



वार्षिक प्रतिवेदन  
२०७६/७७



गुडविल फाइनान्स लिमिटेड (वित्तीय संस्था)  
**GOODWILL FINANCE LIMITED**

नेपाल राष्ट्र बैंकबाट "ग" वर्गको इजाजतप्राप्त राष्ट्रियस्तरको संस्था



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## साधारण सभा सम्बन्धी जानकारी

- १) मिति २०७७ साल पौष १७ गते देखि मिति २०७७ पौष २९ गतेसम्म संस्थाको शेयर नामसारी दाखिला खारेज बन्द गरिएको छ ।
- २) कोभिड-१९ (COVID-19) को कारण हुन सक्ने संक्रमणको जोखिम र नेपाल सरकारले जारी गरेको निर्देशनलाई समेत मध्यनजर गर्दै वार्षिक साधारण सभामा भौतिक रुपमा बढिमा २५ जना शेयरधनी मात्र उपस्थित हुन सक्ने र बाँकी महानुभावहरूलाई भिडियो कन्फरेन्सको माध्यमबाट सभामा भाग लिने गरी व्यवस्था मिलाईएको छ ।
- ३) वार्षिक साधारण सभामा सहभागी हुन इच्छुक शेयरधनीहरूले सभा शुरु हुनु भन्दा ४८ घण्टा अगावै आफ्नो नाम तथा शेयरधनी नं. वा डिम्याट नं. यस संस्थाको e-mail [info@goodwill.net.np](mailto:info@goodwill.net.np) मार्फत वा टेलिफोनमा सम्पर्क गरि टिपाउनुहुन अनुरोध छ ।
- ४) सभा स्थलमा भौतिक रुपमा उपस्थितिता लागि उपरोक्त अनुसार सबैभन्दा पहिले प्राप्त २५ जना शेयरधनीहरूको नाम मात्र दर्ता गरिने छ । थप शेयरधनीहरूको नाम दर्ता गर्न वा भौतिक रुपमा उपस्थित गराउन असमर्थ हुने भएकोले भिडियो कन्फरेन्स मार्फत उपस्थिति जनाउनु हुन शेयरधनी महानुभावहरूमा अनुरोध गर्दछौ । भिडियो कन्फरेन्स मार्फत उपस्थिति जनाउन इच्छुक शेयरधनी महानुभावहरूलाई सभामा सहभागी हुनका लागि कार्यक्रमको लिङ्क उपलब्ध गराइने छ ।
- ५) प्रतिवेदन माथिको सल्लाह र सुझाव लिखित वा e-mail [info@goodwill.net.np](mailto:info@goodwill.net.np) मार्फत मिति २०७७/०९/२९ गते सम्म उपलब्ध गराउन सकिने छ ।
- ६) सभा शुरु हुनु भन्दा १५ मिनेट अगाडी भिडियो कन्फरेन्स खुल्ला गरिने छ ।
- ७) प्रतिनिधि नियुक्त गरिसक्नु भएका शेयरधनी आफै सभामा उपस्थित हुनु भएमा प्रोक्सी दिइएको भए पनि त्यस्तो प्रोक्सी स्वतः बदर हुनेछ ।
- ८) प्रतिनिधि-पत्र ल्याउने व्यक्ति पनि यस संस्थाको शेयर धनी मध्येबाटै हुनु पर्नेछ । प्रतिनिधि पत्र सभा हुनु भन्दा ४८ घण्टा अगावै यस संस्थाको कार्यालयमा दाखिल भैसकेको हुनु पर्नेछ ।
- ९) नाबालक वा विक्षिप्त शेयरधनीहरूको तर्फबाट संरक्षकले सभामा भाग लिन वा शेयरधनीहरू मध्ये कै अन्य व्यक्तिलाई प्रतिनिधि तोक्न पाउने छन् । तर आफु संरक्षक भएको शेयरधनीहरूको बाहेक अरुको प्रतिनिधि नियुक्त गरिएको एक व्यक्तिले मात्र सभामा भागलिन पाउने छ ।
- १०) संयुक्त रुपमा शेयर खरिद गरिएको अवस्थामा लगत किताबमा पहिलो नाम उल्लेख भएका व्यक्ति वा सर्वसम्मत प्रतिनिधि नियुक्त गरिएको एक व्यक्तिले मात्र सभामा भागलिन पाउनेछ ।
- ११) एकै व्यक्तिले एक भन्दा बढी व्यक्तिलाई प्रतिनिधि-पत्र दिएको भएमा सबै प्रतिनिधि-पत्र रद्द हुने छन् ।
- १२) वार्षिक प्रतिवेदन इमेल मार्फत पठाइनेछ । कुनै कारणवश उक्त प्रतिवेदनहरू प्राप्त हुन नसकेमा यस संस्थाको वेबसाइट [www.goodwillfinance.com.np](http://www.goodwillfinance.com.np) मा पनि राखिने हुदाँ त्यहाँबाट समेत हेर्न तथा प्राप्त गर्न सकिने व्यहोरा जानकारी गराउँदछौ ।
- १३) अन्य जानकारीको लागि संस्थाको कर्पोरेट कार्यालय हात्तिसारमा सम्पर्क राख्न हुन अनुरोध गरिन्छ ।

विशेष अनुरोध : यस वित्तीय संस्थाले निष्काशन गरिएको हकप्रद शेयर तथा बोनस शेयरको प्रमाण-पत्र बुझिलिन बाँकी रहेका शेयरधनी महानुभावहरूले स-प्रमाण सहित संस्थाको कर्पोरेट कार्यालय हात्तिसारमा सम्पर्क राखी बुझिलिन हुन हार्दिक अनुरोध गरिन्छ ।

## गुडविल फाइनेन्स लिमिटेड (वित्तीय संस्था) को २६ औं वार्षिक साधारण सभाको सूचना

यस संस्थाको सञ्चालक समितिको ३६३ औं बैठकको निर्णय बमोजिम विद्युतीय माध्यमबाट २६ औं वार्षिक साधारण सभा निम्न लिखित मिति, समय र स्थानमा निम्न प्रस्ताव उपर छलफल तथा निर्णय गर्न बस्ने भएको हुँदा सबै शेयरधनी महानुभावहरूलाई हार्दिक अनुरोध गर्दछु।

**क) सभा हुने मिति, समय र स्थान :**

मिति : २०७७ साल पौष २९ गते बुधवार (तदनुसार १३ जनवरी २०२१)

समय : ११:०० बजे

स्थान : होटल काउन इम्पेरियल, रविभवन, काठमाडौं।

(साधारण सभामा भिडियो कन्फरेन्स (Zoom Meeting) मार्फत सहभागी हुन शेयरधनी महानुभावहरूलाई  
Zoom Id र Password उपलब्ध गराउने व्यवस्था गरिएको छ)।

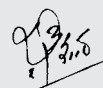
**ख) छलफलका बिषयहरू :**

- १) सञ्चालक समितिको तर्फबाट अध्यक्षज्यूको प्रतिवेदन।
- २) लेखा परीक्षकको प्रतिवेदन सहित २०७७ आषाढ मसान्तसम्मको वासलात तथा आ.व. २०७६/०७७ को नाफा- नोक्सान हिसाब र नगद प्रवाह विवरण स्वीकृत गर्ने।
- ३) लेखा समितिको सिफारिस बमोजिम आ.व. २०७७/७८ को लागि लेखापरीक्षकको नियुक्ती र निजको पारिश्रामिक निर्धारण गर्ने। (वर्तमान लेखापरीक्षक श्री विदुर एशोसियेट्स पुनः नियुक्ती गर्न मिल्ने)।
- ४) संचालक समितिले सिफारिस गरे बमोजिम हाल कायम रहेको चुक्ता पूँजी रु. ८० (असी) करोड लाभांश कर प्रयोजनार्थ सहित प्रति शेयर नगद लाभांश ३.६ % (तीन दशमलव छ) प्रतिशतका दरले हुने रु. २,८८,००,०००/- (अक्षरेपी दुई करोड अठ्ठासी लाख रुपैया मात्र) नगद लाभांश वितरण गर्न प्रस्ताव पारित गर्ने।

**विशेष प्रस्ताव :**

- १) संचालक समितिले सिफारिस गरे बमोजिम ८.४ % (आठ दशमलव चार) प्रतिशतका दरले हुने रु. ६,७२,००,०००/- (अक्षरेपी छ करोड बहत्तर लाख रुपैया मात्र) बोनस शेयर वितरण गर्ने।
- २) वित्तीय संस्थाको जारी तथा चुक्ता पूँजी संशोधन गर्ने।
- ३) संचालक समितिमा प्रतिनिधित्व गर्ने संचालक संख्यामा संशोधन गर्ने।
- ४) प्रवन्ध पत्र तथा नियमावलीमा पारित गरिएको संशोधन प्रस्तावमा नियमकारी निकायबाट कुनै फेर बदल, थपघट गर्न निर्देशन वा सुझाव भएमा सोही बमोजिम गर्न संचालक समिति वा संचालक समितिले तोकेको पदाधिकारीलाई अख्तियारी प्रत्यायोजन गर्ने।
- ५) विविध

आज्ञाले



कम्पनी सचिव

## प्रस्तावित प्रबन्ध-पत्र संशोधनको तीन महले

दफा	साविकको व्यवस्था	दफा	संशोधन औचित्य	
५ख	वित्तीय संस्थाले तत्काल जारी गर्ने शेयर पुंजी रु. ८०,००,००,००० (अक्षरेपी असी करोड रुपैया मात्र) हुनेछ ।	५ख	वित्तीय संस्थाले तत्काल जारी गर्ने शेयर पुंजी रु. ८६,७२,००,०००। (अक्षरेपी छयासी करोड बहत्तर लाख रुपैया मात्र) हुनेछ ।	बोनस शेयर वितरण पश्चात पुंजी वृद्धि भएकोले ।
५ग	वित्तीय संस्थाको तत्काल चुक्ता पुंजी रु. ८०,००,००,००० (अक्षरेपी असी करोड रुपैया मात्र) हुनेछ ।	५ग	वित्तीय संस्थाको तत्काल चुक्ता पुंजी रु. ८६,७२,००,०००। (अक्षरेपी छयासी करोड बहत्तर लाख रुपैया मात्र) हुनेछ ।	बोनस शेयर वितरण पश्चात पुंजी वृद्धि भएकोले ।

## प्रस्तावित नियमावलीको संशोधनको तीन महले

८(१)	यस वित्तीय संस्थामा १ (एक) जना महिला सहित ७ (सात) जनाको संचालक समिति हुनेछ । सो समितिमा समुहगत प्रतिनिधित्व देहाय बमोजिम हुनेछ ।	८(२)	यस वित्तीय संस्थामा १ (एक) जना महिला सहित ५ (पांच) जनाको संचालक समिति हुनेछ । सो समितिमा समुहगत प्रतिनिधित्व देहाय बमोजिम हुनेछ ।	प्रतिनिधित्व संस्था घटाउनु पर्ने भएकोले
क)	संस्थापक समुहका शेयरधनीहरुबाट मनोनित वा निर्वाचित ३ (तीन) जना	क)	संस्थापक समुहका शेयरधनीहरुबाट मनोनित वा निर्वाचित २ (दुई) जना	प्रतिनिधित्व संस्था घटाउनु पर्ने भएकोले
ख)	सर्वसाधारण समुहका शेयरधनीबाट निर्वाचित ३ (तीन) जना	ख)	सर्वसाधारण समुहका शेयरधनीबाट निर्वाचित २ (दुई) जना	प्रतिनिधित्व संस्था घटाउनु पर्ने
ग)	संचालक समितिले नियुक्ती गरेको स्वतन्त्र संचालक १ (एक) जना	ग)	संचालक समितिले नियुक्ती गरेको स्वतन्त्र संचालक १ (एक) जना	प्रतिनिधित्व संस्था घटाउनु पर्ने भएकोले



गुडविल फाइनान्स लिमिटेड (वित्तीय संस्था)  
GOODWILL FINANCE LIMITED

नेपाल राष्ट्र बैंकबाट "ग" वर्गको इजाजतप्राप्त राष्ट्रियस्तरको संस्था

## HEAD OFFICE

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## साधारण सभामा प्रतिनिधि नियुक्त गर्ने निवेदन (प्रोक्सी फारम)

श्री सञ्चालक समिति,  
गुडविल फाइनान्स लिमिटेड (वित्तीय संस्था),  
हात्तिसार, काठमाडौं ।

**विषय : प्रतिनिधि नियुक्त गरेको बारे ।**

महाशय,

जिल्ला.....म.न.पा./उप.म.न.पा./न.पा./गा.पा., वडा नं. .... बस्ने म/हामीले  
गुडविल फाइनान्स लिमिटेड (वित्तीय संस्था)को शेयरवालाको हैसियतले मिति .....का दिन विद्युतीय  
माध्यम भिडियो कन्फरेन्सबाट हुने २६ औं वार्षिक साधारण सभामा स्वयं उपस्थित भई छलफल तथा निर्णयमा सहभागी हुन  
नसक्ने भएकोले उक्त सभामा भाग लिन जिल्ला ..... म.न.पा./उप.म.न.पा./न.पा./गा.पा., वडा नं. .... बस्ने  
त्यस कम्पनीका शेयरवाला शेयर प्रमाण-पत्र नं./हितग्राही नं. .... लाई मेरो/हाम्रो प्रतिनिधि मनोनित गरी पठाएको  
छु/छौं ।

निवेदक

दस्तखत : .....

