

Swabalamban Laghubitta Bittiya Santha Ltd.

"D" Class Financial Institution Licensed by Nepal Rastra Bank



Unaudited Interim Financial Statements

For the period ended Ashad, 2083

Fiscal Year: 2082/83

Kamalpokhari, Kathmandu, Nepal

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Swabalamban Laghubitta Bittiya Sanstha Ltd.
Unaudited Condensed Statement of Financial Position
As on Quarter ended 32nd Ashad, 2083

Particulars	Amount in NPR	
	This Quarter Ending	Immediate Previous Year Ending
Assets		
Cash and Cash Equivalent	1,078,996,372	817,071,000
Statutory Balances and Due from Nepal Rastra Bank	113,259,243	96,095,022
Placement with Bank & Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loan and Advances to MFIs & Cooperatives	-	-
Loans And Advances to Customers	25,685,918,987	21,662,291,299
Investment Securities	933,837	1,195,691
Current Tax Assets	44,544,022	3,711,818
Investment Property	-	-
Property and Equipment	279,796,780	286,577,871
Goodwill and Intangible Assets	1,302,095	1,103,708
Deferred Tax Assets	461,380,818	439,981,525
Other Assets	426,736,340	442,022,671
Total Assets	28,092,868,493	23,750,050,605
Liabilities		
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Derivative Financial Instrument	-	-
Deposits from Customers	18,086,376,762	15,859,664,483
Borrowing	5,413,138,246	3,800,865,809
Current Tax Liabilities	-	-
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	359,843,739	359,244,680
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	23,859,358,747	20,019,774,972
Equity		
Share Capital	1,750,000,000	1,656,625,000
Share Premium	868,762	868,762
Retained Earning	503,910,036	256,731,006
Reserves	1,978,730,949	1,816,050,865
Total Equity	4,233,509,747	3,730,275,633
Total Liabilities and Equity	28,092,868,493	23,750,050,605
Contingent liabilities and commitment	6,415,519	6,415,519
Net assets value per share	241.91	225.17

Unaudited Condensed Statement of Profit or Loss				
For the Quarter ended 32nd Ashad, 2083				
Amount in NPR				
	This Quarter Ending		Previous Year Corresponding	
	This Quarter	Upto this Quarter	This Quarter	Upto this Quarter
Interest Income	1,087,151,790	3,656,323,851	958,940,065	3,270,323,768
Interest Expense	427,411,595	1,585,117,724	379,985,846	1,437,315,363
Net interest income	659,740,196	2,071,206,127	578,954,220	1,833,008,405
Fees and Commission Income	87,758,178	373,234,771	136,613,894	365,247,276
Fees and Commission Expense	433,559	568,081	1,732,453	1,786,882
Net fee and Commission income	87,324,619	372,666,690	134,881,441	363,460,394
Net interest fee and commission income	747,064,815	2,443,872,817	713,835,661	2,196,468,799
Net Trading Income	-	-	-	-
Other Operating Income	109,194	790,794	37,987,217	363,305
Total operating income	747,174,009	2,444,663,611	675,848,444	2,196,832,104
Impairment charge/(reversal) for loans and other losses	(129,150,883)	289,571,016	(112,590,695)	497,522,158
Net Operating income	876,324,893	2,155,092,596	788,439,139	1,699,309,947
Operating expenses				
Personnel Expense	323,358,462	1,014,232,638	262,118,337	915,730,169
Other Operating Expenses	42,876,444	129,249,552	31,743,576	97,499,047
Depreciation and amortisation	13,696,580	54,457,297	16,750,349	56,580,369
Operating Profit	496,393,406	957,153,109	477,826,877	629,500,363
Non operating income	86,587	363,387	38,900	20,098,006
Non operating expense	-	-	-	-
Profit before income tax	496,479,993	957,516,496	477,865,777	649,598,369
Income tax expense	199,449,150	337,760,101	186,547,863	238,067,641
Current tax	209,474,384	347,785,335	51,519,777	340,789,014
Deferred tax Expense/(Income)	(10,025,234)	(10,025,234)	-	(102,721,373)
Profit for the Year	297,030,843	619,756,395	291,317,914	411,530,729
Profit attributable to:				
Equity holders of the Financial Institution	297,030,843	619,756,395	291,317,914	411,530,729
Profit for the Year	297,030,843	619,756,395	291,317,914	411,530,729
Earnings per share:				
Basic earnings per share		35.41		25.93
Annualised earnings per Share		35.41		25.93

