



सामुदायिक लघुवित्त वित्तीय संस्था लिमिटेड

Samudayik Laghubitta Bittiya Sanstha Limited

“नेपाल राष्ट्र बैंकबाट “घ” बर्गको ईजाजत प्राप्त संस्था”

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INTERIM FINANCIAL STATEMENTS

As on Quarter Ended 31<sup>st</sup> Ashoj, 2082

CONDENSED STATEMENT OF FINANCIAL POSITION

As on Quarter Ended 31<sup>st</sup> Ashoj, 2082

Amount in NPR		
Particulars	This Quarter Ending	Immediate Previous Year Ending
Assets		
Cash and Cash Equivalents	117,405,479	174,477,280
Statutory Balances & due from Nepal Rastra Bank	-	-
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to MFIs & Co-operatives	-	-
Loans and Advances to Customers	1,949,145,639	1,716,745,360
Investment Securities	1,000,000	1,000,000
Current Tax Assets	3,788,032	-
Investment Property	-	-
Property and Equipment	16,442,564	8,539,690
Goodwill and Intangible Assets	760,867	-
Deferred Tax Assets	13,134,012	13,134,012
Other Assets	35,402,734	118,272,858
Total Assets	2,137,079,326	2,032,169,200
Liabilities		
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	733,495,342	598,347,000
Borrowings	1,131,507,544	936,737,070
Current Tax Liabilities	-	-
Provisions	20,709,214	20,709,214
Deferred Tax Liabilities	-	-
Other Liabilities	42,886,569	283,534,136
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	1,928,598,669	1,839,327,420
Equity		
Share Capital	170,805,000	170,805,000
Share Premium	-	-
Retained Earnings	(44,784,321)	(57,646,000)
Reserves	82,459,978	79,682,780
Total Equity	208,480,657	192,841,780
Total Liabilities and Equity	2,137,079,327	2,032,169,200

CONDENSED STATEMENT OF PROFIT AND LOSS

As on Quarter Ended 31<sup>st</sup> Ashoj, 2082

Amount in NPR				
Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	80,036,820	80,036,820	46,959,980	46,959,980
Interest Expense	34,437,435	34,437,435	32,837,910	32,837,910
Net Interest Income	45,599,385	45,599,385	14,122,070	14,122,070
Fee and Commission Income	5,386,791	5,386,791	5,547,537	5,547,537
Fee and Commission Expense	500	500	-	-
Net Fee and Commission Income	5,386,291	5,386,291	5,547,537	5,547,537
Net Interest, Fee and Commission Income	50,985,676	50,985,676	19,669,607	19,669,607
Net Trading Income	-	-	-	-
Other Operating Income	296,997	296,997	106,533	106,533
Total Operating Income	296,997	296,997	106,533	106,533
Impairment Charge/ (Reversal) for Loans and Other Losses	2,581,068	2,581,068	5,241,040	5,241,040
Net Operating Income	48,701,605	48,701,605	14,535,100	14,535,100
Operating Expense				
Personnel Expenses	31,621,608	31,621,608	26,585,940	26,585,940
Other Operating Expenses	8,295,480	8,295,480	7,471,341	7,471,341
Depreciation & Amortisation	751,257	751,257	436,549	436,549
Operating Profit	8,033,260	8,033,260	(19,958,730)	(19,958,730)
Non Operating Income	1,062,761	1,062,761	-	-
Non Operating Expense	7,462	7,462	-	-
Profit Before Income Tax	9,088,559	9,088,559	(19,958,730)	(19,958,730)
Income Tax Expense				
Current Tax	-	-	-	-
Deferred Tax	-	-	-	-
Profit for the Year	9,088,559	9,088,559	(19,958,730)	(19,958,730)
Profit Attributable to:				
Equity-holders of the Financial Institution	9,088,559	9,088,559	(19,958,730)	(19,958,730)
Non-controlling interest	-	-	-	-
Profit for the Year	9,088,559	9,088,559	(19,958,730)	(19,958,730)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Amount in NPR				
Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter	This Quarter	Up to This Quarter
Profit & Loss for the Period	9,088,559	9,088,559	(19,958,730)	(19,958,730)
Other Comprehensive Income				
Total Comprehensive Income for the Period	9,088,559	9,088,559	(19,958,730)	(19,958,730)
Earnig Per Share				
Basic Earning per Share		5.32		(11.69)
Annualized Basic Earnings Per Share		21.28		(46.74)
Diluted earnings per share	-	-	-	-