नाम : .....

ठेगाना : .....

शेयर प्रमाण-पत्र नं./हितग्राही नं. ....

कित्ता नं. .... देखि .....सम्म

मिति .....

द्रष्टव्य :

यो निवेदन २६ औं वार्षिक साधारण सभा हुनु भन्दा कमिमा ४८  
घण्टा अगावै कम्पनीको कार्यालयमा पेश गरिसक्नु पर्नेछ ।





# गुडविल फाइनेन्स लिमिटेड (वित्तीय संस्था) को २६ औं वार्षिक साधारण सभामा संचालक समितिको तर्फबाट अध्यक्ष श्री विश्व प्रकाश साखःज्यूले प्रस्तुत गर्नु भएको वार्षिक प्रतिवेदन

आदरणीय शेयरधनी महानुभावहरुज्यूहरु,

गुडविल फाइनेन्स लिमिटेड (वित्तीय संस्था) को २६ औं वार्षिक साधारण सभा कोभिड-१९ (COVID-19) को कारणले विद्युतीय माध्यम मार्फत भिडियो कन्फरेन्स (Zoom Meeting) मा समेत उपस्थित हुनु भएका सम्पूर्ण शेयरधनी महानुभावज्यू तथा आमन्त्रित अतिथिज्यूहरुलाई स्वागत गर्न पाउँदा ज्यादै हर्षित भएका छौं ।

यस गरिमामय सभामा आर्थिक वर्ष २०७६/०७७ को लेखा परिक्षकको प्रतिवेदन सहित वासलात, नाफा नोक्सान हिसाब र नगद प्रवाह विवरण सहित सम्पूर्ण वित्तीय विवरणहरु लगायत संस्थाले अवलम्बन गरेका रणनीति समेत यहाँहरु समक्ष प्रस्तुत गरिएको छ, जसलाई यहाँहरुको समर्थन पश्चात पूर्णता प्राप्त हुनेछ ।

समस्त ग्राहकहरुको अटुट विश्वास र सहयोगका साथ आफ्नो सेवा विस्तार गर्दै आएको यस संस्थाले विगत २५ वर्षमा विभिन्न बाधा अड्चनहरुलाई चिदै सफलताका साथ विश्वसनीय, स्तरीय र लोकप्रिय वित्तीय संस्थाको रुपमा आफ्ना चिनारीलाई निरन्तरता दिन सकेकोमा हामीहरु सबै गौरवान्वित छौं भन्नुमा अत्युक्ती नहोला ।

यहाँहरुको राय, सल्लाह र सुझावहरुलाई आत्मसाथ गर्दै र तदनुरूप नै कार्यान्वयन प्रक्रिया समेत अगाडी बढाइएको हुँदा यस संस्था एउटा प्रतिष्ठित संस्थाको रुपमा परिचित रहेको यहाँहरुलाई विदितै छ ।

तसर्थ आजको यस अवस्थासम्म पुर्‍याउनका लागि आ-आफ्नो तर्फबाट प्रदान गर्नु भएको सहयोगहरुका लागि उच्च मूल्याङ्कन गर्दै यहाँहरुको यस संस्था प्रतिको सदासयताका लागि आजको यस गरिमामय सभामा नमन गर्न चाहन्छौं ।

हाम्रो संस्थाले आ.व. २०७६/०७७ मा रु २५ करोड रुपैया बराबरको “१२ प्रतिशत गुडविल फाइनेन्स लिमिटेड डिभेन्चर २०८३” सार्वजनिक रुपमा निष्काशन गरेको यहाँहरुलाई विदितै छ । उक्त निष्काशनमा उत्साहजनक सहभागिता रहेको समेत यहाँहरुलाई जानकारी गराउन चाहन्छौं । यस ऋणपत्र हाल नेपाल स्टक एक्सचेन्जमा समेत सूचीकरण रहि कारोबार योग्य रहेको समेत जानकारी गराउँदछौं ।

कोरोना भाइरस (Covid-19) को विश्वव्यापी महामारीको कारणले नेपालमा पनि ४ महिना भन्दा बढि बन्दावन्दी भई आर्थिक क्रियाकलापमा शिथिलता आउनुका साथै शैक्षिक, सामाजिक, मनोबैज्ञानिक लगायत जन-स्वास्थ्यमा समेत प्रतिकूल असर परी भोकमरी तथा घरवार विहिनताको अवस्थाले गर्दा संकुचित हुन पुगेको हामी सबैलाई थाहा भएकै कुरा हो ।

Covid-19 महामारीको कारण आर्थिक गतिविधिमा प्रतिकूल प्रभाव परेको कारणले आर्थिक वृद्धि दर न्यून रहेको यहाँहरुलाई विदितै छ । यसका बावजुद आर्थिक गतिविधिहरु चलायमान बनाउनका लागि गरिएका विभिन्न उपायहरुका कारणले विस्तारै अर्थतन्त्र पुरानै गतिमा चलन लागिरहेको अवस्थामा बैकिङ्ग प्रणालीमा प्रयाप्त तरलता रहनुका साथै निक्षेप र कर्जाको व्याज दरमा क्रमशः कमी आउनुबाट अर्थतन्त्र अझ द्रुत गतिबाट अघि बढ्ने कुरामा हामी आशावादी छौं । यस्तै Covid-19 कै कारणले नगद रहित कारोबार गर्नु पर्ने आवश्यकतामा थप बल मिलेको छ भन्ने बैकिङ्ग पहुँच समेत बढ्दै गएको छ । तथापी Covid-19 को कारणले सृजित अन्यौल भने अझै कायम रहेको हुदाँ आ.व. २०७६/०७७ भन्दा आ.व. २०७७/०७८ आर्थिक हिसाबले अझ बढी कठिन रहन सक्ने हामीले अनुमान गरेका छौं । तसर्थ यसबाट बच्न समितिका साथीहरु माझ घनिभुत छलफल भैरहेको र व्यवस्थापन समितिसँग समेत निकट रहेर आवश्यक मार्ग निर्देशन दिने कार्य गरिरहेको समेत यहाँहरुलाई जानकारी गराउँदछौं ।

ग्राहकहरुको स्पष्ट पहिचान होस् भन्नाका लागि हामीले KYC अद्यावधिक गर्ने कार्य अझ तिव्र रुपमा अगाडी बढाइएका छौं भने हाम्रा कर्मचारी साथीहरुको वृत्ति विकासका लागि आवश्यक व्यवस्था गरेका छौं ।

यस समिक्षा वर्षमा हाम्रा शेयरधनी महानुभावज्यूहरूलाई कर सहितको प्रति शेयर नगद लाभांश ३.६ प्रतिशत र बोनस शेयर ८.४ प्रतिशत गरी जम्मा १२ प्रतिशत नगद तथा बोनस शेयर वितरण गर्ने प्रस्ताव पेश गरेका छौं। आशा छ यो प्रस्ताव लाई यहाँहरुबाट पारित गरिदिनु हुनेछ।

(क) आ.व. २०७६/०७७ को वित्तीय कारोबार :

#### निक्षेप:

समिक्षा अवधिमा देशमा आर्थिक क्रियाकलापले गत वर्षको तुलनामा तुलनात्मक रूपमा निक्षेपमा वृद्धि कायम गर्न सफल भएको छ। जस अर्न्तगत आ.व. २०७६/७७ मा करिब २३.१८% निक्षेप वृद्धि भई रु. ८,४९,३९,९८,७१७ पुर्‍याउन सक्षम भएका छौं।

#### निक्षेपको भ्रलक तल उल्लेख गरिएको छ

निक्षेप	आ.व. ०७५/०७६	आ.व. ०७६/०७७	(कम) वृद्धि	%
मुद्दती निक्षेप	४,१६,५६,९६,३९७	५,३०,३९,२३,११७	१,१३,८२,२६,७२०	२७.३२
बचत निक्षेप	२,५५,३८,९१,०१८	३,०२,९५,१९,३४२	४७,५६,२८,३२५	१८.६२
क्रमिक निक्षेप	१२,२६,०२,०७४	१६,०५,५६,२५८	३,७९,५४,१८४	३०.९६
अन्य निक्षेप	५,३५,२४,२२३	-	(५,३५,२४,२२३)	(१००)
जम्मा	६,८९,५६,१३,७१२	८,४९,३९,९८,७१७	१,५९,८३,८८,००६	२३.१८

#### कर्जा:

समिक्षा अवधिको अन्त सम्ममा यहाँहरुको संस्थाले कर्जा तर्फ रु.६,८४,०५,४५,५०४ ऋण प्रवाह गरेको छ। जुन गत वर्षको रु. ५,९०,३१,२२,८२५ को तुलनामा १५.८८% बढी रहेको जानकारी गराउन चाहन्छौं।

यस समिक्षा वर्षमा गरिएको कर्जा प्रवाहको भ्रलक तल दिइएको छ।

कर्जाको किसिम	आ.व. ०७५/०७६	आ.व. ०७६/०७७	(कम)/वृद्धि	फरक %
हायर पर्चेज कर्जा	६१,५०,४९,६१०	७२,३५,३४,५९०	१०,८४,८४,९८०	१७.६४
आवास कर्जा (क+ख)	१,५१,४८,१५,४७०	१,४५,९२,२८,३२३	५,५५,८७,१५०	३.६७
(क) रु.१,५०,००,००० सम्म	१,२८,२७,०३,६१०	१,१९,१०,८१,८४०	(९,१६,२१,७७०)	(७.१४)
(ख) रु.१,५०,००,००० भन्दा माथि	२३,२१,११,८६०	२६,८१,४६,४८३	३,६०,३४,६२३	१५.५२
रियलस्टेट कर्जा	८,७८,२२,३२१	२७,०८,६२,०५७	१८,३०,३९,७३६	२०८.४२
आवधीक कर्जा	२,४९,४५,१६,९६८	२,८८,४४,२८,५१३	३,८९,११,५४५	१५.६३
अन्य कर्जा	३३,०१,००,३६०	३९,४६,७४,२१०	६,४५,७३,८५०	१९.५६
मार्जिन कर्जा	२२,०९,०६,३९२	३७,५०,०९,७८६	१५,४१,०३,३९४	६९.७६
विपन्न वर्ग कर्जा	२९,२६,९९,०४२	३८,५०,७०,९४६	९,२३,७१,८७५	३१.५६
कृषि कर्जा	३४,७२,१२,६७३	३४,७७,३७,०७९	५,२४,४०६	०.१५
जम्मा	५,९०,३१,२२,८२५	६,८४,०५,४५,५०४	९३,७४,२२,६७९	१५.८८

#### लगानी तथा तरलता :

समिक्षा अवधिको अन्त्यमा यस संस्थाको ने.रा.बैंक लगायत विभिन्न बैंक तथा वित्तीय संस्थाहरुको खातामा एवं आफ्नो ढुकुटीमा रहेको नगद मौज्दात समेत गर्दा रु.१,५७,०१,१८,१६५ रहेको छ। जुन गत आ.व. २०७५/०७६ मा रु.१,५०,२१,३७,९०६ रहेको थियो। यसरी तरलता गत वर्ष भन्दा रु.६,७९,८०,२५९ ले बढि भएको छ। यसरी नै लगानी तर्फ गत वर्ष रु.८६,५३,९६,१४७ रहेकोमा यस वर्ष रु.१,९८,५९,२३,०३८ रहन आएको छ। यद्पी, लगानी एवं तरलताको हिसाबले गत वर्षमा रु. २,३६,७५,३४,०५३ रहेकोमा यस आ.व. मा रु. ३,५५,६०,४१,२०३ रहेको छ। जुन गत आ.व.को तुलनामा ५०.२०% ले वृद्धि भएको छ।

**मुनाफाको स्थिति :**

यस समिक्षा वर्षमा संस्थाको कर्मचारी बोनस र कर अधिको मुनाफा रु.१९,४८,९५,२३० रहेको छ । जस अन्तर्गत कर पछिको मुनाफा रु. १२,७६,८७,५३६ हुन आउँछ । तर कर पछिको मुनाफामा स्थगन कर खर्च रु.१,४०,२५,१०९ समेतको हिसाब मिलान गर्दा खुद नाफा रु.११,३६,६२,४२६ रहेको छ ।

**ख) राष्ट्रिय तथा अन्तर्राष्ट्रिय परिस्थितिबाट कम्पनीको कारोबारलाई परेको असर:**

कोभिड-१९ को महामारीले नेपाल मात्र नभई विश्व भर मानवीय तथा आर्थिक संकट उत्पन्न गरेको छ । समृद्ध नेपाल खुशी नेपालीको राष्ट्रिय आकांक्षा हासिल गर्ने आधारशीला तयार हुदै गरेको अवस्थामा कोभिड-१९ ले अनपेक्षित चुनौती थपेको छ ।

वित्तीय पहुँच उल्लेख्य विस्तार भएबाट विद्युतीय भुक्तानीको प्रयोग भई वन्दावन्दीको समयमा पनि दैनिक कारोबार सहज भएको छ । अर्थतन्त्रमा परेको यसको असरलाई व्यवस्थापन गर्न आर्थिक रुपमा पुनः विशेष जोड दिनु आवश्यक छ । आ.व. २०७५/७६ मा ७ प्रतिशत आर्थिक वृद्धि हासिल भएकोमा आ.व. २०७६/७७ मा २.२८ प्रतिशतमा सीमित रहेको केन्द्रिय तथ्याङ्क विभागको प्रारम्भिक अनुमान छ । त्यस्तै कूल ग्राहस्थ उत्पादन संग कूल ग्राहस्थ बचतको अनुपात १८.१ र कूल राष्ट्रिय बचतको अनुपात ४६ प्रतिशत रहेको अनुमान छ ।