Statement of Other Comprehensive Income
For the Quarter ended 32nd Ashad, 2083

Amount in NPR

	This Quarter Ending		Previous Year Corresponding	
	This Quarter	Upto this Quarter	This Quarter	Upto this Quarter
Profit for the Year	297,030,843	619,756,395	291,317,914	411,530,729
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				
	(261,854)	(261,854)	395,691	395,691
• Gains/(Losses) on Revaluation		-	-	-
• Acturial Gains/(Losses) on Defined Benefit Plans	(37,651,677)	(37,651,677)	(96,727,543)	(96,727,543)
• Income Tax Relating to above Items	11,374,059	11,374,059	28,899,556	28,899,556
Net Other Comprehensive Income that will not be Reclassified to Profit or Loss	(26,539,472)	(26,539,472)	(67,432,296)	(67,432,296)
b) Items that are or may be Reclassified to Profit or Loss				
• Gains/(Losses) on Cash Flow Hedge	-	-	-	-
• Exchange Gains/(Losses)(arising from translating Financial Assets of Foreign Operation)	-	-	-	-
• Income Tax relating to above Items	-	-	-	-
• Reclassify to Profit or Loss	-	-	-	-
Net Other Comprehensive Income that are or may be Reclassified to Profit or Loss	-	-	-	-
Other Comprehensive Income for the year, Net of Income Tax	(26,539,472)	(26,539,472)	(67,432,296)	(67,432,296)
Total Comprehensive Income for the Year	270,491,371	593,216,923	223,885,618	344,098,432
Total Comprehensive Income for the Period	270,491,371	593,216,923	223,885,618	344,098,432

Ratio as per NRB Directives

Particulars	Current Year	Previous Year Corresponding
	Upto This quarter	Upto This quarter
Capital fund to RWA	11.39%	11.56%
Non-Performing Loan(NPL) to total loan	8.92%	9.49%
Total loan loss provision to Total NPL	114.10%	111.01%
Cost of Funds	7.34%	7.71%
Credit to Deposit and borrowing Ratio	118.73%	120.98%
Base Rate	12.00%	13.68%
Interest Rate Spread	7.27%	7.26%

Statement of Distributable Profit or Loss
For the Quarter ended 32nd Ashad, 2083
(As per NRB Regulation)

	Current Year Upto This Qtr YTD
Particulars	
Net Profit or (Loss) as per statement of Profit or Loss	619,756,395
<u>Appropriations:</u>	
a. General Reserve	(123,951,279)
b. Foreign Exchange Fluctuation Fund	-
c. Capital Redemption Reserve	-
d. Corporate Social Responsibility Fund	(6,197,564)
e. Employees' Training Fund	(2,201,152)
f. Client Protection Fund	(12,395,128)
f. Other	-
Restructure/Reschedule Provision Write back	6,119,534
Staff Welfare Fund	-
Profit or (loss) before regulatory adjustment	481,130,806
<u>Regulatory adjustment :</u>	
a. Interest receivable (-)/previous accrued interest received (+)	(22,449,999)
b. Short loan loss provision in accounts (-)/reversal (+)	-
c. Short provision for possible losses on investment (-)/reversal (+)	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	-
e. Deferred tax assets recognised (-)/ reversal (+)	(21,399,293)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-
g. Bargain purchase gain recognised (-)/resersal (+)	-
h. Acturial loss recognised (-)/reversal (+)	(26,356,174)
i. Other (+/-)	(183,298)
Net Profit for the year end available for distribution	410,742,042
Opening Retained Earning as on Shrawan 1st	256,731,005
Adjustment (+/-)	-
Retained Earning from Previous year	-
Expense for CSR	2,099,488
Distribution:	669,572,536
Bonus Share issued	(93,375,000)
Cash Dividend Paid	(72,287,500)
Total Distributable Profit or (loss) as on year end date	503,910,036
Annualised Distributable Profit/Loss per share	28.79

Notes:

1. Above financial statements are prepared in accordance with Nepal Financial Reporting Standards(NFRS) and certain Carve-outs issued by the Institute of Chartered Accountants of Nepal (ICAN).These figures may vary at the instances of statutory auditors and regulators.
2. The detailed interim financial report has been published in the website (www.swbbl.com.np)
3. Loans and Advances are presented net of impairment charges and includes staff loans.
4. Personnel Expenses also include employee's bonus provision.
5. Previous period figures are regrouped/rearranged/restated wherever necessary for consistent presentation and comparison.
- 7.The Financial Institution has calculated Expected Credit Loss figures with implementation of Expected Credit Loss Model being in lined with relevant applicable standards and regulatory direction. Though the financial institution has recorded higher loan loss provision as per NRB's norms.

