		
a. Interest receivable (-)/ previous accrued interest received (+)	(571,352)	(836,649)
b. Short loan loss provision in accounts (-)/ reversal (+)	-	-
c. Short provision for possible losses on investment (-)/ reversal	-	-
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	430,000	1,781,000
e. Deferred tax assets recognised (-)/ reversal (+)	(383,075)	822,559
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Fair value loss loss recognised (-)/ reversal (+)	(758,312)	-
i. Decrease in depreciation expenses (-) / increase (+)	-	-
j. Opening Adjustments (-) income / expenses (+)	-	-
Distributable profit or (loss)	38,416,608	28,521,889

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5. Disclosure and additional information

5.1. Risk management

Risk is an inherent feature of any business and it drives an entity towards income generation. Likewise, risk management objective of the Financial Institution is to strike balance between risk and return, and ensure optimum risk-adjusted return on capital. A reasonable level of return is essential for sustainability of the business. However, taking higher risk in search of higher earnings increases the risk of failure of business. Thus effective risk management is a must for sustainability of business. Towards this end the Financial Institution has implemented robust risk management architecture as well as policies and processes approved by the board of directors. These encompass independent identification, measurement and management of risks across various facets of banking operation.

The Financial Institution takes on the capital adequacy norms pursuant to the central bank's statutory provision under Basel requirements, like ICAAP, Risk Management Guidelines etc. The determinants to this end are the past experiences with the products, Financial Institution's own risk assessment culture and contingency management for unpredictable situations.

5.1.1. Credit Risk

Banking business in Nepal is exposed to Credit Risk to a much larger extent. It's business is also concentrated in its Credit Risk Exposure. Bulk of its earnings is generated from credit related business, be it in form of interest income or Commission income. Given the volatile economic environment that the Financial Institution operates in, the margin between performing loan and non-performing loan can often be very thin. Therefore it is always a major threat that any of the Financial Institution's credit customers may default.

Financial Institution has always placed Credit Risk Management in a high priority list. The Financial Institution has Credit Policy and Investment Policy in place which guides the dos and the don'ts in business generation. Any generation of risk assets and their impact on long term value generation is well deliberated in every credit proposals. Risks and returns are properly weighed and risk mitigating measures are explicitly spelled out.

The Financial Institution makes credit extension decision by assessing each business proposal thoroughly. It also ensures that the inherent credit risks that are associated with the business are addressed appropriately through coverage of better safety margin, additional collateral back up and lower exposure to keep the business at low leverage.

Within the Credit Risk Management, processes are well defined where checking, control and independence of the credit extension, risk assessment, review, monitoring and exposure accounting is fully complied with. All such actions and processes are properly recorded, reported and discussed. These reports on need basis and on a defined frequency are put to the oversight of Senior Management, Risk Management Committee and the Board.

5.1.2 .Market Risk

Financial Institution ensures functioning of the jobs in line with the policies and procedures and suggests/recommends for necessary steps collectively to address the risk on interest rate movement etc.

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Overall investment made and necessary analysis of the investments, including appropriate suggestions, are issued from Treasury which reviews the portfolio periodically. Treasury is independent and reports to Chief Risk Officer. Any credit impairment in the investment books are accounted for, for fair assessment of the portfolio. The Financial Institution assesses the open position on daily basis and calculates risk exposure for allocation of required capital in line with Basel provisions.

5.1.3. Operation Risk

Operations Risk that arises out of inefficient processes and people inside and outside the Financial Institution is increasing these days. Operation risk, market risk and other risks are discussed in the Asset Liability Management Committee (Alco) in line with ALM Policy. Financial Institution has separate division to oversee operation risk including Compliance of KYC and AML. The division is headed by senior level staff with adequate access to the daily report, operational processes and right to recommend the changes in the system and procedures. The head of operation risk directly reports to the Chief Risk Officer.

Processes are reviewed periodically so that their perfection can be weighed and any shortcoming can be addressed. Most of the functions like line approval, bill payment, loan disbursement are centralized which controls activities that can cause errors due to inadequate knowledge on the part of staff. Similarly, awareness to the public is made on our services and products periodically by placing notices in the website of the Financial Institution, or in branches or publishing notices as appropriate.

The Financial Institution in line with Basel provisions calculates risk exposure and allocates sufficient capital/cushion for perceived operational risks.