कोभिड-१९ संक्रमण नियन्त्रण तथा रोकथामका लागि विश्वव्यापी रुपमा अवलम्बन गरेका उपायहरुबाट उत्पादन देखि आपूर्ति सम्मका श्रृंखला आवद्ध भएकाले अन्तर्राष्ट्रिय मुद्राकोषले जुन २०२० मा अद्यावधिक गरेको World Economic Outlook अनुसार विश्व अर्थतन्त्र ४.९ प्रतिशतले संकुचन हुने प्रक्षेपण गरेको छ । तसर्थ विश्व अर्थतन्त्रमा देखिएको चुनौतीहरु सामाना गर्न अधिकांश मुलुकहरुले विस्तारवादी मौद्रिक तथा वित्त नीति अवलम्बन गरेका कारणबाट सन् २०२१ मा विश्व अर्थतन्त्र पुनरुत्थान हुने अनुमान छ ।

अन्तर्राष्ट्रिय मुद्राकोषले विश्व अर्थतन्त्र सन् २०२१ मा ५.४ प्रतिशतले विस्तार हुने प्रक्षेपण गरिएको छ भने विकसित मुलुकहरुको मुद्रा स्फीति १.१ प्रतिशतमा र उदीयमान तथा विकासोन्मुख मुलुकहरुको ४.५ प्रतिशतमा सीमित हुने प्रक्षेपण गरिएको छ ।

**ग) प्रतिवेदन मितिसम्म चालु वर्षको उपलब्धी र भविष्यका सम्बन्धमा संचालक समितिको धारणा:**

प्रतिवेदन तयार गर्दा (२०७७ मंसिर मसान्त) सम्म यस संस्थाको निक्षेप रु.९,०९,७३,५८,६६६ र कर्जा रु.७,०८,७३,५६,९९१ रहेको व्यहोरा जानकारी गराउन चाहन्छौं ।

सकेसम्म सम्भावित जोखिमलाई न्यूनीकरण गरि मानव संसाधन तथा सूचना प्रविधिको माध्यमबाट भरपर्दो, सुरक्षित तथा प्रभावकारी सेवाहरु उपलब्ध गराउने हाम्रो लक्ष्य यथावत कायमै रहनेछ ।

चालु आ.व.मा कोभिड-१९ कारणले एकातिर कर्जाको मागमा कमी आएको छ भने आर्थिक गतिविधिले अपेक्षाकृत गतिलिन नसकेको कारणले गर्दा निक्षेपमा भने अत्यावधिक वृद्धि भएको छ । जसले गर्दा ब्याज खर्चमा बढी हुन गई नाफामा प्रतिकूल असर पर्ने देखिन्छ । तथापी यस संवेदनशीलतालाई मध्यनजर गर्दै आवश्यक पहलकदमी अगाडी बढाइएको समेत यस गरिमामय सभामा जानकारी गराउन चाहन्छौं ।

**घ) औद्योगिक तथा व्यवसायिक सम्बन्धमा:**

ग्राहकहरुको सन्तुष्टि नै हाम्रो संस्थाको प्रगति भन्ने मुल अभिप्रायले संचालन रहेको हाम्रो संस्थाले औद्योगिक तथा व्यवसायिक पक्षहरूसँग सौहार्द तथा व्यवसायिकपूर्ण सम्बन्ध कायम राख्दै पारदर्शिताको आधारमा गुणस्तरीय सेवा विस्तार गर्दै आएकोमा भविष्यमा समेत यसलाई मूलमन्त्रको रुपमा लिई अगाडी बढेका छौं । तसर्थ सेवा प्रवाह गर्ने सम्बन्धमा थप आकर्षक र ग्राहक मैत्री बनाउने तर्फ हाम्रो प्रतिबद्धता रहेको व्यहोरा जानकारी गर्न चाहन्छौं ।

**ङ) सामाजिक उत्तरदायित्व:**

संस्थागत सामाजिक उत्तरदायित्व अन्तर्गत हाम्रो संस्थाले आर्थिक अवस्था कमजोर भएका जेहेन्दार विद्यार्थीहरुलाई छात्रवृत्ति दिने कार्य गर्दै आएको छ । यस्तै खेलकुद क्षेत्रलाई प्रोत्साहन गर्नको लागि “ए डिभिजन लिग फुटबल प्रतियोगिता २०७६” मा मच्छिन्द्र क्लबलाई आर्थिक प्रायोजन समेत गरेको र उक्त प्रतियोगितामा हामीद्वारा प्रायोजित उक्त क्लब लिग च्याम्पियन समेत भएको जानकारी गराउँदछौं । यस संस्थाले सामाजिक उत्तरदायित्व अन्तर्गत अन्य सहयोग प्रदान गर्नुका साथै वितीय जागरण ल्याउनका लागि विभिन्न स्कुल तथा कलेजहरुमा 'I am MBA' कार्यक्रमलाई थप निरन्तरता दिइएको छ । कोभिड-१९ को महामारीलाई मध्यनजर राखी मास्क र स्यानिटाइजर वितरण समेत गरेका छौं ।

**च) लेखापरिक्षण प्रतिवेदनमा संचालक समितिको प्रतिक्रिया:**

आन्तरिक तथा बाह्य लेखापरीक्षकहरुबाट यस अवधिमा सामान्य कुराहरु बाहेक नीतिगत तथा संस्थाको कारोवारमा असर पर्ने खालका कुनै कैफियतहरु उल्लेखित गरिएको छैन ।

**छ) लाभांश बाँडफाँड:**

समिक्षा अवधिमा यस संस्थाको खुद मूनाफा NFRS प्रावधान अन्तर्गत गत आ.व. २०७५।०७६ को समायोजन पश्चातको संचित नाफा रु. ८३,४६,२४८ मा आ.व. २०७६।०७७ आषाढ मसान्त सम्मको खुद मूनाफा रु.११,३६,६२,४२६ समेत जोड्दा हुन आउने मूनाफा रु १२,२०,०८,६७४ बाट यस आ.व. २०७६।०७७ को खुद मूनाफा बाट २० प्रतिशत रकम रु. २,२७,३२,४८५ साधारण जगेडा कोषमा र अन्य Regulatory Reserve अन्तर्गत जम्मा रु. १,१५,४२,९६८ समायोजन गरी तथा सामाजिक उत्तरदायित्व कोषमा रु.११,३६,६२४ सार्दा बाँकी रहने मूनाफा बाट नगद लाभांश ३.६% को दरले हुन आउने रु. २,८८,००,००० तथा ८.४% दरले हुन आउने रु.६,७२,००,००० बराबरको बोनस शेयर समेत गरी जम्मा १२% लाभांशको दरले हुन आउने रु.९,६०,००,००० लाभांश वितरण गर्ने प्रस्ताव यहाँहरु समक्ष स्वीकृतिका लागि पेश गरेका छौं । यस सभामा उपस्थित शेयरधनी महानुभावहरु यस प्रस्ताव पारित गरिदिन हुने विश्वास लिएका छौं ।

**ज) संचालक समितिमा भएको हेरफेर र सो को कारण:**

गत वर्ष एक जना महिला सहित संस्थापक शेयरधनी र सर्वसाधारण शेयरधनीहरुको तर्फबाट ३/३ जना निर्विरोध निर्वाचित भएकोमा सर्वसाधारण शेयरधनीहरुका तर्फबाट प्रतिनिधित्व गर्ने श्री रमेश मल्लज्यूले आफ्नो व्यक्तिगत कारणबाट राजिनामा दिनु भएकोमा संचालक समितिबाट उहाँको राजिनामा स-धन्यवाद सहित स्वीकृत भएको व्यहोरा जानकारी गर्न चाहन्छौं ।

हाम्रो संस्थामा हाल ७ जनाको संचालक समिति रहेकोमा उक्त संख्यालाई घटाई ५ जना मात्र गर्दा उपयुक्त हुने भएकोले संस्थापक शेयरधनीहरुबाट २ जना र सर्वसाधारण शेयरधनीहरुबाट २ जना र १ जना स्वतन्त्र संचालक रहने गरी नियमावली संसोधन गर्न प्रस्तावित गरेका छौं । यसलाई यस गरिमामय सभाबाट पारित गरिदिनु हुनेछ भन्ने आशा गरेका छौं ।

**शेयरधनी महानुभावज्यूहरु,**

अन्तमा, यस संस्थाको उत्तरोत्तर प्रगति तथा समृद्धिका लागि प्रत्यक्ष वा अप्रत्यक्ष रुपमा विभिन्न माध्यमबाट सहयोग, प्रोत्साहन र मार्ग दर्शन प्रदान गरि हामी प्रति देखाउनु भएको सद्भाव एवं माया ममता प्रति यस संचालक समिति सहाना व्यक्त गर्दछु । हाम्रा उपलब्धीमूलक कार्यप्रति हातेमालो गर्ने हाम्रा शुभचिन्तकहरुको उच्च मुल्याङ्कन गर्दै आदरणीय शेयरधनी महानुभावज्यूहरु, संस्थापक सदस्यज्यूहरु, शुभचिन्तक ग्राहक महानुभावज्यूहरु, श्री नेपाल राष्ट्र बैंक, श्री कम्पनी रजिष्ट्रारको कार्यालय, श्री धितोपत्र बोर्ड, श्री नेपाल स्टक एक्सचेन्ज लिमिटेड, श्री आन्तरिक राजस्व कार्यालय, श्री सिडिएस एण्ड क्लियरिङ लिमिटेड, श्री एनआईविएल एस क्यापिटल लिमिटेड, श्री नेपाल वित्तीय संस्था संघ, बैंक तथा वित्तीय संस्थाहरु, आन्तरिक तथा बाह्य लेखा परिक्षकज्यूहरु लगनशीलताका साथ योगदान पुऱ्याउने संस्थाका कर्मचारी वर्गहरु लगायत अन्य प्रत्यक्ष अप्रत्यक्ष रुपमा सहयोग पुऱ्याउदै आउनु भएका सम्पूर्ण निकाय तथा महानुभावज्यूहरु प्रति हार्दिक कृतज्ञता एवं धन्यवाद व्यक्त गर्दै आगामी दिनहरुमा पनि यहाँहरुको आत्मीयता र सदासयता कायमै रहने अपेक्षा व्यक्त गर्दछु ।

धन्यवाद ।

**दिलिप कुमार मुनंकर्मी**  
संचालक

**विश्व प्रकाश साखः**  
अध्यक्ष

मिति: २०७७/०९/२९

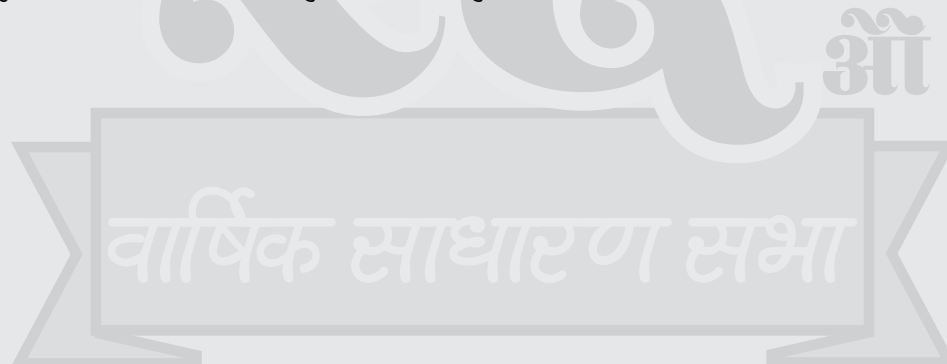
## कम्पनी ऐन २०६३ को दफा १०९ को उपदफा ४ अनुसारको अतिरिक्त विवरण :