Swabalamban Laghubitta Bittiya Sanstha Ltd.
Statement of Changes in Equity
Attributable to Equity holders of the Institution
For the year ended 32 Asar, 2083

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-Controlling Interest	Total Equity
Balance at Shrawan 01, 2082	1,656,625,000	868,762	925,359,340	-	615,468,995	(563,016)	-	256,731,006	275,785,546	3,730,275,633		3,730,275,633
Adjustment										-		-
Comprehensive Income for the year								616,621,297		616,621,297		616,621,297
Profit for the year								616,621,297		616,621,297		616,621,297
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	-	(26,356,174)	(26,356,174)		(26,356,174)
Gains/(losses) from investment in equity instruments measured at fair value						-			(26,356,174)	(26,356,174)		(26,356,174)
Gains/(losses) on revaluation										-		-
Acturial gain/(losses) on defined benefit plans								-		-		-
Gains/(losses) on cash flow hedge										-		-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)										-		-
Total Comprehensive Income for the year	-	-	-	-	-	-	-	616,621,297	(26,356,174)	590,265,123		590,265,123
Transfer to Reserves during the year			123,324,259		69,006,002			(210,828,900)	18,498,639	-		-
Transfer from Reserves during the year								2,099,488	(20,754,660)	(18,655,172)		(18,655,172)
Transactions with Owners, directly recognized in Equity										-		-
Share Issued										-		-
Share Based Payments										-		-
Dividend to Equity-Holders								-		-		-
Bonus Shares Issued	93,375,000							(93,375,000)		-		-
Cash Dividend Paid								(72,287,500)		(72,287,500)		(72,287,500)
Other (Staff Welfare Fund)								-		-		-
Total Contributions by and Distributions	93,375,000	-	123,324,259	-	69,006,002	-	-	242,229,385	(28,612,195)	499,322,451	-	499,322,451
Balance at Asar 32, 2082	1,750,000,000	868,762	1,048,683,599	-	684,474,997	(563,016)	-	498,960,391	247,173,352	4,229,598,084	-	4,229,598,084



स्वावलम्बन लघुवित्त वित्तीय संस्था लिमिटेड

केन्द्रीय कार्यालय, कमलपोखरी, काठमाडौं ।

धितोपत्र दर्ता तथा निष्काशन नियमावली, २०७३ को अनुसूची - १४(नियम २६ को उपनियम (१) सँग सम्बन्धित)

आ.व. २०८२/८३ को चौथो त्रैमासिक विवरण

१. वित्तीय विवरण :

(क) नेपाल वित्तीय प्रतिवेदनमान (NFRS) अनुरूप चौथो त्रैमासिक अवधिसम्मको वासलात तथा नाफा नोक्सान हिसाब सम्बन्धी विवरण यसै साथ प्रकाशित गरिएको छ ।

(ख) प्रमुख वित्तीय अनुपातहरू:

प्रति शेयर आम्दानी	(मूल्य आम्दानी अनुपात) P/E ratio	प्रति शेयर नेटवर्थ	प्रति शेयर कूल सम्पत्तिको मूल्य	तरलता अनुपात
रु. ३५/४१	१८/१६	रु. २४१/९१	रु. १,६०५/३१	४.४७%

२. व्यवस्थापकीय विश्लेषण :

(क) यस त्रैमासिक अवधिमा संस्थाको मौज्जात, आम्दानी र तरलतामा कुनै परिवर्तन भएको भए सोको प्रमुख कारण सम्बन्धी विवरण : चालु आ.व.२०८२/८३ को चौथो त्रैमासिक अवधिमा तुलनात्मक रूपमा अघिल्लो आ.व. को सोही अवधिको अवस्थाको तुलनामा केही सहजता भएकोले वित्तीय संस्थाको कारोबारमा सुधार भई व्यवसाय विस्तार तथा आम्दानीमा वृद्धि भएको छ । लघुवित्त क्षेत्रमा देखिएका समस्याहरू क्रमशः सुधारन्मुख भई चालु आ.व.२०८२/८३ को चौथो त्रैमासिक अवधिसम्म संस्थाको कोषको लगतमा कमीका साथै खुद मुनाफा समेत वृद्धि भएको छ । व्यवस्थापनले लघुवित्त क्षेत्रमा देखिएका वाट्य जोखिम, कर्जा जोखिम तथा तरलता जोखिमको विश्लेषण गर्दै वित्तीय कारोबारहरू संचालन गर्दै आइरहेको छ ।