RATIOS AS PER NRB DIRECTIVES

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Capital fund to RWA		9.21%		9.29%
Non-performing loan (NPL) to total loan		4.97%		6.41%
Total loan loss provision to Total NPL		119.78%		111.41%
Cost of Funds		7.40%		8.84%
Credit to Deposit and borrowing Ratio		280.30%		286.91%
Base Rate		14.09%		18.06%
Interest Rate Spread		7.50%		6.06%

\* Interest Rate on Loan and Advances: 14.72% to 15% & Deposits : 7.5% to 3%

Interim Financial Statements

Statement Of Distributable Profit or Loss

For the Quarter Ended Ashoj, 2082

Amount in NPR	
Particulars	Current Year Upto This Quarter (YTD)
Net profit or (loss) as per statement of profit or loss	9,088,559
1. Appropriations:	
a. General Reserve	-
b. Capital Redemption Reserve	-
c. Exchange Fluctuation Fund	-
d. Corporate social responsibility (CSR) Fund	-
e. Employee Training Fund	-
f. Client Protection Fund	-
g. Other	-
Profit or (loss) before regulatory adjustment	9,088,559
Regulatory adjustment :	
a. Interest receivable (-)/previous accrued interest received (+)	(15,334,002)
Net Profit for the Quarter ended on Ashoj 2082 available for distribution	(6,245,443)
Opening Retained Earning as on Shrawan 1 2082	(53,872,880)
Adjustment (+/-)	-
Distribution:	
Bonus shares issued	-
Cash Dividend Paid	-
Total Distributable profit or (loss) as on Quater end Ashoj 2082	(60,118,323)
Annualised Distributable Profit/Loss per share	(35.20)

Notes:

1. The above financial statements are prepared in accordance with Nepal Financial Reporting Standard (NFRS) and certain Crave-outs issued by the ICAN. These figures may vary with the audited figures as per as instructed by external auditors and regulators.
2. The Detailed interim financial report has been published in our website.
3. Loans and Advances are presented net of impairment charges and includes staff loans & interest suspense adjustment.
4. Actuarial Valuation has not been done for Employee Benefits.
5. Previous Figures are regrouped/rearranged/restated wherever necessary for consistent presentation and comparison.
6. Right Of Use ( ROU Assets ) & Lease liabilities has not been calculated in accordance with the provision of NFRS 16 "Lease".
7. ECL Model has not been adopted for the calculation of impairment loss of loan & advances.
8. Interest income has been recognized on Gross basis in accordance with NFRS and the last year's interest income has been recognized on cash basis.
- \* Interest Rate on Loan and Advances: 14.72% to 15% & Deposits : 7.5% to 9%

धितोपत्र दर्ता तथा निष्काशन नियमावली २०७३ को

अनुसूची १४ (नियम २६ को उपनियम (१) सँग सम्बन्धित)

आ.ब.२०८२/८३ को प्रथम त्रैमासिक प्रतिवेदन

१. वित्तीय विवरण

(क) त्रैमासिक अवधिको वासलात तथा नाफा/नोक्सान सम्बन्धी विवरण : चालु आ.व.२०८२/८३ को प्रथम त्रैमासको अपरिष्कृत वित्तीय विवरण यसै साथ प्रकाशित गरिएको छ ।