- क) विगत आर्थिक वर्षको कारोबारको सिंहावलोकन: संचालक समितिको प्रतिवेदनमा संलग्न गरिएको छ ।
- ख) राष्ट्रिय तथा अन्तराष्ट्रिय परिस्थितिबाट कम्पनीको कारोबारलाई कुनै असर परेको भए सो असर: राष्ट्रिय तथा अन्तराष्ट्रिय परिस्थितिबाट कम्पनीको कारोबारलाई प्रत्यक्ष वा अप्रत्यक्ष रूपमा असर परेको हुन्छ । राष्ट्रिय एवं मौद्रिक नीतिको स्वरूप लगायत नियमन निकायहरूको नीतिगत परिवर्तनले निश्चय नै असर पार्ने कुरामा दुइमत हुन सक्दैन ।
- ग) प्रतिवेदन तयार भएको मिति सम्म चालु वर्षको उपलब्धी र भविष्यमा गर्नु पर्ने कुराको सम्बन्धमा संचालक समितिको धारणा: संचालक समितिको प्रतिवेदनमा संलग्न गरिएको छ ।
- घ) कम्पनीको औद्योगिक वा व्यवसायिक सम्बन्ध: संचालक समितिको प्रतिवेदनमा संलग्न गरिएको छ ।
- ङ) संचालक समितिमा भएको हेरफेर र सो को कारण: संचालक समितिको प्रतिवेदनमा संलग्न गरिएको छ ।
- च) कारोबारलाई असर पार्ने मुख्य कुराहरू: संचालक समितिको प्रतिवेदनमा उल्लेख गरिएको छ ।
- छ) लेखापरीक्षण प्रतिवेदनमा कुनै कैफियत उल्लेख भएको भए सो उपर संचालक समितिको प्रकृया: सुधार निरन्तर चल्ने प्रकृया भएकोले आवश्यक निर्देशन दिने गरेको छ ।
- ज) लाभांश बाँडफाँड गर्ने सिफारिस गरिएको रकम: नगद लाभांश ३.६ % दरले हुने रु. २,८८,००,०००। - (अक्षरेपी दुई करोड अठ्ठासी लाख रुपैया मात्र) र बोनश शेयर ८.४ % हुने रु. ६,७२,००,०००। (अक्षरेपी छ करोड बहत्तर लाख रुपैया मात्र) गरी लाभांश कर सहित जम्मा १२ % (बाह्र) प्रतिशत नगद तथा बोनश शेयर रु ९,६०,००,०००। (अक्षरेपी नौ करोड साठी लाख रुपैया मात्र) वितरण गर्ने ।
- झ) शेयर जफत भएको भए जफत भएको शेयर संख्या, त्यस्तो शेयरको अंकित मूल्य, त्यस्तो शेयरको जफत हुनु भन्दा अगावै सो बापत कम्पनीले प्राप्त गरेको जम्मा रकम र त्यस्तो शेयर जफत भएपछि सो शेयर बिक्री गरी कम्पनीले प्राप्त गरेको रकम तथा जफत भएको शेयर बापत रकम फिर्ता गरेको भए सोको विवरण: नभएको ।
- ञ) विगत आर्थिक वर्षमा कम्पनी र यसको सहायक कम्पनीको कारोबारको प्रगति र सो आर्थिक वर्षको अन्तमा रहेको स्थितिको पुनरावलोकन: संचालक समितिको प्रतिवेदनमा उल्लेख गरिएको छ ।
- ट) कम्पनी तथा त्यसको सहायक कम्पनीले आर्थिक वर्षमा सम्पन्न गरेको प्रमुख कारोबारहरू र सो अवधिमा कम्पनीको कारोबारमा आएको कुनै महत्वपूर्ण परिवर्तन: संचालक समितिको प्रतिवेदनमा उल्लेख गरिएको छ ।
- ठ) विगत आर्थिक वर्षमा कम्पनीको आधारभूत शेयरधनीहरूले कम्पनीलाई उपलब्ध गराएको जानकारी: नभएको ।
- ड) विगत आर्थिक वर्षमा कम्पनीका संचालक तथा पदाधिकारीहरूले लिएको शेयर स्वामित्वको विवरण र कम्पनीले शेयर कारोबारमा निजहरू संलग्न रहेको भए सो सम्बन्धमा निजहरूबाट कम्पनीले प्राप्त गरेको जानकारी: नभएको ।
- ढ) विगत आर्थिक वर्षमा कम्पनीसँग सम्बन्धित सम्भौताहरूमा कुनै संचालक तथा निजको नजिकको नातेदारको व्यक्तिगत स्वार्थको बारेमा गराइएको जानकारीको व्यहोरा: नभएको ।
- ण) कम्पनीले आफ्नो शेयर आफैले खरिद गरेको भए त्यसरी आफ्नो शेयर खरिद गर्नुको कारण, त्यस्तो शेयरको सङ्ख्या र अंकित मूल्य तथा शेयर खरिद गरे बापत कम्पनीले भुक्तानी गरेको रकम: नभएको
- त) आन्तरिक नियन्त्रण प्रणाली भए वा नभएको र भएको भए, सोको विस्तृत विवरण: भएको, संचालक समितिको प्रतिवेदनमा उल्लेख गरिएको छ ।
- थ) विगत आर्थिक वर्षको कुल व्यवस्थापन खर्चको विवरण: संचालक समितिको प्रतिवेदनमा उल्लेख गरिएको छ ।
- द) लेखापरीक्षण समितिका सदस्यहरूको नामावली, निजहरूले प्राप्त गरेको पारिश्रमिक, भत्ता तथा सुविधा, सो समितिले गरेको काम कारबाहीको विवरण र सो समितिले कुनै सुझाव दिएको भए सोको विवरण: संस्थाका सञ्चालक श्री सुधिर मान



मास्केज्यूको संयोजकत्वमा व्यवस्थापनबाट श्री स्वयम्भु शाक्य र श्री पारस नरसिंह प्रधान सहित तीन जना सदस्य रहने गरी लेखापरीक्षण समिति बनाइएको छ। लेखापरीक्षण समितिमा रहेका सञ्चालकज्यूलाई प्रति बैठक भत्ता रु.८००० को दरले व्यवस्था गरिएको छ। समितिले समयानुसार विभिन्न निर्देशनहरु दिने गरेको छ।

- ध) सञ्चालक, प्रबन्ध सञ्चालक, कार्यकारी प्रमुख, कम्पनीका आधारभूत शेयरधनी वा निजको नजिकको नातेदार वा निज संलग्न रहेको फर्म, कम्पनी वा सँगठित संस्थाले कम्पनीलाई कुनै रकम बुझाउन बाँकी भए सो कुरा: नभएको।
- न) सञ्चालक, प्रबन्ध सञ्चालक, कार्यकारी प्रमुख, तथा पदाधिकारीहरूलाई भूक्तान गरिएको पारिश्रामिक, भत्ता तथा सुविधाको रकम: सञ्चालकहरूलाई भूक्तानी गरिने पारिश्रामिक, भत्ता तथा सुविधा वारेको विवरण प्रबन्धपत्र तथा नियमावलीमा उल्लेख गरिए अनुसार अध्यक्षज्यूलाई प्रति बैठक भत्ता रु. १०,००० र संचालकहरूलाई प्रति बैठक भत्ता रु.९,००० रहेको छ र आ.व. २०७६/०७७ मा संचालक समिति सम्बन्धि खर्च जम्मा रु. १०,२७,९५६.५५ भएको छ। यस वर्ष प्रमुख कार्यकारी अधिकृतलाई तलब भत्ता, दशै खर्च एवं सञ्चयकोष गरी जम्मा रु. ६४,६७,५०० प्रदान गरिएको छ। कर्मचारीहरूलाई खर्च भूक्तानी गरिएको पारिश्रामिक भत्ता तथा सुविधाहरु रु. ९,६६,७०,३७२ रहेको छ।
- प) शेयरधनीहरूले बुझिलिन बाँकी रहेको लाभांशको रकम: ९२,५१,८५१ रहेको।
- फ) दफा १४१ बमोजिम सम्पत्ति खरिद वा विक्री गरेको कुराको विवरण: नभएको।
- ब) दफा १७५ बमोजिम सम्बन्ध कम्पनी बिच भएको कारोवारको विवरण: नभएको।
- भ) यस ऐन तथा प्रचलित कानून बमोजिम संचालक समितिको प्रतिवेदनमा खुलाउनु पर्ने अन्य कुनै कुरा: यस प्रतिवेदनको उपयुक्त ठाउँमा प्रस्तुत गरिएको छ।
- म) अन्य आवश्यक कुराहरु: यस प्रतिवेदनको उपयुक्त ठाउँमा प्रस्तुत गरिएको छ।





### Who We Are

Goodwill Finance Limited is the leading provider of financial solutions with a unique mix of dedication and perfect execution. With the vision of providing the best financial services for success, Goodwill Finance Limited started its operation as financial institution under the license from Nepal Rastra Bank in 1995. It is a public limited company established under the Financial Company Act 2042, on 2051 BS.

The Authorized Capital of the company is Rupees 1,000,000,000/- and the Issued Capital is 800,000,000/-. 51 % of the Paid-Up Capital is held by the promoter and the remaining 49 % is held by the general public. The shares of the company are listed at Nepal Stock Exchange Limited (NEPSE).

### What We Do

Our objective is to uplift the economic status of Nepal by investing in different economic sectors under economic liberalization policy, understanding diverse customer needs, and providing a broad mix of financial services to business and individuals.

With our corporate office based in Hattisar, Kamalpokhari, Kathmandu, we are known for our financial stability and excellent customer services. We are a continuously growing company and at present our branches are spread over Dillibazar, Indrachowk, Lalitpur, Bakhtapur, Butwal, Birtamode, Itahari, Dang, Nepalgunj, Illam, Phidim, Tripureshwor, Dhangadhi, Bardibas and Nawalpur.

Staying true to our vision mission and objective, we have made significant impact in the financial industry. This is why we are considered the best and professionally managed financial company.

### What is Our Future Plan

We strive to give optimum benefit to our shareholders. Our every strategic plan is designed to takes us closer to our vision of becoming the best financial service provider based on operational excellence and establish a successful relationship with our customers.

Our prime focus is increasing our capital base, and enlarging our loan and deposit portfolio. To facilitate our customers with easy access to our products and services, we have plans of opening our branches in more provinces of Nepal soon.

### Vision

To be the best financial service provider because of operational excellence, while establishing a successful relationship with our customers.

### Mission

To become a market leader in the financial sector, known for its high profitability, customer centric quality products, and outstanding services to its customers and high rates of significant and attractive returns to its stakeholders.

# सञ्चालक समिति



श्री विश्व प्रकाश साखः  
अध्यक्ष  
(सर्वसाधारण समूह)



श्री सुधिर मान मास्के  
सदस्य, सञ्चालक समिति  
(संस्थापक समूह)



जेनी जोशी  
सदस्य, सञ्चालक समिति  
(संस्थापक समूह)



श्री दिलीप कुमार मुनंकर्मी  
सदस्य, सञ्चालक समिति  
(संस्थापक समूह)



श्री पशुपति भक्त श्रेष्ठ  
सदस्य, सञ्चालक समिति  
(सर्वसाधारण समूह)



# व्यवस्थापन समिति



सरोज काजी तुलाधर



स्वयम्भू शाक्य



पारस नरसिंह प्रधान



देवकी वैद्य

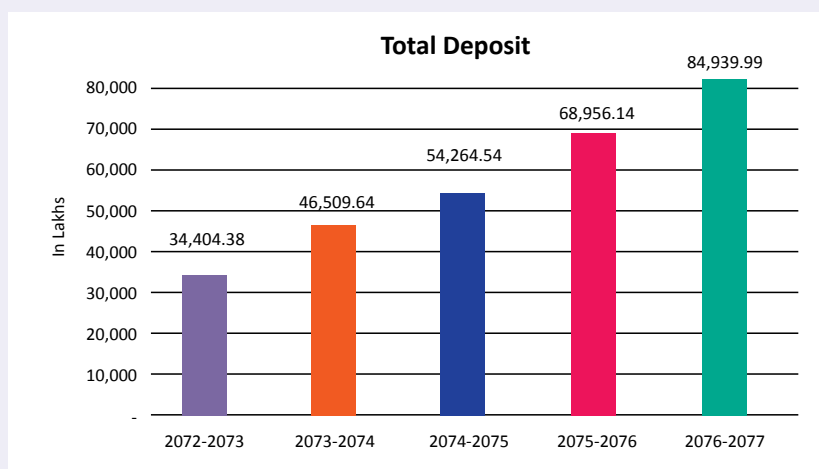
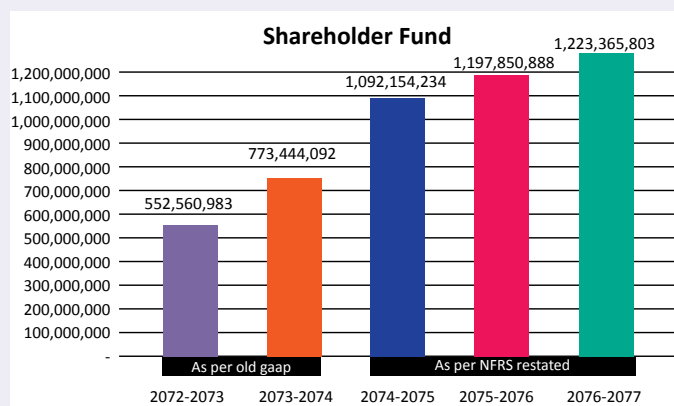
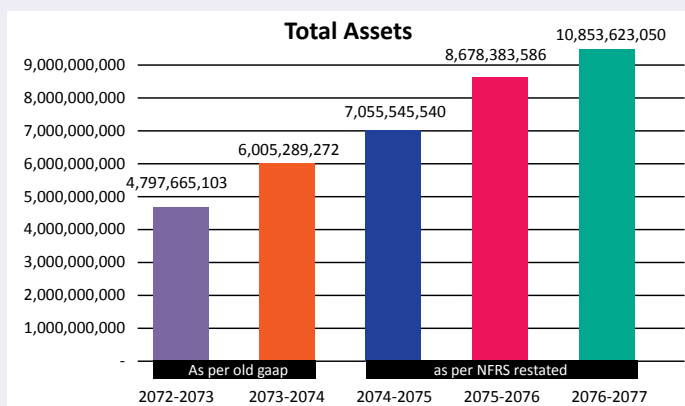
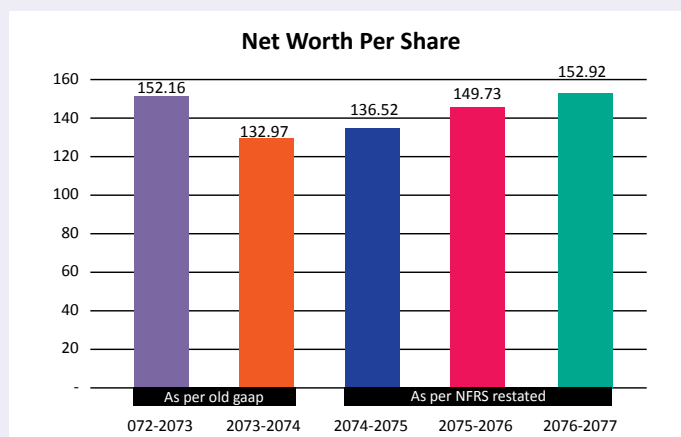
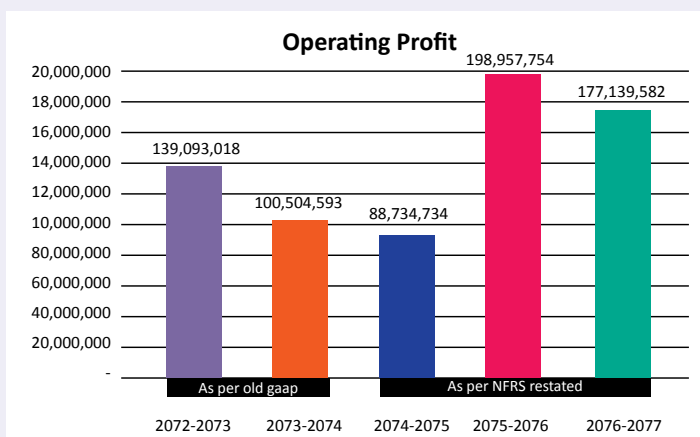
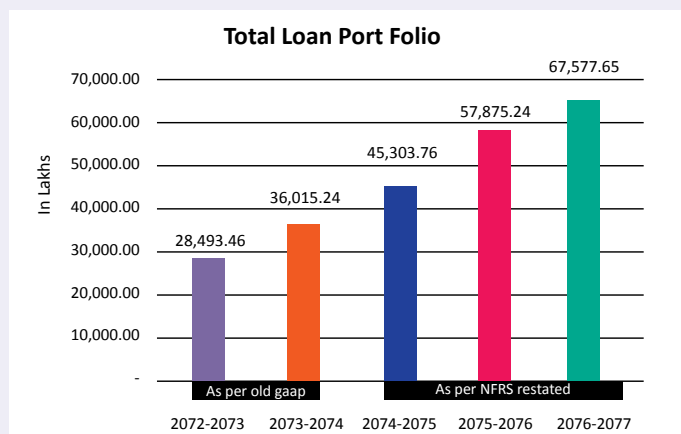
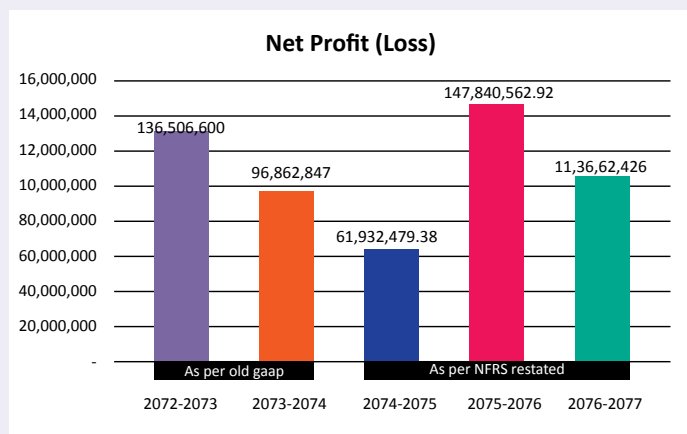