(ख) आगामी अवधिको व्यवसायिक योजना सम्बन्धमा व्यवस्थापनको विश्लेषणात्मक विवरण :

राष्ट्रिय स्तरको यस वित्तीय संस्थाले गरीबी मुक्त समृद्ध समाज स्थापना गर्ने परिकल्पना साथ विपन्न वर्ग, समुदायलाई लघुवित्त सेवामा सहज पहुँच विस्तार गरी ग्रामीण तथा शहरी विपन्न वर्गको आर्थिक सामाजिक अवस्था सुधारका लागि स्थानीय श्रोत साधन तथा सीपको भरपुर उपयोग गरी देशभर लघुवित्त सेवा क्रमशः विस्तार गर्दै गएको छ । हाल ६१ जिल्लाका १४५ वटा शाखा कार्यालय मार्फत २ लाख ७२ हजार ३० विपन्न परिवारको घरमा लघुवित्त सेवा प्रदान गरिरहेको छ । यस चौथो त्रैमासिक समीक्षा अवधिमा लगानीमा रहिरहेको कर्जा रु. ९७ करोड ८० लाख ३ हजारले वृद्धि भई रु. २७ अर्ब ९० करोड १० लाख ५५ हजार र वचत रु. ६८ करोड ६ लाख २ हजारले वृद्धि भई रु. १८ अर्ब ८ करोड ६३ लाख ७७ हजार पुगेको छ । संस्थाले नवीनतम सूचना प्रविधिको प्रयोग गरी छिटो छरितो र विश्वसनीय एवं दीर्घो सेवा प्रदान गर्दै कार्यक्रम विस्तारमा अग्रसर रहेको छ । संस्थाले कृषि, पशुपालन, सेवा व्यवसाय तथा लघुउद्यम व्यवसाय सञ्चालनको लागि विशेष गरी महिलाहरूलाई केन्द्रीत गरी लघुउद्यमी विस्तार गर्दै उत्तरदायी लघुवित्त सेवा उपलब्ध गराउँदै आएको छ । साथै, समय सापेक्ष ग्राहकको चाहना अनुसार सेवा तथा सुविधाहरूमा परिष्कृत गर्दै लैजान व्यवस्थापन प्रतिवद्ध रहेको छ ।

(ग) आगामी दिनमा कार्यक्रम विस्तार गर्दा लघुवित्त सेवाको पहुँच कम भएका क्षेत्रहरूलाई विशेष प्रार्थमिकता दिइने योजना रहेको छ ।

(घ) प्रभावकारी व्यवस्थापन सूचना प्रणाली तथा आन्तरिक नियन्त्रण प्रणालीको आधारमा वित्तीय संस्थाले आफ्नो सेवालार्इ अझ बढी ग्राहकमैत्री बनाउँदै मुलुकको एक नेतृत्वदायी लघुवित्त वित्तीय संस्थाको रूपमा स्थापित हुने लक्ष्य लिएको छ । यसको लागि कर्मचारी तथा ग्राहकको क्षमता अभिवृद्धिमा अझ बढी ध्यान दिइनेछ ।

(ङ) विगतको अनुभवबाट वित्तीय संस्थाको मौज्जात, नाफा वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने घटना वा अवस्था आदि भएमा सो सम्बन्धी विश्लेषणात्मक विवरण : हालको परिस्थितिमा सम्पूर्ण बैकिङ प्रणालीमा लगानी योग्य रकम बढीरहेकोले लगानीका क्षेत्रहरू संकुचित हुन सक्ने देखिन्छ । यसका साथै लघुवित्त संस्थाहरूका विरुद्धमा हुने गरेका अराजक समूहका क्रियाकलाप र लघुवित्त संस्थाहरू बीचको अस्वस्थ प्रतिस्पर्धा, सदस्यहरूको दोहोरोपना (बहुवैकिङ्ग) सम्बन्धी नियामक निकायको निर्देशन आदि कारणले वित्तीय संस्थाको व्यवसाय वृद्धि र नाफामा नकारात्मक प्रभाव पर्न सक्ने महसुस भएकोले सोको उचित व्यवस्थापन गर्ने प्रयास गरिदै आएको छ ।

३. कानुनी कारवाही सम्बन्धी विवरण :

(क) यस वित्तीय संस्था पक्ष/विपक्ष रही श्री सर्वोच्च अदालतमा २४ जना पूर्व कर्मचारीहरूको मुद्दा विचाराधिन अवस्थामा रहेको छ ।