5.1.4. Liquidity Risk

Liquidity risk is the Financial Institution's inability to meet its contractual and contingent financial obligations as they fall due, without incurring unacceptable losses. The obligations could be both 'On' and 'Off' balance sheet. By the inherent nature of its business model, Financial Institutions are always vulnerable to liquidity and solvency problems that can arise from mismatches in the tenor of its assets and liabilities.

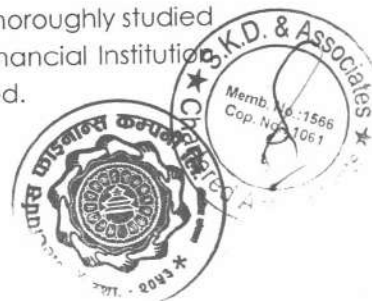
The Financial Institution's primary liquidity risk management objective is to assess the funding requirement towards meeting its obligations and to ensure that adequate funds are available at appropriate times, both under normal and stressed conditions. Financial Institution reviews the liquidity risk management policies and procedures. The Financial Institution mitigates liquidity risk by maintaining adequate liquid assets towards meeting its short term and predictable outflows. Liquid funds are parked in many institutions and instruments to achieve the required diversification. Contingency funding arrangements are in place in the form of unutilized credit limits in inter-bank market and the accessibility to the repo market. In normal circumstances the Financial Institution operates with adequate buffer liquidity over the regulatory required liquidity ratios and has been able to manage its liquidity risk satisfactorily.

5.1.5 Legal and Compliance Risk Management

All legal agreements, deeds and documents including claims and charges are thoroughly studied prior to making any decision involving such documents. In case where the Financial Institution needs expert's opinion on particular issue, experts from the industry are consulted.

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5.1.6 Fair value of financial assets and liabilities

All financial assets and financial liabilities for which fair value is measured or disclosed in the financial statements are categorized within the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement, ranging from Level 1 inputs to Level 3 inputs.

Level 1

Fair value measurements are derived based on the input of unadjusted quoted market prices in an active market, for identical instruments. These could be stock exchanges or dealer price quotations (assets and long positions are measured at a bid price, liabilities and short positions are measured at an asking price), without any deduction for transaction costs.

A market is considered as active if transactions for assets or liabilities take place with sufficient frequency and volume to provide reliable pricing information on an arm's length basis. The Financial Institution measures fair value of an instrument at active market price without adjustment for factors such as transaction costs.

Level 2

Fair value measurements are derived based on observable inputs, which are either observed directly such as in terms of prices or observed indirectly such as in terms of factors that are derived from prices. Such observable inputs include:

- quoted prices for similar instruments in active markets;
- quoted prices for identical or similar instruments in inactive markets;
- financial instruments are valued using models where all significant inputs are observable.

If a market for a financial instrument is not active, then the Financial Institution establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Financial Institution, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Financial Institution calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets.

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When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value subsequently obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Level 3

Fair value measurements are derived using valuation techniques in which current market transactions or observable market data are not available. Under this, instruments are fair valued using valuation models which have been tested against prices or inputs to actual market transactions and make use of the Financial Institution's best estimate of the most appropriate model assumptions. Unobservable inputs have a significant effect on the instrument's value.

Valuation models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (day 1 profit or loss) is deferred and recognized only when the inputs become observable or on de-recognition of the instrument.

Valuation techniques include, among others, applying Net Present Value and Discounted Cash Flow Models over similar instruments for which observable market prices exists and comparing the results.

Assumptions and inputs used in valuation models include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

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

5.2 Capital management

Capital is crucial component in any business and even more so in case of Financial Institutions. Hence, capital is regulated so as to withstand the impact of adverse developments in its internal operations and its external operating environment. Similarly, the Financial Institution needs to maintain sufficient capital for business growth.

The Financial Institution has been able to generate and retain substantial earnings in order to ensure adequate capital formation, as required for its business growth.