भरत बहादुर महत



अजली रस्थापित

## Financial Highlights (Graphs)



## Principal Indicators of Last 5 Years

SN	Indicators	UNIT	FY	FY	FY	FY	FY
			2072-73	2073-74	2074-75	2075-76	2076-77
			As per GAAP		As per NFRS		
1	Net Profit/ Gross Income	Percent	16.51%	15.17%	8.32%	14.40%	9.82%
2	Earnings Per Share	NPR	26.68	16.65	7.74	18.48	14.21
3	Market Value Per Share	NPR	334.00	201.00	126	135	145
4	Price Earning Ratio	Ratio	12.52	12.07	16.28	7.31	10.21
5	Dividend (including bonus) on Share Capital	Percent	25%	10.19%	0.00%	0.00%	8.40%
6	Cash Dividend on Share Capital	Percent	1.32%	0.54%	5.26%	10.00%	3.60%
7	Interest Income/ Loans and Advances and Investments	Percent	14.53%	14.53%	13.05%	13.77%	13.76%
8	Staff Expenses/ Total Operating Expenses	Percent	12.38%	9.79%	47.41%	52.15%	48.62%
9	Interest Expenses/ Total Deposits & Borrowings	Percent	7.94%	7.94%	9.29%	9.49%	8.47%
10	Exchange Gain/ Total Income	Percent	0.00%	0.00%	0.00%	0.00%	0.00%
11	Staff Bonus/ Total Staff Expenses	Percent	29.71%	29.71%	15.51%	23.25%	16.66%
12	Net Profit/Total Loans & Advances	Percent	2.60%	2.60%	1.96%	3.47%	1.75%
13	Net Profit/ Total Assets	Percent	1.67%	1.67%	0.88%	1.69%	1.05%
14	Total Loans & Advances/ Total Deposits	Percent	74.18%	71.08%	83.51%	86.28%	86.93%
15	Total Operating Expenses/ Total Assets	Percent	6.77%	8.22%	1.82%	2.11%	1.83%
16	Capital Adequacy (On Risk Weighted Assets)						
	a. Core Capital	Percent	15.50%	15.50%	18.80%	14.40%	11.12%
	b. Supplementary Capital	Percent	0.89%	0.89%	0.56%	0.66%	4.62%
	c. Total Capital Fund	Percent	16.39%	16.39%	19.35%	15.05%	15.74%
17	Liquidity	Percent	33.39%	33.39%	33.29%	30.03%	37.88%
18	Non-Performing Loan/ Total Loans & Advances	Percent	2.39%	2.63%	2.67%	1.65%	1.14%
19	Base Rate			12.88	13.57	12.57	10.85
20	Weighted Average Interest Rate Spread	Percent	4.85%	4.32%	3.83%	4.50%	4.92%
21	Book Net Worth (Per Share)	NPR	213.07	132.97	136.52	149.73	152.92
22	Number of Shares	Nos.	3,630,000	5,816,650	8,000,000	8,000,000	8,000,000
23	Number of Staff	Nos.	71	87	96	119	115

**INDEPENDENT AUDITOR'S REPORT****TO THE SHAREHOLDERS OF GOODWILL FINANCE LIMITED****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of M/s. Goodwill Finance Limited (the "Finance"), which comprise the Statement of Financial Position as at Ashadh 31, 2077 (July 15, 2020), and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Finance as at 31 Ashad, 2077 (15 July 2020), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

**Basis for opinion**

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our Report. We are independent of the Finance in accordance with the ICAN's *Handbook of Code of Ethics for Professional Accountants* together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's *Handbook of Code of Ethics for Professional Accountants*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters. We have determined, assessed and explained how we addressed the following key audit matters to be communicated in our audit report:

S. No	Key Audit Matters	Auditor's Response
	<b>Audit of Branches</b>	
1.	Nepal Government imposed the lockdown and restrictions on travel in view of the pandemic caused by COVID-19, consequentially we could not conduct field audit of several branches of the Finance outside of the valley requiring visits, which is a major task requiring lots of attention and planning to ensure sufficient audit evidence is obtained to provide necessary assurance. Further it is implied practice that though the	To overcome travel restrictions, we sampled to audit more branches within valley and others so that our audit team could reach and visit with less and permitted travels. Even though it resulted in reduction of number of audited branches for the year 2076-77 as compared to the previous year physically, we adopted desktop audit of various branches outside valley.



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	methodology of audit may change, the same will not have any adverse impact on obtaining sufficient audit evidence in forming an assurance opinion.	
2.	<p><b>Investment Valuation, Identification and Impairment</b></p> <p>Investment of the Finance comprises of several investment in T-Bills, NRB/Government Bonds, and other quoted and unquoted equity investments. Valuation of these investments are conducted in line with NAS 39 read with NFRS9 and NRB directive 8. Investments in T-Bills, NRB/Government Bonds are recognized on each reporting date on Amortized costs whereas other quoted and unquoted equity investments at Fair Value through Other Comprehensive Income (FVTOCI).</p> <p>Given the variations of treatments used for valuation of investment based on the nature of cash flows, business model adopted and complexity of calculations, we have considered it as Key Audit Matters in our Audit</p>	<p>Our audit approach regarding valuation, verifications and identifications include following:</p> <ol style="list-style-type: none"> <li>Reviewing of the Investment of the Finance and its valuation with reference to the applicable NFRS and NRB directives.</li> <li>Assessing the expected cash flows and business model adopted by the Finance.</li> <li>For investment classified as FVTOCI and quoted, we ensured that Fair value was conducted by obtaining closing market rate as on 15.07.2020. And for unquoted investment the fair value being taken as par value of investment.</li> </ol>
3.	<p><b>Information Technology (IT) systems and controls over financial reporting</b></p> <p>The entire preparation of financial statements is highly dependent on CBS and other supporting software and hardware controls. Adequate and appropriate IT controls are required to ensure that IT application process data are as expected, appropriate user access and changes are made in an appropriate manner. Such controls ensure mitigating the expected risk of erroneous output data. Audit outcome is dependent on the extent IT controls and systems, and accordingly the above areas are determined to be as key audit matter</p>	<p>We have carried out our audit procedures with Nepal Standards on Auditing guidelines towards implementation of IT policies and procedures followed by the Bank in order to effectively monitor, control, and evaluate the IT applications and controls to ensure effective implementation of such policies and procedures. Also our approach for Information Technology (IT) systems and controls over financial reporting was based on NRB Information Technology Guidelines 2012 and includes following:</p> <ol style="list-style-type: none"> <li>Reviewed report generated by CBS</li> <li>Verified few loans and deposits interest calculations on test basis</li> <li>Verified the loan loss provision of loans and advances based on ageing for the date 2020.07.15</li> </ol>
4.	<p><b>Impairment of loans and advances</b></p> <p>NRB directive 4 prescribe that bank shall measure impairment on Loan and advances at higher of following:</p> <ul style="list-style-type: none"> <li>- Provision amount derived as per norms prescribed by NRB</li> <li>- Impairment amount derived as per NAS 39 using Incurred Loss Model</li> </ul>	<p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as under;</p> <ol style="list-style-type: none"> <li>Reviewing the overdue status of the loans and advances</li> <li>Evaluating the design of internal controls relating to implementation of circulars/directives issued by NRB and also</li> </ol>



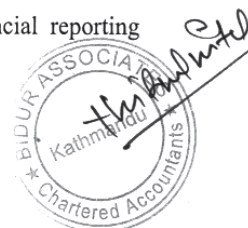
	<p>The process of estimating the provision for loans and advances associated with credit risk is significant and complex. The materiality of the reported amounts for the loans and advances (and impairment allowance thereof), adverse impact of COVID-19 in the financial performance of borrowers deteriorated their repaying capacity increasing risk of credit default, NRB directions to meet the COVID-19 crisis, involvement of complex calculations underpinned our basis for considering it as Key Audit Matter.</p>	<p>internal policies and procedure of the Bank.</p> <p>c. Examining all the large and other advances on a sample basis including review of valuation reports of the independent valuers as provided by the Bank's management.</p> <p>d. Reviewing the files of borrowers containing credit appraisal and other substantiating documents selected on sample basis and assessing the assigned risk premium and appropriate action taken commensurate with the operation of such accounts.</p> <p>e. Performing relevant analytical procedures.</p>
5.	<p><b>Recognition of Interest Income on Loans and advances</b></p> <p>Following implementation of NFRS and NRB Interest Income Recognition Guidelines 2019, Banks are recognizing interest income on accrual basis. Though accrual basis of income recognition is prescribed in general, the guidelines requires suspension of interest recognition on accrual basis for loans and advances with overdue of more than 12 months whereas for loans and advances with overdue of interest and installment between 3 to 12 months, interest recognition on accrual basis is limited on the basis of result of collateral testing is specified. Considering the lack of in-built system for automatically suspending the recognizing, lack of reviewing the fair value of collateral on regular basis may create improper application of NRB guidelines.</p>	<p>Our audit method for recognition of interest income on Loans and advances include the following:</p> <p>a. Reviewing the internal control process for accrued interest on loan and advances</p> <p>b. Obtaining the accrued interest from CBS and testing on sample basis by manual computations</p> <p>c. For fair value collateral mortgage as security, we considered the latest available valuation report provided by the independent valuers of the Finance.</p>

#### Responsibility of Management and Those Charged With Governance for the Financial Statements

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

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

Those charged with Governance are responsible for overseeing the Finance's financial reporting process.





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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine



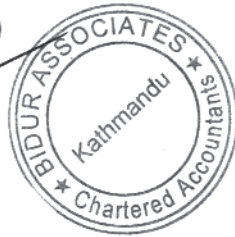
that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Requirements of Banks and Financial Institutions Act, 2073 and Company Act, 2063**

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the Finance, though the statements are independently not audited, were adequate for the purpose of the audit; the financial statements including the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Finance; and the accounts and records of the Finance are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the loans has not been written off; the business of the Finance was conducted satisfactorily, and the Finance's transactions were found to be within the scope of its authority. We did not come across cases of accounting related fraud and the cases where the Board of Directors or any employee or any office bearer of the Finance has acted contrary to the provisions of law or caused loss or damage to the Finance or committed any misappropriation of the funds of the Finance.