(ख) वित्तीय संस्थाका संस्थापक वा संचालकले वा संस्थापक वा संचालकको विरुद्धमा प्रचलित नियमको अवज्ञा वा फौजदारी अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर गरेको वा भएको कुनै जानकारी प्राप्त भएको छैन ।

(ग) कुनै संस्थापक वा संचालक विरुद्ध आर्थिक अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर गरेको वा भएको कुनै जानकारी प्राप्त भएको छैन ।

४. संगठित संस्थाको शेयर कारोबार सम्बन्धी विश्लेषण :

(क) धितोपत्र बजारमा भएको यस संस्थाको शेयरको कारोबारमा समय समयमा उतार चढाव देखिएता पनि कारोबारको अवस्था भने सन्तोषजनक रहेको छ ।

(ख) नेपाल स्टक एक्स्चेन्ज लि.को वेबसाईट www.nepalstock.com.np अनुसार समीक्षा अवधिमा वित्तीय संस्थाको शेयरको कारोबार निम्नानुसार रहेको पाइएको छ ।

अधिकतम मूल्य	न्यूनतम मूल्य	अन्तिम मूल्य :	कारोबार भएको कूल दिन	कारोबार संख्या
रु. ७९५/-	रु. ६३१/-	रु. ६४३/-	६४	४,७२७

५. समस्या तथा चुनौती :

हाल बैकिङ प्रणालीमा लगानी तथा कर्जा असुलीको समस्या बढ्दै जानु, सदस्यहरूको बहुवैकिङ्ग कारोबार, बैक तथा वित्तीय संस्थाहरूबाट उपलब्ध हुने विपन्न वर्ग कर्जाको उपलब्धता, नियमनकारी निकायबाट अप्रत्याशित रूपमा हुन सक्ने नीतिगत परिवर्तन र सोबाट हुन पर्न सक्ने असर तथा लघुवित्त संस्थाहरू विरुद्ध भइरहेका अराजक क्रियाकलाप वित्तीय संस्थाका समस्या तथा चुनौतीका रूपमा रहेका छन् । वित्तीय संस्थामा रहेको जनशक्तिको उचित व्यवस्थापन, तालिम र समयानुकूल व्यवसायिक रणनीति अपनाई वित्तीय संस्थाले प्रदान गर्ने सेवालार्इ नविन प्रविधिको प्रयोगबाट प्रभावकारी तुल्याई विविधिकरण गर्दै खर्चमा मितव्ययिता अपनाइने छ ।

६. संस्थागत सुशासन :

नेपाल राष्ट्र बैकबाट संस्थागत सुशासन अभिवृद्धिका लागि जारी गरिएका निर्देशनहरूको साथै बैक तथा वित्तीय संस्था सम्बन्धी ऐन २०७३, कम्पनी ऐन २०६३, नेपाल राष्ट्र बैक ऐन २०५८, धितो पत्र ऐन २०६३ लगायत अन्य ऐन नियमहरूको पालना गरिनुका साथै वित्तीय संस्थाबाट प्रबन्ध पत्र, नियमावली, कर्मचारी सेवा विनियमावली, आर्थिक प्रशासन विनियमावली, कर्जा अपलेखन विनियमावली, आन्तरिक लेखापरीक्षण निर्देशिका, वचत तथा कर्जा व्यवस्थापन निर्देशिका, सूचना प्रविधि निर्देशिका, सम्पत्ति तथा दायित्व व्यवस्थापन नीति, लगानी नीति, कर्जा नीति बनाई लागू गरिएको छ । साथै, आन्तरिक नियन्त्रण प्रणालीलाई अझ सुदृढ गर्न लेखापरीक्षण समिति, जोखिम व्यवस्थापन समिति, कर्मचारी सेवा सुविधा समिति र सम्पत्ति शुद्धीकरण अनुगमन समितिले सक्रिय रूपले कार्य गरिरहेका छन् ।

७. सत्य, तथ्य सम्बन्धमा कार्यकारी प्रमुखको उद्घोषण :

आजका मितिसम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरूको शुद्धता सम्बन्धमा म व्यक्तिगत रूपमा उत्तरदायित्व लिन्छु । साथै, म यो उद्घोषण गर्दछु की मैले जाने बुझ्नेसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरू सत्य, तथ्य र पूर्ण छन् र लगानीकर्ताहरूलाई निर्णय लिन आवश्यक कुनै विवरण, सूचना तथा जानकारीहरू लुकाइएको छैन ।