(ख) प्रमुख वित्तीय अनुपातहरू

प्रति शेयर आम्दानी	मूल्य/आम्दानी अनुपात (P/E ratio)	प्रति शेयर नेटवर्थ	प्रति शेयर कुल सम्पत्तिको मूल्य	तरलता अनुपात
२१.२८	६३.९७	१२२.०६	१२५१.१८	१४.३२

२. व्यवस्थापकीय विश्लेषण :

- (क) त्रैमासिक अवधिमा संस्थाको मौज्जात, आम्दानी र तरलतामा कुनै परिवर्तन भएको भए सोको प्रमुख कारण सम्बन्धी विवरण: यस संस्थाको चालु आ.व. प्रथम त्रैमासमा कर्जा लगानीमा उल्लेखनिय वृद्धि भएको र खराब कर्जाको असुलिमा पनि केहि सुधार आएकोले व्याज आम्दानीमा सकारात्मक प्रभाव परेको छ । संस्थाले लिने थोक कर्जा पनि वृद्धि भएको र समीक्षा अवधिमा संस्थाको मौज्जात र तरलता अनुपातको स्थिति सन्तोषजनक रहेको छ ।
- (ख) आगामी अवधिको व्यावसायिक योजना सम्बन्धमा व्यवस्थापनको विश्लेषणात्मक विवरण : बागमती प्रदेशका सबै जिल्ला र सोलुखुम्बु, ओखलढुङ्गा, खोटाङ्ग, भोजपुर र संखुवासभा गरि जम्मा १८ वटा जिल्लाहरूमा कार्यक्षेत्र भएको यस वित्तीय संस्थाले हाल सम्म १६ वटा जिल्लामा आफ्नो कार्यक्रम विस्तार गरेको छ । वित्तीय संस्थाको स्वीकृत कार्यक्षेत्र भित्र पर्ने जिल्लाहरू अन्तर्गत संभावित क्षेत्रमा सदस्य विस्तार गरी लघुवित्त कार्यक्रमको पहुँच नपुगेको स्थानहरूमा लघुवित्त सेवा विस्तार गर्ने, सशक्त र गुणस्तरीय सेवा प्रदान गर्नुको साथै व्यवसायिक योजनाको विकास, नयाँ नयाँ लगानीका क्षेत्रहरूको खोजि, व्यवसायिक संजाल वृद्धि, व्यवसाय विविधिकरण तथा व्यवसायिक विकासका लागि शाखा सञ्जाल विस्तारका साथै ग्राहकको चाहना बमोजिम वित्तीय सेवा सञ्चालनमा ल्याउने योजना रहेको छ । त्यस्तै, समय सापेक्ष सदस्यको चाहाना अनुसार सेवा तथा सुविधाहरूलाई परिष्कृत गर्दै लैजान व्यवस्थापन प्रतिबद्ध रहेको छ ।
- (ग) विगतको अनुभवबाट संगठित संस्थाको मौज्जात, नाफा वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने घटना, अवस्था आदि भएमा सो सम्बन्धी विश्लेषणात्मक विवरण : समीक्षा अवधिमा वित्तीय संस्थाले आवश्यक लगानी योग्य रकमको व्यवस्थापन सहज रुपमा गरेको छ । व्यापार व्यवसायहरूमा आएको संकुचन तथा मंदि, लघुवित्त संस्थाहरू बिचको अत्याधिक प्रतिस्पर्धा, ग्राहक सदस्यहरूको दोहोरोपन भई हुने बहुवैकिक कारोबार तथा हालका समयमा बैंक तथा वित्तीय संस्था विरुद्ध भै रहेका नकारात्मक प्रचारबाजी जन्य क्रियाकलापका प्रभावका कारण वित्तीय संस्थाको नाफाम असर गरेको छ, तर पनि नकारात्मक असरले पार्न सक्ने सम्भावित असरको जोखिम कम गर्न तर्फ वित्तीय संस्था सचेत रहि कार्य गर्दै आएको छ ।