*Hidur Luitel*  
CA. Bidur Luitel  
Proprietor  
Bidur Associates  
Chartered Accountants  
UDIN: 201219CA00876vKXyo



Place: Kathmandu, Nepal  
Date: 5<sup>th</sup> Poush 2077



**Goodwill Finance Ltd.**  
Statement of Financial Position  
As at 31st Ashadh 2077 (15 July 2020)

Figures in NPR

Particulars	Note	As at 31st Ashadh 2077	As at 31st Ashadh 2076
<b>Assets</b>			
Cash and cash equivalents	4.1	1,275,487,862	1,215,232,842
Due from Nepal Rastra Bank	4.2	294,630,303	286,905,064
Placement with Bank and Financial Institutions	4.3	-	-
Derivative Financial Instruments	4.4	-	-
Other Trading Assets	4.5	-	-
Loans and advances to B/FIs	4.6	278,421,581	246,095,360
Loans and advances to customers	4.7	6,479,343,619	5,541,428,538
Investment securities	4.8	1,985,923,038	865,396,147
Current tax assets	4.9	10,461,719	2,309,803
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	51,572,816	74,030,783
Property and Equipment	4.13	346,480,835	337,694,737
Goodwill and Intangible assets	4.14	635,006	793,757
Deferred Tax Assets	4.15	-	-
Other assets	4.16	130,666,272	108,496,554
<b>Total Assets</b>		<b>10,853,623,050</b>	<b>8,678,383,586</b>

Particulars	Note	As at 31st Ashadh 2077	As at 31st Ashadh 2076
<b>Liabilities</b>			
Due to Bank and Financial Institutions	4.17	1,639,735,840	477,888,287
Due to Nepal Rashtra Bank	4.18	41,815,239	96,533,873
Derivative Financial Instrument	4.19	-	-
Deposits from customers	4.20	7,453,262,878	6,707,725,425
Borrowings	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	-	-
Deferred Tax Liabilities	4.15	28,501,975	17,953,560
Other liabilities	4.23	219,492,083	180,431,553
Debt securities issued	4.24	247,449,233	-
Subordinated Liabilities	4.25	-	-
<b>Total liabilities</b>		<b>9,630,257,247</b>	<b>7,480,532,698</b>
<b>Equity</b>			
Share Capital	4.26	800,000,000	800,000,000
Share Premium		2,475,548	2,475,548
Retained Earnings		109,682,533	85,682,233
Reserves	4.27	311,207,723	309,693,106
<b>Total equity attributable to equity holders</b>		<b>1,223,365,803</b>	<b>1,197,850,888</b>
Non-controlling interest		-	-
<b>Total Equity</b>		<b>1,223,365,803</b>	<b>1,197,850,888</b>
<b>Total Liabilities and Equity</b>		<b>10,853,623,050</b>	<b>8,678,383,586</b>
Contingent Liabilities and commitment	4.28	2,300,000	1,720,000
Net Assets Value Per share		153	149.73

The accompanying notes are integral part of these financial statements.

As per our report of even date

Bishwa Prakash Shakh  
Chairman

Jenny Joshi  
Director

Pashupati Bhakta Shrestha  
Director

Dilip Kumar Munankarmi  
Director

Sudhir Man Maskey  
Director

C.A. Bidur Luitel  
Partner  
Bidur Associates  
Chartered Accountants

Date: 05, Poush, 2077  
Place: Hattisar, Kamalpokhari  
Kathmandu, Nepal

Saroj Kaji Tuladhar  
Chief Executive Officer

Paras Narsingh Pradhan  
Chief Finance Officer

**Goodwill Finance Ltd.**  
**Statement of Profit or Loss**  
**for the year ended 31st Ashadh 2077 (15 July 2020)**

*Figures in NPR*

Particulars	Note	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Interest income	4.29	1,038,280,635	915,987,134
Interest expense	4.30	769,774,198	636,532,702
<b>Net interest income</b>		<b>268,506,436</b>	<b>279,454,432</b>
Fees and commission income	4.31	104,667,100	105,356,362
Fees and commission expense	4.32	-	-
<b>Net fee and commission income</b>		<b>104,667,100</b>	<b>105,356,362</b>
<b>Net interest and commission income</b>		<b>373,173,536</b>	<b>384,810,794</b>
Net trading income	4.33	-	-
Other operating income	4.34	14,626,809	3,138,800
<b>Total operating income</b>		<b>387,800,345</b>	<b>387,949,594</b>
Impairment charge/(reversal) for loans and other losses	4.35	11,837,073	4,772,256
<b>Net operating income</b>		<b>375,963,272</b>	<b>383,177,338</b>
<b>Operating expense</b>			
Personnel expenses	4.36	96,670,372	96,077,519
Other Operating expenses	4.37	83,895,815	73,468,053
Depreciation and Amortisation	4.38	18,257,504	14,674,013
<b>Operating Profit</b>		<b>177,139,582</b>	<b>198,957,754</b>
Non operating Income	4.39	37,900	2,080,600
Non operating expense	4.40	-	-
<b>Profit before income tax</b>		<b>177,177,482</b>	<b>201,038,354</b>
Income tax expense	4.41		
Current Tax Expense		49,489,946	45,628,865
Deferred Tax Expense (Income)		14,025,109	7,568,926
<b>Profit for the period</b>		<b>113,662,426</b>	<b>147,840,563</b>
<b>Profit attributable to:</b>			
Equity holders of the Bank		113,662,426	147,840,563
Non-controlling interests		-	-
Profit for the period		113,662,426	147,840,563
<b>Earnings Per Share (EPS)</b>			
Basic EPS		14.21	18.48
Diluted EPS		14.21	18.48

The accompanying notes are integral part of these financial statements.

As per our report of even date

.....  
**Bishwa Prakash Shakh**  
Chairman

.....  
**Jenny Joshi**  
Director

.....  
**Pashupati Bhakta Shrestha**  
Director

.....  
**Dilip Kumar Munankarmi**  
Director

.....  
**Sudhir Man Maskey**  
Director

.....  
**C.A. Bidur Luitel**  
Partner  
Bidur Associates  
Chartered Accountants

Date: 05, Poush, 2077  
Place: Hattisar, Kamalpokhari  
Kathmandu, Nepal

.....  
**Saroj Kaji Tuladhar**  
Chief Executive Officer

.....  
**Paras Narsingh Pradhan**  
Chief Finance Officer

**Goodwill Finance Ltd.**  
**Statement of Other Comprehensive Income**  
**for the year ended 31st Ashadh 2077 (15 July 2020)**

*Figures in NPR*

Particulars	Note	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Profit for the year		113,662,426	147,840,563
Other Comprehensive Income, net of income tax			
<b>a Items that will not be reclassified to Profit or Loss</b>			
Gains / (Losses) from investment in equity instruments measured at fair value		(19,455,352)	3,581,079
Gains / (Losses) on revaluation			-
Actuarial Gains / (Losses) on defined benefit plans		7,866,370	(3,342,300)
Income tax relating to above items		3,476,695	(71,634)
<b>Net other Comprehensive Income that will not be reclassified to Profit or Loss</b>		<b>(8,112,288)</b>	<b>167,146</b>
<b>b Items that are or may be reclassified to Profit or Loss</b>			
Gains (Losses) on cash flow hedge		-	-
Exchange gains (Losses) (arising from translation of 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		-	-
<b>c Share of other comprehensive income of associate accounted as per equity method</b>		<b>-</b>	<b>-</b>
Other Comprehensive income for the year, net of income tax		(8,112,288)	167,146
<b>Total Comprehensive income for the year</b>		<b>105,550,139</b>	<b>148,007,708</b>
<b>Total Comprehensive income attributable to:</b>			
Equity shareholder of the bank		105,550,139	148,007,708
Non controlling interest		-	-
<b>Total Comprehensive income for the period</b>		<b>105,550,139</b>	<b>148,007,708</b>

The accompanying notes are integral part of these financial statements.

As per our report of even date

Bishwa Prakash Shakh  
Chairman

Jenny Joshi  
Director

Pashupati Bhakta Shrestha  
Director

Dilip Kumar Munankarmi  
Director

Sudhir Man Maskey  
Director

C.A. Bidur Luitel  
Partner  
Bidur Associates  
Chartered Accountants

Date: 05, Poush, 2077  
Place: Hattisar, Kamalpokhari  
Kathmandu, Nepal

Saroj Kaji Tuladhar  
Chief Executive Officer

Paras Narsingh Pradhan  
Chief Finance Officer

**Goodwill Finance Ltd.**  
**Statement of Changes in Equity**  
**for the year ended 31st Ashadh 2077 (15 July 2020)**

*Figures in NPR*

Particulars	Attributable to equity holders of the Bank												Total equity
	Share Capital	Share premium	General reserve	Regulatory Reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	CSR Reserve	Employee training reserve	Actuary reserve	Total	
Balance at 1 Shrawan 2075	800,000,000	2,475,548	114,829,880	-	(16,197,949)	85,349,593	108,387,139	(2,689,977)	650,090	745,829	(4,085,897)	1,092,154,234	1,092,154,234
Adjustment/Restatement	-	-	-	-	-	-	540,037	-	-	-	-	540,037	540,037
Adjusted/Restated balance at 1 Shrawan 2075	800,000,000	2,475,548	114,829,880	-	(16,197,949)	85,349,593	108,927,176	(2,689,977)	650,090	745,829	(4,085,897)	1,092,694,271	1,092,694,271
Comprehensive income for the year													
Profit for the year							147,840,563	-				147,840,563	147,840,563
Other comprehensive income, net of tax													
Gains / (Losses) from investment in equity instruments measured at fair value					2,506,756							2,506,756	2,506,756
Gains / (Losses) on revaluation												-	-
Actuarial Gains / (Losses) on defined benefit plans								(2,339,610)			(2,339,610)	(2,339,610)	(2,339,610)
Gains / (Losses) on Cash Flow Hedge												-	-
Exchange gains / (Losses) arising from translating financial assets of foreign operation												-	-
Total Comprehensive income for the year													
Transfer to reserve during the year			29,568,113					3,084,779	1,478,406	1,606,373		32,652,892	32,652,892
Transfer from reserve during the year				96,977,442			(129,630,333)	-				(32,652,891)	(32,652,891)
Other Adjustments							650,090	(1,395,919)	(650,090)	(745,829)		(745,829)	(745,829)
Transactions with owners, directly recognised in equity													
Right share issued												-	-
Share based payment												-	-
Dividends to equity holders												-	-
Bonus shares issued												-	-
Cash dividend paid							(42,105,263)					(42,105,263)	(42,105,263)
Total contributions by and distributions to owners	-	-	29,568,113	96,977,442	2,506,756	-	(23,244,943)	(650,751)	828,315	860,544	(2,339,610)	105,156,617	105,156,617
Balance at 31 Asadh 2076	800,000,000	2,475,548	144,397,993	96,977,442	(13,691,193)	85,349,593	85,682,233	(3,340,728)	1,478,406	1,606,373	(6,425,507)	1,197,850,888	1,197,850,888
Balance at 1 Shrawan 2076	800,000,000	2,475,548	144,397,993	96,977,442	(13,691,193)	85,349,593	85,682,233	(3,340,728)	1,478,406	1,606,373	(6,425,507)	1,197,850,888	1,197,850,888
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at 1 Shrawan 2076	800,000,000	2,475,548	144,397,993	96,977,442	(13,691,193)	85,349,593	85,682,233	(3,340,728)	1,478,406	1,606,373	(6,425,507)	1,197,850,888	1,197,850,888

Particulars	Attributable to equity holders of the Bank											Total equity	
	Share Capital	Share premium	General reserve	Regulatory Reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	CSR Reserve	Employee training reserve	Actuary reserve		Total
Comprehensive income for the year												-	-
Profit for the year							113,662,426	-				113,662,426	113,662,426
Other comprehensive income, net of tax								-				-	-
Gains / (Losses) from investment in equity instruments measured at fair value					(13,618,747)			-				(13,618,747)	(13,618,747)
Gains / (Losses) on revaluation								-				-	-
Actuarial Gains / (Losses) on defined benefit plans								5,506,459			5,506,459	5,506,459	5,506,459
Gains / (Losses) on Cash Flow Hedge								-				-	-
Exchange gains / (Losses) arising from translating financial assets of foreign operation								-				-	-
Total Comprehensive income for the year								-				-	-
Transfer to reserve during the year				17,325,091			(68,504,140)	-				(51,179,050)	(51,179,050)
Transfer from reserve during the year			22,732,485	(50,671,540)			50,671,540	1,136,624	1,136,624	-		23,869,110	23,869,110
Other Adjustments				21,803,481			8,170,474	(2,699,238)	(1,286,882.84)	(1,412,355)		27,274,717	27,274,717
Transactions with owners, directly recognised in equity								-				-	-
Right share issued								-				-	-
Share based payment								-				-	-
Dividends to equity holders								-				-	-
Bonus shares issued							-	-				-	-
Cash dividend paid							(80,000,000)					(80,000,000)	(80,000,000)
Other								-				-	-
Total contributions by and distributions to owners	-	-	22,732,485	(11,542,968)	(13,618,747)	-	24,000,299	3,943,845	(150,259)	(1,412,355)	5,506,459	25,514,915	25,514,915
Balance at 31 Asadh 2077	800,000,000	2,475,548	167,130,478	85,434,474	(27,309,940)	85,349,593	109,682,533	603,117	1,328,147	194,018	(919,048)	1,223,365,803	1,223,365,803