Swabalamban Laghubitta Bittiya Sanstha Limited
Notes to Interim Financial Statements
For the quarter ended 32nd Ashad, 2083

1. Reporting entity

Swabalamban Laghubitta Bittiya Sanstha Limited (referred to as “the Microfinance” or “SWBBL” hereafter) is a microfinance financial institution. With the mission of delivering sustainable microfinance services at the doorstep of the deprived sector target societies SWBBL was registered with the Company Registrar’s Office as a limited company under the Companies Act, 2053 on October 5, 2001 (Ashwin 19, 2058) and obtained a license from Nepal Rastra Bank– the Central Bank of Nepal on January 3, 2002 (Paush 19, 2058) to operate the financial activities under Development Bank Act, 2052. SWBBL formally started its operation on January 14, 2002 (Magh 1, 2058 B.S.). At the time of establishment, its registered (central) office was in Janakpur, Dhanusha, eastern Terai region of the country. Later, according to the decision made on March 10, 2014, by the Company Registrar’s Office, the central office is shifted to Kathmandu, Nepal.

SWBBL has changed its name to Swabalamban Laghubitta Bittiya Sanstha Ltd in compliance with Bank and Financial Institution Act 2073 from the previous name of Swabalamban Laghubitta Bikas Bank Ltd. on January 6, 2006 (Magh 10, 2062) under the Companies Act., 2005 (2062) and re-obtained license from Nepal Rastra Bank.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial statements of SWBBL have been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in compliance with the requirement of the companies Act ,2063.

The disclosure made in the condensed interim financial information haven been based on the format prescribed by the Nepal Rastra Bank.

The Interim Financial Statements don't include all the information required for a complete set of NFRS Financial Statements. However selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the microfinance's financial position and performance since the last published annual financial statements.

2.2 Reporting Period

The Microfinance follows Nepalese financial year based on the Nepalese calendar.

1. For Statements Financial Position : 32nd Ashad, 2083
2. For Statement of Profit & Loss : 1st Shrawan, 2082 to 32nd Ashad, 2083
3. For Statement of Cash Flows: 1st Shrawan, 2082 to 32nd Ashad, 2083

2.3 Functional and Presentation currency

The Financial Statements are denominated in Nepalese Rupees, which is the functional and presentation currency of the Microfinance. All financial information presented in NPR has been rounded off to the nearest rupee except where indicated otherwise.

2.4 New Standards issued but not yet effective

Management has issued its assumptions and understandings for the preparation of financial statements under compliance with NFRS, however, certain interpretations might vary regarding the recognition, measurement and other related provisions where the standards are not specific and not clear.

3. Use of Estimates, Assumptions and Judgments

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

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

4. Changes in Accounting policies

The Microfinance applies its accounting policies consistently from year to year except where deviations have been explicitly mandated by the applicable accounting standards.

5. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Basis of Measurement

The interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Impairment of asset is measured at fair value and related disposal cost.

5.2 Cash & Cash Equivalent

The fair value of cash is the carrying amount. Cash and cash equivalent represent the amount of cash in hand, balances with other bank and financial institutions, money at 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 value and used by the Microfinance in the management of short-term commitment.

5.3 Financial Assets and Financial Liabilities

A. Recognition

The Microfinance recognizes financial assets and financial liabilities with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date i.e., the date that the Microfinance becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account at fair value inclusive of transaction costs. The Microfinance recognises due to customer balances when funds reach the Microfinance.

B. Classification and Measurement

Financial Assets

The Laghubitta classifies the financial assets subsequently measured at amortized cost or fair value on the basis of the Laghubitta's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The two classes of financial assets are as follows:

Financial assets measured at amortized cost

The Laghubitta classifies a financial asset measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

a) Financial assets at fair value through profit or loss. Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss

b) Financial assets at fair value through other comprehensive income Investment in an equity instrument that is not held for trading and at the initial recognition, the Laghubitta makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value though other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

C. Financial Liabilities

The Laghubitta classifies its financial liabilities as follows:

a) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

b) Financial Liabilities measured at amortized cost

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

D. Measurement

Initial Measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

Subsequent Measurement

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

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

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

E. De-recognition

De-recognition of Financial Assets

The Microfinance derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Microfinance neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

De-recognition of Financial Liabilities

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

5.4 Determination of Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Microfinance follows three levels of the fair-value-hierarchy are described below:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

5.5 Impairment

Impairment of Loans and Advances

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

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

Regulatory Backstop Measures

As per the clause 16 of NFRS 9- Expected Credit Loss Related Guidelines, 2024 (First Amendment), Banking & Financial Institution are required to recognize impairment on credit exposures as the higher of total ECL calculated as per NFRS 9 and existing regulatory provisions in Unified Directives. Such regulatory backstop shall prevail for a minimum of 2 year period until further review.