३. कानुनी कारवाही सम्बन्धी विवरण

- (क) यस त्रैमासिक अवधिमा संगठित संस्थाले वा संस्थाको विरुद्ध कुनै मुद्दा दायर भएको भए : यस संस्थाको आर्थिक कारोबारमा अनियमिता गर्ने व्यक्ति/कर्मचारी उपर जिल्ला प्रहरी कार्यालय, मन्थली र सोलुखुम्बुमा वैकिक कसुरको जाहेरी दायर गरी अनुसन्धानको प्रक्रियामा रहेको र उच्च अदालत,विराटनगरमा पनि वैकिक कसुर गर्ने कर्मचारी विरुद्ध मुद्दा चलि 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 संगठित संस्थाको शेयरको कारोबार सम्बन्धमा व्यवस्थापनको धारणा : शेयरको मूल्य तथा कारोबार खुला बजारले निर्धारण गर्ने हुँदा शेयरको मुल्य तथा कारोबार सम्बन्धमा खुला बजारको मूल्य मान्यता अनुसार हुने गरेको छ ।
- (ख) त्रैमासिक अवधिको शेयरको अधिकतम, न्यूनतम, अन्तिम मूल्य, कारोबार भएको कूल दिन तथा कारोबार संख्या :

शेयरको अधिकतम मूल्य	शेयरको न्यूनतम मूल्य	शेयरको अन्तिम मूल्य	कारोबार भएको कूल दिन	कारोबार भएको कूल संख्या
१,६९४.९०	१,३१०	१३६१.४०	४१	४,५७६०३

५. समस्या तथा चुनौती

- (क) आन्तरिक : दक्ष जनशक्तिको अभाव, भौगोलिक कठिनाईका कारण कर्मचारीको उत्पादकत्व क्षमतामा आउन सक्ने हास, बढ्दो संचालन लागत, खराब कर्जा तथा खुद व्याज आम्दानीमा संकुचन आदि ।
- (ख) बाह्य : सदस्यहरूमा भएको कर्जा लगानीको दोहोरोपना र एकै कार्यक्षेत्रमा सञ्चालीत लघुवित्त संस्थाहरू बिच हुने अस्वस्थ वित्तीय प्रतिस्पर्धा, सदस्यहरूद्वारा उत्पादित वस्तु तथा सेवाहरूको अव्यवस्थित बजार व्यवस्थापन, भौगोलिक विकटता, लघुवित्त संस्थाहरूको विरुद्धमा भईरहेका अराजक गतिविधिहरू आदि ।

६. संस्थागत सुशासन : संस्थागत सुशासनका लागि संस्था सदैव प्रतिबद्ध रहेको छ । वित्तीय संस्थाले नेपाल राष्ट्र बैंकबाट जारी संस्थागत सुशासन लगायतका निर्देशनहरू पालना गर्नुका साथै प्रचलित ऐन, कम्पनी ऐन २०६३, बैंक तथा वित्तीय संस्था सम्बन्धी ऐन २०७३, नेपाल राष्ट्र बैंक ऐन २०५८, धितोपत्र ऐन २०६३ तथा आयकर ऐन २०५८ पालना गरेको छ । साथै वित्तीय संस्थाले कारोबार व्यवस्थित गर्न विभिन्न आन्तरिक नीति, नियम, विनियम, निर्देशिका कार्यविधि आदि तर्जुमा गरी लागू गरेको छ । सञ्चालक समिति, लेखापरीक्षण समिति, कर्मचारी सेवा सुविधा समिति, जोखिम व्यवस्थापन समिति, सम्पत्ति शुद्धिकरण अनुगमन समिति लगायतका समितिहरूको माध्यमबाट संस्थाभित्र संस्थागत सुशासन कायम गर्न तथा आन्तरिक नियन्त्रण प्रणालीलाई मजबुत बनाउन सञ्चालक तथा व्यवस्थापन क्रियाशील रहेको छ ।