**Goodwill Finance Ltd.**  
**Statement of Cash Flows**  
**for the year ended 31st Ashadh 2077 (15 July 2020)**

*Figures in NPR*

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	961,925,805	884,553,281
Fees and other income received	104,667,100	58,767,078
Receipts from other operating activities	10,533,776	48,669,884
Interest paid	(760,239,952)	(639,299,065)
Commission and fees paid	-	-
Cash payment to employees	(106,017,746)	(72,429,866)
Other expense paid	(83,895,815)	(82,781,729)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>126,973,168</b>	<b>197,479,583</b>
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	(7,725,238)	(23,344,529)
Placement with Bank and Financial Institutions	-	-
Other trading assets	-	(29,403,225)
Loans and advances to bank and financial institutions	(32,640,510)	(88,911,133)
Loans and advances to customers	(873,348,317)	(1,141,574,872)
Other assets	(42,550,659)	(79,019,380)
<b>Increase/(Decrease) in operating liabilities</b>		
Due to bank and financial institutions	1,161,847,553	246,342,180
Due to Nepal Rastra Bank	(54,718,634)	22,266,864
Deposit from customers	745,537,452	1,282,817,477
Borrowings	-	-
Other liabilities	57,007,165	(10,338,067)
Net cash flow from operating activities before tax paid	1,080,381,980	376,314,897
Income taxes paid	(57,641,863)	(40,113,741)
<b>Net cash flow from operating activities</b>	<b>1,022,740,118</b>	<b>336,201,156</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(1,172,691,385)	(273,747,283)
Proceeds from sale of investment securities	52,423,638	9,179,290
Purchase of property and equipment	(27,923,564)	(24,153,920)
Proceeds from the sale of property and equipment	1,281,230	2,072,649
Acquisition of intangible assets	-	(819,250)
Proceeds from the sale of intangible assets	-	-
Purchase of investment properties	-	(74,030,783)
Proceeds from the sale of investment properties	22,457,966	-
Interest received	-	-
Dividend received	4,130,933	1,594,447
<b>Net cash used in investing activities</b>	<b>(1,120,321,181)</b>	<b>(359,904,850)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of debt securities	250,000,000	-
Repayment of debt securities	-	-
Receipts from issue of subordinated liabilities	-	-
Repayment of subordinated liability	-	-
Receipts from issue of shares	-	-
Dividends paid	(80,000,000)	(46,309,197)
Interest paid	(9,534,247)	-
Other receipt/payment	(2,629,670)	-
<b>Net cash from financing activities</b>	<b>157,836,084</b>	<b>(46,309,197)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>60,255,020</b>	<b>(70,012,890)</b>
Cash and cash equivalents Beginning of the Period	1,215,232,842	1,285,245,732
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
<b>Cash and cash equivalents at 31 Asadh 2077</b>	<b>1,275,487,862</b>	<b>1,215,232,842</b>



## Significant Accounting Policies and Notes to the Accounts

### 1 Reporting Entity

Goodwill Finance Limited ('the Finance' or 'the Company') is a public company incorporated under the Companies Act, 2063 and licensed by Nepal Rastra Bank to conduct banking transaction as a "C" Class Financial Institution under the Bank and Financial Institution Act, 2073. The Finance has its Corporate Office at HattisarSadak, Kathmandu. The Finance received the license to commence banking operations on Baishakh 29, 2052 BS (May 12, 1995 AD). The Finance's Equity Shares are listed in Nepal Stock Exchange. The objective of the Finance is to uplift the economic status of Nepal by investing in different economic sectors under economic liberalization policy, understanding diverse customer needs and providing broad mix of financial services to business and individuals.

The Authorized Capital of the company is Rupees 1,000,000,000/- and the Issued Capital is 800,000,000/-. 51 percent of the Paid-Up Capital is held by the promoter and remaining 49 is held by the general public. The shares of the Company are listed at Nepal Stock Exchange Limited (NEPSE). The shareholder composition of the Finance is as follows (as of 2076-03-31)

S.N	Ownership	Percent
1	General Public	97.77
2	Other Institution	2.23
	Total	100

S.N	Ownership	Percent
1	Promoter Shares	51%
2	Ordinary Shares	49%
	Total	100

### 2 Basis of Preparation

The financial statements of the Finance have been prepared on accrual basis of accounting except the Cash flow information which is prepared, on a cash basis, using the direct method. The interest income is recognized on effective interest rate method. The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown in two separate statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts. The significant accounting policies applied in the preparation of financial statements are set out below in point number 3. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

#### 2.1 Statement of compliance

**The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) adopted by the Accounting Standards Board (ASB) of Nepal, pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and as per the directives no. 4 of Unified Directives, 2077 issued by Nepal Rastra Bank (NRB).**

The financial statements have been prepared on the going-concern basis.

#### 2.2 Reporting period and approval of financial statements

Reporting Period is a period from the first day of Shrawan (mid-July) of any year to the last day of Ashadh (mid-July) of the next year as per Nepalese calendar.

The current year period refers to 1st Shrawan 2076 to 31st Ashadh 2077 as per Nepalese Calendar corresponding to 17th July 2019 to 15th July 2020 as per English Calendar and corresponding previous year period is 1st Shrawan 2075 to 31st Ashadh 2076 as per Nepalese Calendar corresponding to 17th July 2018 to 16th July 2019 as per English Calendar.

Nepalese Calendar	English Calendar	
Current Year	2076/77	2019/20
Previous Year	2075/76	2018/19
	1 <sup>st</sup> Shrawan 2076 to	17 <sup>th</sup> July 2019 to
Current Year Period	31 <sup>st</sup> Ashadh 2077	15 <sup>th</sup> July 2020
	1 <sup>st</sup> Shrawan 2075 to	17 <sup>th</sup> July 2018 to
Previous Year Period	31 <sup>st</sup> Ashadh 2076	16 <sup>th</sup> July 2019

The Financial Statements were authorized for issue by the Board of Directors on 05/09/2077. The Company prepared its financial statements in accordance with the requirements of Nepal Financial Reporting Standards.

### 2.3 Functional and presentation currency

The financial statements are presented in Nepalese Currency (NPR) (rounded to the nearest Rupee unless otherwise stated), which is the company's functional currency. The Finance determines the functional currency and items included in the financial statements are measured using that functional currency.

### 2.4 Use of Estimates, assumptions and judgments

The preparation of the Finance's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Information about assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year are:

- Key assumptions used in discounted cash flow projections.
- Measurement of defined benefit obligations.
- Provisions, commitments and contingencies.
- Determination of net realizable value.
- Determination of useful life of the property, plants and equipment.
- Assessment of the Finance's ability to continue as going concern.
- Determination of fair value of financial instruments; and property and equipment.
- Impairment of financial and non-financial assets.
- Assessment of current as well as deferred tax.

### 2.5 Changes in Accounting policies

The Company has consistently applied the accounting policies to all periods presented in these financial statements except for new or revised statements and interpretations implemented during the year. The nature and effect of new standards and interpretations are discussed in note that follows.

### 2.6 New standards in issue but not yet effective

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS. The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Finance's financial statements are disclosed below. The Finance intends to adopt these standards, if applicable, when they become effective.

- **IFRS 15 Revenue from Contract Customers**

In May 2014, the IASB issued IFRS 15 Revenue from contract with customers, effective for the periods beginning on 1 January 2018 with early adoption permitted. This standard is yet to be pronounced by the Nepal Accounting Standard Board. The Bank does not anticipate early adopting IFRS 15 and no impact has been evaluated.

- **IFRS 16 Leases**

The Original version of IFRS 16 which was issued on January 2016 shall be applicable for annual periods beginning on or after 1 January 2019.

- **IFRS 17 Insurance Contract**

IFRS 17 is an International Financial Reporting Standard that was issued by the International Accounting Standards Board in May 2017. It will replace IFRS 4 on accounting for insurance contracts and has an effective date of 1 January 2021. In November 2018 the International Accounting Standards Board proposed to delay the effective date by one year to 1 January 2022.

- **IFRS 19 Employee Benefits**

Amendments regarding plan amendments, curtailments and settlements was done on February 2018 and shall be applicable for annual periods beginning on or after 1 January 2019.

*A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.*

### 2.7 New Standards and interpretation not adapted

All Nepal Accounting Standards and Nepal Financial Reporting Standards and other interpretation issued by ASB of Nepal have been adapted while preparing financial statements.



**2.8 Discounting**

Non- current assets and liabilities are discounted where discounting is material.

**3 Significant Accounting Policies**

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

**3.1 Basis of Measurement**

The financial statements are 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.
- Available for sale financial assets are measured at fair value.
- Investments held-for-trade is measured at fair value.
- Derivative financial instruments 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company. Any revision to accounting estimates are recognised prospectively in the period in which the estimates are revised and in the future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in notes that follow.

***Distinction of Current and Non-Current Assets***

All the assets except the property, plant and equipment's and deferred tax assets are classified as current assets unless specific additional disclosure is made in the notes.

***Liabilities***

All the liabilities except the defined benefit plan obligations are classified as current liabilities unless specific additional disclosure is made in the notes.

***Materiality and Aggregation***

In compliance with NFRS 1 - Presentation of Financial Statements, each material class of similar items is presented separately in the financial Statements. Items of dissimilar nature or functions are presented separately unless they are material.

**3.2 Basis of consolidation**

The Finance doesnot have any subsidiaries or special purpose entities over which it exercises control. Hence, only standalone financial statement is prepared.

**3.3 Cash and cash equivalent**

Cash and cash equivalents include cash at vault and agency bank account balances, unrestricted balances with NRB, highly liquid financial assets with original maturity of 3 months from the date of its acquisition and are readily convertible to cash, which are subject to an insignificant risk of changes in value. Cash and Cash equivalent are measured at amortized cost in the statement of financial position.

Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with NAS 07- Statement of Cash Flows.

**3.4 Financial assets and financial liabilities*****Recognition***

The Finance 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 Finance 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 Finance 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 Finance commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date.

***Classification***

- i. Financial Assets

The Finance classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Finance'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:

1. *Financial assets measured at amortized cost*

The Finance 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.

2. *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 costs are 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 Finance 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 Finance classifies the 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 cost are 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 method.

## Measurement

### Financial assets at FVTOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by instrument basis) to present the subsequent changes in fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the 'Reserve for equity instruments through other comprehensive income'. The cumulative gain or loss is not reclassified to Statement of Profit and Loss on disposal of the investments.

### A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Dividends on these investments in equity instruments are recognised in Statement of Profit and Loss when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably. Dividends recognised in Statement of Profit and Loss are included in the 'Other income' line item.

### Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Company irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in Statement of Profit and Loss. The net gain or loss recognised in Statement of Profit and Loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated as at FVTPL.

*A financial liability is classified as held for trading if:*

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument

*A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:*

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial liability forms part of a company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and NFRS 9 permits the entire combined contract to be designated as at FVTPL in accordance with NFRS 9

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in Statement of Profit and Loss. The net gain or loss recognized in Statement of Profit and Loss incorporates any interest paid on the financial liability and is included in the 'Other income' line item.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognised in Statement of Profit and Loss. The remaining amount of change in the fair value of liability is always recognised in Statement of Profit and Loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are reflected immediately in retained earnings and are not subsequently reclassified to Statement of Profit and Loss.

#### Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### De-recognition

##### i. De-recognition of financial assets

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

Any interest in such transferred financial assets that qualify for de-recognition that is created or retained by the Finance is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset, and the sum of

- (i) The consideration received and
- (ii) Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in Statement of Profit or Loss.

The Finance enters into transactions whereby it transfers assets recognized on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

## ii. De-recognition of financial liabilities

A 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. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

## Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Finance measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Finance uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

**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 there are unobservable inputs of the instruments. The inputs are not based on observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Finance determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. In case the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 01 valuation), the difference between the transaction price and fair value is recognized in profit or loss immediately.

## Impairment

At each reporting date, the Finance 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 Finance on terms that the Finance 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 group. 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 Finance 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.

#### **Impairment of financial assets measured at amortized cost**

The Finance considers evidence of impairment for loans and advances and investment securities measured at amortized cost at both specific asset and collective level. The Finance first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant are assessed on collectively.

If there is objective evidence on that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All individually significant loans and advances; and investment securities measured at amortized cost found not to be specifically impaired and those that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

All individually significant loans and advances and investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

Impairment of loans and advances portfolios are based on the judgments in past experience of portfolio behaviour. In assessing collective impairment, the Finance uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Finance. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is recognized in the 'Other operating income'.

#### **Impairment of investment in equity instrument classified as fair value through other comprehensive income**

Objective evidence of impairment of investment in an equity instrument is a significant or prolonged decline in its fair value below its cost. Impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and the current fair value, less any impairment loss recognized previously in profit or loss.

### **3.5 Trading assets**

Interest income on all trading assets are considered to be incidental to the finance's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

Interest expense on all trading liabilities are considered to be incidental to the finance's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

### **3.6 Derivatives assets and derivative liabilities**

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the income statement in Net trading income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the income statement in Net trading income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the

original hedge using the recalculated EIR method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

### 3.7 Property and Equipment

#### a) Recognition and Measurement

Property and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Finance and the cost of the asset can be reliably measured. The cost includes expenditures that are directly attributable to the acquisition of the assets. Cost of self-constructed assets includes followings:

- Cost of materials and direct labour;
- Any other cost directly attributable to bringing the assets to the working condition for their intended use; and
- Capitalized borrowing cost

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss if any. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the entity. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred.