5.2.2 Quantitative disclosures

5.2.2.1 Capital structure and capital adequacy

Particulars	Amount in Rs.
Tier 1 Capital (Core Capital) (CET1 + AT1)	
Common Equity Tier 1 (CET 1)	

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A	Paid up Equity Share Capital	400,000,000
B	Equity Share Premium	21,341,453
D	Statutory General Reserves	15,699,224
E	Retained Earnings	38,416,608
K	Other Free Reserve	667,642
L	Less: Goodwill	-
M	Less: Other Deductions	-
	Adjustments under Pillar II	
	Less: Shortfall in Provision (6.4 a 1)	-
	Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)	-
	Common Equity Tier 1 (CET 1)	476,124,927
A	Perpetual Non-Cumulative Preference Share Capital	-
B	Perpetual Debt Instruments	-
C	Stock Premium	-
	Additional Tier 1 (AT1)	-
Tier 1 Capital (Core Capital) (CET1 +AT1)		476,124,927

Particulars	Amount in Rs.
A General loan loss provision	5,458,857
B Investment Adjustment Reserve	-
C Assets Revaluation Reserve	2,38,72,950
D Other Reserves	-
Supplementary Capital (Tier II)	29,331,806

- Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds:

Qualifying Capital	Amount in Rs.
Core Capital (Tier 1 Capital)	476,124,927
Supplementary Capital (Tier II)	29,331,806
Total Capital Fund (Tier I and Tier II)	505,456,734

- Capital Adequacy Ratio

Capital Adequacy Ratios	%
Common Equity Tier 1 Ratio	74.36%
Core Capital Ratio – Tier I	74.36%
Total Capital Ratio – Tier I + Tier II	78.94%



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5.2.2.2 Risk Exposure

- Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

RISK WEIGHTED EXPOSURES	Amount in Rs.
Risk Weighted Exposure for Credit Risk	602,393,652
Risk Weighted Exposure for Operational Risk	37,925,088
Risk Weighted Exposure for Market Risk	0
Total Risk Weighted Exposures	640,318,740

- Risk weighted exposures under each 11 categories of Credit Risk

S.N.	Categories of Credit Risk	Risk Weighted Exposure
1	Claims on Government and Central Bank	-
2	Claims on Other Financial Entities	-
3	Claims on Banks	71,414,458.96
4	Claims on Domestic Corporates and Securities Firms	-
5	Claims on Regulatory Retail Portfolio	-
6	Claims secured by residential properties	407,885,016.63
7	Claims secured by Commercial real estate	-
8	Past due claims	-
9	High Risk claims	-
10	Other Assets	123,094,176.00
11	Off Balance Sheet Items	-
Total Credit Risk Weighted Exposure		602,393,652

- Total Risk Weighted Exposure calculation table

Risk Weighted Exposures	Amount in Rs.
Credit Risk Exposure	602,393,652
Operational Risk Exposure	37,925,088
Market Risk Exposure	-
Total Risk Weighted Exposures	640,318,740
Total Core Capital Fund	476,124,927
Total Capital Fund	505,456,734
Total Tier 1 Capital to Total Risk Weighted Exposures	74.36%
Total Capital Fund to Total Risk Weighted Exposure	78.94%

- Amount of Performing and Non-Performing Assets (both Gross and Net) excluding staff loan

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NPR In full figure

Non-Performing Loans		Gross Amount	Loss Provision	Net Amount
A	Good Loan	419,912,066.27	5,458,856.86	414,453,209.41
B	Watch-list Loan	2,516,525.00	125,826.25	2,390,698.75
C	Sub-Standard	2,125,765.00	531,441.25	1,594,323.75
D	Doubtful	1,988,814.00	994,407.00	994,407.00
E	Loss	340,524.00	340,524.00	0.00
Total		426,883,694.27	7,451,055.36	419,432,638.91

5.2.3 Compliance with external requirement

The Financial Institution is subject to compliance requirement under NRB Directive which stipulated a minimum Total Capital Adequacy Ratio (CAR) of 11.00%. The Financial Institution complied with this requirement at all times during the reporting period. Compliance position at the reporting date is presented here under:

Capital Parameter	Requirement	Financial Institution
Minimum Tier 1 Capital	6.00%	74.36%
Minimum Total Capital	11.00%	78.94%

5.3 Classification of financial assets and financial liabilities

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The summary of significant accounting policies describes how different classes of financial assets and financial liabilities are measured, and how income and expenses, including fair value gains and losses, are recognized.

The following tables provide a reconciliation of the carrying amounts of financial assets and financial liabilities as these are presented in the respective line items of consolidated statement of financial position and as per their classification in accordance with NFRS 9.