७. सत्य तथ्य सम्बन्धमा प्रमुख कार्यकारी अधिकृतको उद्घोष : आजको मिति सम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरूको शुद्धता सम्बन्धमा म व्यक्तिगत रुपमा उत्तरदायित्व लिन्छु । साथै, म यो उद्घोष गर्दछु की मैले जाने बुझ्नेसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरू सत्य, तथ्य र पूर्ण छन् र लगानीकर्तालाई सु-सूचित निर्णय लिन आवश्यक कुनै विवरण, सूचना तथा जानकारीहरू लुकाईएको छैन ।



## Unaudited Interim Financial Statements

### Notes to the Interim Financial Statements

For the Period Ended Ashoj, 2082 Fiscal Year: 2082/83

#### 1. Basis of Preparation

The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS): NAS 34 as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) within the format issued by Nepal Rastra Bank through NRB Directives to "D" Class Financial institutions, 2081.

#### 2. Statement of Compliance with NFRSs

The interim financial statements comprise the Condensed Statement of Financial Position, Condensed Statement of Profit or Loss, Condensed Statement of Other Comprehensive Income, Condensed Statement of Changes in Equity, Condensed Statement of Cash Flows and the selected Notes to the Accounts/Explanatory Notes.

While NFRS 9, along with its Expected Credit Loss (ECL) requirements, is mandated to be fully effective from FY 2081/82 under NRB's ECL Guidelines (2080.09.26), the microfinance institution is still addressing implementation challenges. Therefore, ECL has not been implemented for this quarter.

##### 2.1 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is also the Laghubitta's functional currency. All financial information presented in NPR has been rounded off to the nearest rupee except indicated otherwise.

#### 3. Use of Estimates, Assumptions and Judgements

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.

#### 4. Changes in Accounting Policies

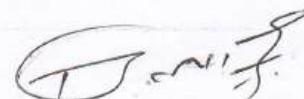
The Microfinance applies its accounting policies consistently from year to year except where deviations have been explicitly mandated by the applicable accounting standards.

##### 4.1 Limitation of NFRS Implementation

Wherever the information is not adequately available, and/or it is impracticable to adopt, such exception to NFRS implementation has been noted and disclosed in respective sections.

#### 5. Significant Accounting Policies

The principal accounting policies applied by the Laghubitta in the preparation and presentation of these Financial Statements are presented below. These policies has been consistently applied to all the years presented unless otherwise stated.





### 5.1 Basis of Measurement

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

- Investment property is measured at fair value.
- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- 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 and Cash equivalent

Cash and cash equivalents include cash in hand, balances with Bank and Financial Institutions, money at call and highly liquid financial assets with original maturities of three months or less from the acquisition dates that are subject to an insignificant risk of changes in their fair value and are used by the Laghubitta in the management of its short-term commitments.

### 5.3 Financial Assets and Financial Liabilities

#### A. Recognition

The Laghubitta initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Laghubitta initially recognize loans and advances, deposits and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Laghubitta becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Laghubitta commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on settlement date.

#### B. Classification

##### I. 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:

##### a. 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.

##### b. 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:

##### i. 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

##### ii. 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.

## **II. Financial Liabilities**

The The Laghubitta classifies its financial liabilities as follows:

### **i. 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 are recognized at profit or loss.

### **ii. 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.

## **C. Measurement**

### **i. 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.

### **ii. 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.

## **D. De-recognition**

The Laghubitta derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows from the asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

## **E. 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





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

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

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

Level 3: Significant inputs to the fair value measurement are unobservable. Investment in Unquoted Equity Instrument are carried at cost as the market price of such shares could not be ascertained with certainty at the reporting date.