5.6 Property and Equipment

Recognition and Measurement

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

Depreciation

Property and equipment are depreciated from the date they are available for use on property on straight line method over estimated useful lives. Depreciation is recognized in profit or loss. Leased assets under the finance lease are depreciation over their useful life. Charging of depreciation is ceased from the earlier of the date from which the asset is classified as held for sale or is derecognized. The estimated useful lives of significant items of property and equipment for current year and comparative periods are as follows:

Types of Assets	Useful Life (in Years)
Computer	5
Furniture	10
Office_Equipment	5
Vehicle	7
Vehicle Four Wheeler	10

The capitalized value of software purchase and installation costs are amortized over a maximum 5-year period or within the ownership period. Assets costing less than NPR 4,000 are fully depreciated in the year of purchase. For assets purchased/ sold during the year, depreciation is provided up to the date of use on pro-rata basis. Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

De-recognition

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

5.7 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 Laghubitta applies NAS 12 – “Income Taxes” for the accounting of Income Tax. Income tax expense is recognized in 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.

Tax Expense comprises Current Tax and Deferred Tax.

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, 2058 and amendments thereto, using a corporate tax rate of 30%.

Deferred Tax

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

- (a) deductible temporary differences;
- (b) the carry forward of unused tax losses; and
- (c) the carry forward of unused tax credits.

Deferred tax is recognized at the reporting date in respect of temporary differences between the carrying amounts of assets or liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

5.8 Provisions

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflow of resources will be required to settle the obligations and they can be reliably estimated.

5.9 Revenue Recognition

Revenue comprises of interest income, fees and commission, disposal income, etc. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Laghubitta and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The bases of incomes recognition are as below:

A. Interest Income

Interest income on available-for-sale assets and financial assets held at amortized cost shall be recognized using the Microfinance's normal interest rate which is very close to effective interest rate using effective interest rate method.

For income from loans and advances to customers, initial charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Microfinance considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Microfinance estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. As per the Carve-out Notice issued by ICAN, the calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

B. Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided or significant act performed. Service Fee Income/Expenses are recognized on accrual basis unless it is impracticable to recognize as allowed through carve-out on NFRS.

C. Dividend Income

Dividend income is recognised when the Microfinance's right to receive the payment is established, which is generally when the shareholders approve the dividend.

D. Net Trading Income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

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

Gains and losses arising from changes in the fair value of financial instruments designated at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognised within net interest income.

5.10 Interest Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at FVTPL, interest expense is recorded using the EIR unless it is impracticable.

5.11 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. The Laghubitta's remuneration package includes both short term and long-term benefits and comprises of Salary, Allowances, leave encashments, provident fund, gratuity and annual statutory bonus. The Laghubitta 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 services in exchange for employee benefits to be paid in the future; and
- an expense when the Laghubitta consumes the economic benefits arising from service provided by an employee in exchange for employee benefits.

5.12 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Lease payments under an operating lease to be recognized as an expense when accrued as the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

5.13 Share Capital and Reserves

A. Share Capital

The Laghubitta classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Laghubitta after deducting all its liabilities. Common shares are classified as equity of the Laghubitta and distributions thereon are presented in statement of changes in equity.

B. General Reserve

This is a statutory reserve and is a compliance requirement of NRB, 20% of the net profit as stated in Bank and financial Institution Act, 2073 and 50% of additional amount of Cash Dividend and Bonus Shares if declared and distributed in excess of 20% as provisioned in NRB directives is set aside to the general reserve.

C. Assets Revaluation Reserve

Any Reserve created from revaluation of assets (such as Property & Equipment, Intangible Assets, Investment Property) shall be presented under this heading. The Microfinance has followed cost model therefore no assets revaluation reserve is created.

D. Capital Reserve

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

E. Special Reserve

Any special reserve that is created as per the specific requirement of NRB directive or special instruction of NRB are represented as special reserve. The amount allocated to this reserve by debiting retained earning account are presented under this heading.

F. Corporate Social Responsibility Fund

The fund created for the purpose of corporate social responsibility by allocating 1% of Net profit as per NRB Directive is presented under this account head.

G. Client Protection Fund

The fund created for the purpose of client protection by allocating 2 % of Net profit as per NRB Directive is presented under this account head.