Financial Institution –
at 15-Jul-2021

NPR full figure

at 15-Jul-2021

	Measured at Fair Value		Measured at	
	FVTPL	FVTOCI	Amortized Cost	Total
Financial Assets :				
Cash and Cash Equivalents	-	-	372645942	372645942
Loans and Advances to Customers	-	-	429,041,107	429,041,107
Total Financial Assets	-	-	801,687,049	801,708,049
Financial Liabilities :				
Deposits from Customers	-	-	369,730,643	369,730,643
Total Financial Liabilities	-	-	369,730,643	369,730,643

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	Measured at Fair Value		Measured at	Total
	FVTPL	FVTOCI	Amortized Cost	
Financial Assets :				
Cash and Cash Equivalents	-	-	181,179,319	181,179,319
Loans and Advances to Customers	-	-	322,017,982	322,017,982
Total Financial Assets	-	-	503,197,301	503,197,301
Financial Liabilities :				
Deposits from Customers	-	-	238,883,779	238,883,779
Total Financial Liabilities	-	-	238,883,779	238,883,779

5.4 Operating Segments

Financial Institution is providing service related to Financial Intermediation that is core business of deposit mobilisation and lending activities along with other auxiliary Financial Institutioning services only. Further Financial Institution is providing its services from one district only. Separate operating segments reporting is not relevant for the Financial Institution considering its scope of services and place of services.

5.5 Share options and share based payment

The Financial Institution did not have any share options or share-based payment transactions in the reporting period or the earliest period presented in this financial statements.

5.6 Contingent liabilities and commitment

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. The Financial Institution applies NAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" in accounting of contingent liabilities and commitments.

To meet the financial needs of customers, the Financial Institution enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letter of credit and other undrawn commitments to lend. Guarantees, Letters of Credit and Acceptances under Letters of Credit commits the Financial Institution to make payments on behalf of customers in the event of a specific act, generally related to trade transactions and performance under contracts. They carry a similar credit risk to loans.

In the normal course of business, the Financial Institution makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognized on reporting date, they do contain credit risk and are therefore a part of the overall risk profile of the Financial Institution. Accordingly they are disclosed unless remote.

Explanatory information on the Financial Institution's contingent liabilities and commitments are given in Note 4.28.

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5.7 Related parties disclosures

In the ordinary course of its business operation the Financial Institution has conducted commercial transactions with parties who are defined as related parties in NAS 24 - 'Related Party Disclosures'. All those transaction were conducted on an arm's length basis except for loans to employees at below-market interest rate availed by Key Management Personnel (KMP) provided by the Financial Institution under schemes uniformly applicable to all employees.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

5.7.2 List of related parties

S. No.	Name of Related Party	Relationship
1.	Mrs. Phul Mishra	Chairman, Board of Directors
2.	Mrs. Arpana Kumari Mishra	Director
3.	Mr. Jay Prakash Thakur	Director
4.	Mr. Shivahari Prasad Bhattarai	Director
5.	Mr. Ajit Kumar Mishra	Managing Director
6.	Mr. Panchananda Jha	Deputy General Manager (Resigned dated effectively 01 Bhadra 2078)

5.7.3 Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Board of Directors and Chief Executive Officer (CEO) of the Financial Institution are identified as KMP of the Financial Institution.

5.7.4 Transactions with Board of Directors

	NPR	
	2021	2020
Board meeting fees/allowances	62,400	62,400
Travel, accommodation and other board expenses	-	-
Total	-	-

All board of directors are non-executive directors. The directors are entitled to meeting fees on attending board and board committee meetings as well as monthly allowances to cover for expenses towards communication and periodicals.

5.7.5 Transactions with Managing Director (Mr. Ajit Kumar Mishra)

	NPR	
Particulars	2021	2020
Short Term Employee Benefits		
Gross Salary Payments	773,535.6	750,577.65
Other current benefits and payments	-	-
Post-employment benefits	-	-

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773,535.6

750,577.65



Total	-	-
5.7.6 Transactions with Deputy General Manager (Mr. Panchananda Jha)		
		NPR
Particulars	2021	2020
Short Term Employee Benefits		
Gross Salary Payments	820,910.98	795,825.26
Other current benefits and payments	-	-
Post-employment benefits	-	-
Total	-	-

5.7.7 Transactions and agreements involving KMP and their Close Family Members (CFM)

CFMs of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Financial Institution. They may include KMP's spouse and children, children of the KMP's spouse and dependents of the KMP or of the KMP's spouse. CFM are related parties to the Financial Institution and the Financial Institution.