#### **F. Impairment**

At each reporting date, the Laghubitta assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Laghubitta on terms that the Laghubitta would not otherwise consider, indications that a borrower or issuer will enter Bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Laghubitta. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In case of financial difficulty of the borrower, the Laghubitta considers to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

### **5.4 Property and Equipment**

#### **a. 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.

#### **b. 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 the shorter of the lease term and their useful life. Land is not depreciated. Charging of depreciation is ceased from the earlier of the date from which the asset is classified as held for sale or is derecognized.

Depreciation has been calculated on the rates as prescribed by income tax act 2058.

#### **c. De-recognition**

The bottom of the page features three handwritten signatures in black ink. In the center, there is a circular official stamp of Laghubitta. The stamp contains the text 'Laghubitta' at the top and 'Laghubitta City' at the bottom, with a central emblem. To the right of the stamp is a large, stylized handwritten signature.



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.

#### 5.5 Intangible Assets/ Goodwill

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognized as goodwill. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. There is no Goodwill held by Laghubitta during the period.

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

#### 5.6 Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Laghubitta as non-banking assets but not sold as on the reporting date. However, the Laghubitta does not have Investment Property during the period.

#### 5.7 Income Tax

Income Tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent they relate to the items recognized directly in equity or in other comprehensive income.

##### a. Current Tax

Current tax is the income tax expense recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or OCI in which case it is recognized in equity or in other comprehensive income. Current tax is the amounts expected or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

##### b. Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amount and tax base of assets and liabilities; and carry forward of unused tax losses. Deferred tax is measured at the tax rate that is expected to be applied to temporary differences when they reverse, using tax rate enacted or substantially enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which it can be utilized. Deferred tax assets are reviewed at each reporting date and appropriately adjusted to reflect the amount that is reasonably/ virtually certain to be realized. Deferred tax asset and deferred tax liabilities are off set if all of the following conditions met:

- if there is a legally enforceable right to offset the current tax liabilities and assets;
- the taxes are levied by the same authority on the same tax entity; and
- the entity intends to settle the current tax liabilities and assets on net basis or the tax assets and liabilities will be realized simultaneously.





## 5.8 Deposits, debts securities issued and subordinated liabilities

### a. Deposits

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

### b. Debt Securities Issued

Debt Securities are initially measured at the fair value less incremental direct cost and subsequently at their amortized cost using effective interest method except where the bank designates liabilities at fair value through profit or loss. However, the Laghubitta does not have such Debt Securities during the year.

### c. Subordinated Liabilities

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The Laghubitta does not have any of such subordinated liabilities.

## 5.9 Provisions

The Laghubitta recognizes a provision if, as a result of past event, the Laghubitta has a present constructive or legal obligation that can be reliably measured and it is probable than an outflow of economic benefit will be required to settle the obligation. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A provision for onerous contract is recognized when the expected benefits to be derived by the Laghubitta from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

## 5.10 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

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation of effective interest rate includes all charges and fee paid or received that are integral part of the effective interest only if considered material. Such a charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have derived under effective interest method and are recognized directly in statement of profit and loss.

### b. Fee & Commission





Fees and commission income that are integral to the effective interest rate on a financial asset are included in measurement of effective interest rate. Other fees and commission income including management fee, service charges, commission on remittance transactions and other commission income are recognized as the related services are performed.

**c. Dividend Income**

Dividend on investment in resident company is recognized when the right to receive payment is established.

**d. Net Trading Income**

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends. The Laghubitta does not have Net Trading Income during the financial year.

**e. Net Income from other financial instrument at fair value through Profit or Loss**

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at fair value through profit or loss and non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest and dividends.

**5.11 Interest expense**

Interest expense on all financial liabilities including deposits and Borrowings are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Laghubitta's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

**5.12 Employees 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, Incentives, Overtime 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.

**a. Short Term Employee Benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 2030 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

- wages, salaries and social security contributions,
- paid annual leave and paid sick leave,
- profit-sharing and bonuses and
- non-monetary benefits





**b. Post-Employment Benefits**

Post-employment benefit plan includes the followings:

**i. Defined Contribution Plan**

Under defined contribution plans the Laghubitta's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Obligations for contributions to defined contribution plans are recognized as personnel expense in profit or loss in the periods during which the related service are rendered by employees. Prepaid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee renders the service are discounted at their present value.