H. Employee Training Fund

The fund is created for the purpose of employee training. As per the directives to microfinance by NRB, the microfinance needs to spend at least 3% of last fiscal year's total personnel expenses for the development and trainings of the employees. Further if the microfinance couldn't spend up to the limit of 3%, the shortfall amount shall be transferred to the Employee Training Fund and shall be used for employee trainings in subsequent years.

I. Investment Adjustment Reserve

It is a reserve created on investment such as investment in subsidiary or unlisted investment in equity for more than two years as per the investment directive of Nepal Rastra Bank.

J. Regulatory Reserve

The amount that is allocated from profit or retained earnings of the Microfinance to this reserve as per the Directive of NRB for the purpose of implementation of NFRS and which shall not be regarded as free for distribution of dividend (cash as well as bonus shares) shall be presented under this account head. The regulatory reserve of the Microfinance includes the reserve net of tax created relating to Accrued Interest Receivable as on Ashad End 2081 Reserve on Deferred Tax Assets, Non-Banking Assets, reduction in fair value of investment in equity below cost price, actuarial loss etc.

K. Fair Value Reserve

The amount that is allocated from profit or retained earnings of the Microfinance to this reserve as per the *Directive of NRB for the purpose of implementation of NFRS* and which shall not be regarded as free for distribution of dividend (cash as well as bonus shares) shall be presented under this account head. The fair value reserve of the Microfinance includes the reserve net of tax created relating to Market Value of Share investment.

L. Actuarial Gain/(Loss) Reserve

The amount that is allocated from profit or retained earnings of the Microfinance both positive or negative to this reserve as per the Directive of NRB for the purpose of implementation of NFRS and which shall not be regarded as free for distribution of dividend (cash as well as bonus shares) shall be presented under this account head. This reserve includes actuarial gain/(loss) net of tax on defined benefit plan and long-term employee benefits.

M. Other reserve

Any reserve created with specific or non-specific purpose (except stated in above) are presented under thus by disclosing accounting heads.

Since the Microfinance has also prepared its financial statements as per NRB Directives for regulatory purposes, all appropriations have been done in such financial statements only; accordingly, appropriation for general reserve, CSR fund, employee capability enhancement fund and client protection fund has not been done in the financial statements prepared as per NFRS.

5.14 Earnings per share

The Laghubitta presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Laghubitta by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Laghubitta does not hold any dilutive potential ordinary shares, and hence the Basic EPS itself is the Diluted EPS.

6. Related Party Disclosure

In the Ordinary course of its business operations the Laghubitta has conducted commercial transactions with parties who are defined as related parties in NAS 24 "Related Party Disclosure". All those transactions were conducted on an arm's length price basis.

6.1 Allowances and Facilities for Board of Directors

Particulars	Number of Meetings	Sitting Fees
Board Meeting	26	1,194,000
Audit Committee	12	168,000
Risk Management Committee	11	147,000
Assets Money Laundering Prevention Committee	4	28,000
Employee Facilities Committee	2	28,000
Tadartha Committee	-	-
Study Committee	-	-
Land & House Nirmaan Committee	-	-
Chhanbin Committee	5	98,000
Total	60	1,663,000

In addition to above meeting allowance, the following amount have been incurred for Board of Directors:

Nature	Total
Fooding & TADA Expenses	259,909
Communication Expenses	162,386
Total	415,295

6.2 Chief Executive Officer's Emoluments and Facilities

Particulars	Amount
Short Term Employee Benefits (Including Dashain Allowance)	4,301,026
Post Employment Benefits	207,180
Other Long Term Benefits	-
Termination Benefits	-
Total	4,508,206

6.3 Transaction with Company

Bank Name	Bank Balance As on 32 nd Ashad, 2083	Outstanding Borrowing As on 32 nd Ashad, 2083
Himalayan Bank Ltd.	235,068,441.64	766,000,000.00
Nepal Investment Mega Bank Ltd.	135,290,493.60	290,000,000.00
Nabil Bank Ltd.	61,293,370.71	907,500,000.00

7. Dividend

The microfinance has distributed 5.6365% Stock Dividend and 4.3635% Cash Dividend out of profits of F/Y 2081-82 during current period which has been approved from AGM.

8. Issue, Purchase, and Repayment of debt and equity Securities

None.

9. Events after interim Period

There are no material events after the reporting date affecting financial status of the Laghubitta.

10. Effect of changes in the composition of the entity during the interim period including merger & Acquisition

No such events has occurred.