For the reported period there have been no payments or transactions with CFM of KMP except in the normal course of banking business, both for the Financial Institution and the Financial Institution.

5.8 Merger and acquisition

The Financial Institution has not entered into any merger and acquisition activities in the reporting period.

5.9 Additional disclosures of non-consolidated entities

The Financial Institution does not have any non-consolidated entities to report for the reporting period and in the comparative previous period.

5.10 Disclosure effect of transition from previous GAAP to NFRS

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Multipurpose Finance Company Limited
For the year ended 31 Asar 2078 (July 15, 2021)

Principal Indicators

	Particulars	Indicators	Financial Year	Financial Year	Financial Year	Financial Year	Financial Year
			2073/74	2074/75	2075/76	2076/77	2077/78
1	Net Profit / Gross Income	%	23.35%	18.90%	18.41%	23.31%	20.89%
2	Earning per Share	NPR.	17.84	16.91	19.72	6.18	3.54
3	Market Value per Share	NPR.	144.98	157.00	173.00	112.00	451.00
4	Price Earning Ratio	Times	8.13	9.35	8.77	18.13	127.50
5	Dividend (including bonus) on share capital	%	0.15	-	0.00%	0.00%	0.00%
6	Cash Dividend on share capital	%	15.00%	0.00%	0.00%	0.00%	0.00%
7	Interest Income / Loan & Advances	%	16.96%	18.20%	17.66%	17.02%	14.41%
8	Employee expenses / Total operating expenses	%	55.65%	56.60%	58.78%	56.30%	51.25%
9	Employee expenses on total deposits and borrowings	%	10.40%	10.05%	12.45%	11.73%	9.30%
10	Exchange gain / Total Income	%	0.00%	0.00%	0.00%	0.00%	0.00%
11	Staff bonus / Total employee expenses	%	26.90%	24.00%	21.77%	35.70%	33.20%
12	Net profit / Loan & Advances	%	4.38%	3.61%	3.71%	4.30%	3.30%
13	Net profit / Total Assets	%	3.32%	2.59%	2.41%	2.44%	1.58%
14	Total Credit / Deposit	%	109.10%	101.81%	106.36%	137.27%	118.06%
15	Total Operating Expenses / Total Assets	%	2.80%	2.51%	2.31%	1.84%	1.38%
16	Adequacy of Capital Fund on Risk Weighted Assets						
	a) Core Capital	%	25.20%	23.51%	24.32%	60.54%	74.36%
	b) Supplementary Capital	%	0.78%	0.71%	0.68%	0.69%	4.58%
	c) Total Capital Capital	%	25.97%	24.22%	25.01%	61.23%	78.94%
17	Liquidity (GRR)	%	23.19%	21.51%	23.05%	75.84%	100.79%
18	Non performing loans / Total loans	%	4.29%	4.63%	4.51%	1.15%	1.04%
19	Base Rate	%	18.13%	14.98%	14.98%	14.38%	11.61%
20	Weighted Average Interest Rate Spread	%	6.55%	8.15%	5.21%	5.30%	4.90%
21	Book Net Worth	NPR. '000	50,034.59	56,999.61	101,804.73	299,463.77	508,779.63
22	Total Share Outstanding	Number	414,736	414,736	414,736	2,240,379	4,000,000
23	Total staffs	Number	8	10	10	11	11

1 Gross Income in S.N. 1 comprises of Gross Interest Income and Other Operating Income..

2 EPS computation policy is disclosed in "Significant Accounting Policies".

3 Market Value per Share in S.N. 3 is the closing price of ordinary shares quoted in Nepal Stock Exchange on Tuesday, 15th July 2020, the last trading day in the reporting period.

4 The Interest Income in S. N. 7 is the interest income from loans and advances (including staff loans). The loans and advances are the average loans and advances for the entire financial year.

5 Total Operating Expense in S.N. 8 comprises Gross Interest Expense, Staff Expense and Other Operating Expense.

6 Total Assets in S.N. 13 and S.N. 15 is the total assets of current financial year

7 Credit and Deposit in S.N. 14 is the outstanding balance as of balance sheet date.

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