In accordance with law, all employees of the Laghubitta are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Laghubitta contribute monthly at a pre-determined rate (currently, 10% of the basic salary plus grades). Laghubitta does not assume any future liability for provident fund benefits other than its annual contribution.

**ii. Defined Benefit plan**

The Laghubitta provides Gratuity Plan as defined benefits to its employees. These benefits are post-employment benefits plans and are paid based on length of service. The Gratuity plan provides for lump sum payments to vested employees at retirement or upon death while employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed years' service. The Laghubitta does not account for the defined benefit plan on actuarial basis.

**iii. Termination Benefits**

Termination benefits are recognized as expense when the Laghubitta is demonstrably committed, without realistic possibility of withdrawal, to a formal plan to provide termination benefits to employees as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognized if the Laghubitta has made an offer for voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be measured reliably. If the benefits are payable in more than 12 months after the reporting date, they are discounted to their present value.

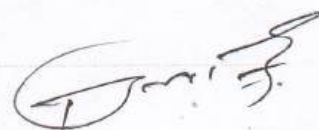
**5.13 Leases**

Right-of-use assets are measured at cost, less any accumulated depreciation. The right-of-use assets are depreciated on a straight-line basis over the remaining lease term.

The discount rate that is used to measure the liability is the incremental borrowing rate for the Laghubitta as the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined by using a rate that is readily observable, such as the standard borrowing rate for Laghubitta like bank rate.

**5.14 Share Capital and Reserves**

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. Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are paid. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon. The reserves include retained earnings and other statutory reserves such as general reserve, Capital Reserve,





regulatory reserve, investment adjustment reserve, Client protection fund, Employee training fund, Deferred tax reserve, CSR reserve etc.

**a. Regulatory Reserve**

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

**b. Corporate Social Responsibility Fund**

The Laghubitta has allocated percent of Net Profit in Corporate Social Responsibility Fund as per as the provision specified in Directive No: 6(14) of The Unified Directives 2081 issued by Nepal Rastra Bank to "D" Class Financial Institutions.

**c. 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.

**d. Client Protection Fund**

Client protection fund is created at 1.5% of net profit as per the Unified Directives, 2081.

**e. Actuarial Gain/Loss Reserve**

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

**5.15 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.

**6. Segment Information**

The Laghubitta has identified the company itself as a reportable segment as the business activities from which it earns revenues and incurs expenses whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

Segment report include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**7. Related Party Disclosure**

The microfinance has carried out transactions in ordinary course of business on an arm's length basis at commercial rates with the parties as per Nepal Accounting Standard (NAS 24- Related Party Disclosure),





except for the transactions that are key managerial personnel have availed under schemes uniformly applicable to all the staffs at concessionary rates.

**a. Parents and Ultimate Controlling Parties**

The microfinance doesn't have an identifiable parent of its own.

**b. Transactions with Key Management Personnel**

As per NAS-24 Related Party Disclosure, key managerial personnel are defined as that person having authority and responsibility for planning, directing and controlling the activities of the entity. Board of Directors and Chief Executive Officer of the microfinance are considered as key managerial personnel of the microfinance.

**Compensation of Board of Directors**

Particulars	Amount
Meeting Fees	1,91,000
Other Meeting Fees	-
<b>Total</b>	<b>1,91,000</b>

**Compensation of Chief Executive Officer**

Particulars	Amount
Short Term Employee Benefits	4,65,000
Bonus	-
Post Employee Benefits	30,000
Other Long Term Employee Benefits	-
<b>Total</b>	<b>4,95,000</b>

**8. Dividend paid (aggregate or per share) separately for ordinary shares and other shares.**

No dividend has been paid during the period reported.

**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 occurred.



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