Any gain or losses on de-recognition of an item of property and equipment is recognized in profit or loss.

#### b) Capital work in progress

Assets in the course of construction are capitalised in the assets under capital work in progress account (CWIP). At the point when an asset is capable of operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimated cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

#### c) Depreciation

Property and equipments are depreciated from the date they are available for use on property on written down value method over estimated useful lives as determined by the Management. Depreciation is recognized in profit or loss. 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.

The estimated useful lives of significant items of property and equipment for current year and comparative periods are as follows:

Class of Assets	Useful Life	Rate of Depreciation
Building	20 years	5%
Vehicles	6 years	16.67%
Machinery	5 years	20%
Equipment and Others	10 years	10%

- The capitalized value of Software Purchase and installation costs are amortized over a maximum 5 years' period or within the ownership period.
- Assets costing less than Rs. 5,000 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.

### 3.8 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The intangible asset with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the

amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Certain computer software costs are capitalized and recognised as intangible assets based on materiality, accounting prudence and significant benefits expected to flow therefrom for a period longer than one year.

The estimated useful lives of significant items of intangible assets for current year and comparative periods are as follows:

Class of Assets	Useful Life	Rate of Depreciation
Computer software	5 years	20%

### 3.9 Investment Property

Investment property is the land or building or both held either for rental income or for capital appreciation or for both, but not for sale in ordinary course of business and owner-occupied property. The Finance holds investment property that has been acquired through the enforcement of security over the loan and advances.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred. If the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Investment property which initially measured at cost and subsequently at Cost Model. Accordingly, such properties are subsequently measured at cost less accumulated depreciation and impairment loss if any.

Fair values are evaluated annually by an accredited external, independent valuer.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property is recognised in the income statement in the year of retirement or disposal.

### 3.10 Income tax

The Company is subject to tax laws of Nepal. Income Taxes have been calculated as per the provisions of the Income Tax Act, 2058. Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax law carry-forwards become deductible. The company considers the expected reversal of deferred tax liabilities and projected future taxable income making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

Income tax comprises current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent it relates to items directly recognised in equity or in other comprehensive income.

#### Current Tax

Current tax is the amount of tax payable based on the taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

#### Deferred Tax

Deferred tax is recognised on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the reporting date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are reviewed at each reporting date and reversed if it is no longer probable that the related tax benefits will be realised. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Finance deposits consist of money placed into the Finance by its customers. These deposits are made to deposit accounts such as Fixed deposit accounts, savings accounts, margin deposit accounts, call deposit accounts and current accounts. Details and further disclosures about deposits have been explained in Note that follows.

### 3.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A disclosure for contingent liabilities is made where there is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligation that arises from past events but is not recognized because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract.

### 3.13 Revenue Recognition

Revenue comprises of interest income, fees and commission, foreign exchange income, cards income, disposal income etc. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Finance 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:

#### *Interest income*

Interest income is recognized in profit or loss using effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial asset or liability to the carrying amount of the asset or liability. The calculation of effective interest rate includes all transactions cost and fee and points paid



or received that are integral part of the effective interest. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of financial assets.

Interest income presented in statement of comprehensive income includes:

- Interest income on financial assets measured at amortized cost calculated on an effective interest rate method. These financial assets include loans and advances including staff loans, investment in government securities, investment in corporate bonds, investment in NRB Bond and deposit instruments, reverse repos, inter banking lending etc.
- Interest on investment securities measured at fair value, calculated on effective interest rate.
- Income on discounted instruments like bills purchased, documents negotiation is recognized over the period of discounting on accrual basis using effective interest rate.

Interest income on all trading assets are considered to be incidental to the Finance's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

#### ***Fee and commission income***

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, syndication fee, forex transaction commission, commission of issue of letter of credit and guarantee are recognized as the related services are performed. When the loan commitment is not utilized to the extent of approved limit, the related commitment fees are recognized on undrawn amount on straight line basis over the period of commitment.

#### ***Dividend income***

Dividend on investment in resident company is recognized when the right to receive payment is established. Dividend income are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity instruments.

#### ***Net trading income***

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded in hedging transactions.

#### ***Net income from other financial instrument at fair value through Profit or Loss***

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in Net gain or loss on financial assets and liabilities designated at fair value through profit or loss is recognised in statement of Profit or Loss. Interest earned or incurred is accrued in Interest income or Interest expense, respectively, using the effective interest rate (EIR), while dividend income is recorded in Other operating income when the right to the payment has been established.

### **3.14 Interest expense**

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

### **3.15 Employees 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 prevailing Bonus Act 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 Benefit Plan**

Post-employment benefit plan includes followings:

**i. Defined Contribution Plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. 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. Pre-paid 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 render the service are discounted at their present value. The following are the defined contribution plan provided by the Finance to its employees:

**a) Employees Provident Fund**

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

**ii. Defined Benefit Plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Finance's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of the Finance's obligation and that are denominated in the currency in which the benefits are expected to be paid. The calculation of obligation is performed annually by a qualified actuary using projected unit credit method.

The Finance recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit or loss.

The following are the defined benefit plans provided by the Finance to its employees:

**a) Gratuity**

Finance provides for gratuity on accrual basis covering eligible employees in terms of Employee Service Byelaws of the Finance. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed years of service.

**b) Leave Salary**

The employees of the Finance are entitled to carry forward a part of their unavailed/ unutilized leave subject to a maximum limit. The employees can encash unavailed/ unutilized leave partially in terms of Employee Service Byelaws of the Finance. The Finance accounts for the liability for entire accumulated outstanding leave balance on accrual basis as per Employee Service Byelaws of the Finance.

**c) Termination Benefits**

Termination benefits are recognized as expense when the Finance 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 Finance 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.

**3.16 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.

***Company as a Lessee:***

Finance leases that transfer to the company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases that do not transfer to the company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Contingent rentals are recognised as an expense in the period in which they are incurred.

***Company as a lessor***

Leases in which the Company does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**3.17 Foreign Currency translation**

The items included in the financial statements of the entity are measured using the functional currency of the Company.

**3.18 Financial guarantee and loan commitment**

The Finance makes available to its customers guarantees that may require that the Finance makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Finance to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Finance to similar risks to loans and are mitigated by the same control processes and policies.

**3.19 Share capital and reserves**

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

The Finance is required to maintain the capital adequacy ratio imposed by the regulator. The ratio is fixed at 11% for current year and the Finance has maintained the required ratio.

Incremental costs directly attributable to issue of an equity instruments are deducted from the initial measurement of the equity instruments.

**3.20 Earnings per share including diluted**

Basic earnings per share is computed by dividing the profit/(loss) for the year by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit/(loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of earnings per share.

### 3.21 Segment reporting

An operating segment is a component of the Finance that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Finance's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance. Since the Chief Operating Decision Maker monitors the activities of the Finance as a whole, the Finance has classified a single operating segment.

## 4 Explanatory Notes

The explanatory notes and significant disclosure relating to the financial statements are as follows:

### 4.1 Cash and Cash Equivalents

Cash and Cash Equivalents consists of the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

#### Cash and Cash equivalent

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Cash in hand	240,702,894	139,887,871
Balance with B/FIs	1,022,058,698	1,048,043,360
Money at call and short notice	-	-
Other	12,726,271	27,301,611
<b>Total</b>	<b>1,275,487,862</b>	<b>1,215,232,842</b>

### 4.2 Due from Nepal Rastra Bank

Statutory balances held with Nepal Rastra Bank for compulsory cash reserve, securities purchased from Nepal Rastra Bank under resale agreement and other deposits with and receivables from Nepal Rastra Bank has been presented under this account head.

#### Due from Nepal Rastra Bank

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Statutory Balances with NRB	294,630,303	286,905,064
Securities Purchased under re-sale agreement	-	-
Other deposit and receivable from NRB	-	-
<b>Total</b>	<b>294,630,303</b>	<b>286,905,064</b>

### 4.3 Placement with Bank and Financial Institutions

Placements with domestic as well as foreign bank and financial institutions with original maturities of more than three months from the acquisition date are presented under this account head.

#### Placement with Bank and Financial Institutions

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Placements with domestic B/Fis	-	-
Placement with foreign B/Fis	-	-
Less: Allowances for Impairment	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4.4 Derivative Financial Instruments**

The derivative financial instruments held by the Bank during the year are as follows:

**Derivative Financial Instruments****(Figures in NPR)**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Held for trading	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Held for risk management	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4.5 Other Trading Assets**

There were no trading assets held by the Bank during the year.

**4.6 Loan and Advances to Banks and Financial Institutions**

Loan and advances given to microfinance financial institutions as well as other bank and financial institutions has been presented under this head. Specific impairment on loan and advance to bank and financial institutions has been deducted.

**Loans and advances to BF/Is****(Figures in NPR)**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Loans to microfinance institutions	281,221,682	248,581,172
Other	-	-
Less: Allowances for Impairment	(2,800,101)	(2,485,812)
<b>Total</b>	<b>278,421,581</b>	<b>246,095,360</b>

Impairment allowances for the loans and advances forwarded to BFIs during the year are as follows:

**Allowances for Impairment****(Figures in NPR)**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Balance at 1 <sup>st</sup> Shrawan	2,485,812	1,596,700
Impairment loss for the year:	-	-
Charge for the year	314,290	889,111
Recoveries/reversals	-	-
Amount written off	-	-
Balance at Asadh end	2,800,101	2,485,812

**4.7 Loans and advances to customers**

Outstanding amount of all loans and advances extended to the customers other than BFIs as well as bills purchased and discounted less the amount of impairment allowances shall be presented. Loan to employees provided according to the Employees Bylaws of the Bank has also be presented under this head.



Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Loans and advances measured at amortized cost	6,631,450,729	5,682,012,866
Less:		
Impairment allowances	152,107,111	140,584,328
Collective Allowances	152,107,111	140,584,328
Individual Allowances	-	-
Net amount	6,479,343,619	5,541,428,538
Loans and advances measured at FVTPL	-	-
<b>Total</b>	<b>6,479,343,619</b>	<b>5,541,428,538</b>

## 4.7.1 Analysis of Loans and Advances- By Product

## Analysis of Loans and advances- By Product

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Product		
Term Loans	3,160,165,585	2,841,729,640
Overdraft	-	-
Trust receipt/Import loans	-	-
Demand and other working capital Loans	72,000,000	-
Personal residential loans	1,191,081,844	1,282,703,610
Real estate loans	539,008,540	319,934,170
Margin lending loans	375,009,786	220,906,390
Hire purchase loans	723,534,594	615,049,610
Deprived sector loans	105,060,805	44,117,868
Bills purchased	-	-
Staff loans	16,735,316	14,970,615
Others	373,710,970	311,167,110
Sub Total	6,556,307,440	5,650,579,013
Interest receivable	75,143,290	31,433,852
<b>Grand Total</b>	<b>6,631,450,729</b>	<b>5,682,012,866</b>

## 4.7.2 Analysis of Loans and advances- By Currency

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Nepalese rupee	6,631,450,729	5,682,012,866
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese yen	-	-
Other	-	-
<b>Total</b>	<b>6,631,450,729</b>	<b>5,682,012,866</b>

## 4.7.3 Analysis of Loans and advances- By Collateral

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
<b>Secured</b>		
Movable/immovable assets	6,109,708,773	5,390,720,450
Gold and silver	186,280,655	158,950,410
Guarantee of domestic B/Fis	-	-
Government Guarantee	-	-
Guarantee of International Rated bank	-	-
Collateral of export document	-	-
Collateral of fixed deposit receipt	155,629,126	108,721,010
Collateral of Government securities	1,706,519	1,715,370
Counter Guarantee	-	-
Personal Guarantee	-	-
Other collateral	459,347,339	270,486,798
Subtotal	6,912,672,411	5,930,594,038
Unsecured	-	-
<b>Grand Total</b>	<b>6,912,672,411</b>	<b>5,930,594,038</b>

## 4.7.4 Allowances for Impairment

**Impairment of financial assets**

At each reporting date, the Bank has assessed whether there exists 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 Bank on terms that the Bank 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 group. 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 Bank 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.

**1. Use of Carve Outs for Financial Assets****a. For Impairment Calculation**

An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 of NAS 39 : Financial Instruments: Recognition and Measurement, to determine the amount of any impairment loss unless the entity is bank or financial institutions registered as per Bank and Financial Institutions Act, 2073. Bank and Financial Institutions shall measure impairment loss on loan and advances as higher of amount derived as per prudential norms prescribed by Nepal Rastra Bank and amount determined as per paragraph 63. However, bank and financial institutions shall apply paragraph 63 of NAS 39 : Financial Instruments: Recognition and Measurement to determine the amount of impairment loss on financial assets other than loan and advances.

**b. For Using Effective Interest rate**

During the reporting period Bank has used the exemption for not calculating Interest Income using Effective Interest Rate (EIR) as Bank has considered such calculation to be impracticable. Accordingly Bank has used Normal interest rate to charge interest income.

**c. Interest calculation on Impaired Loan and advances**

NAS 39 requires when a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. However the bank has charged interest income by applying the Normal interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

***Impairment of financial assets measured at amortized cost***

The Bank considers evidence of impairment for loans and advances and investment securities measured at amortized cost at both specific asset and collective level. The Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant are assessed on collectively.

If there is objective evidence on that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All individually significant loans and advances; and investment securities measured at amortized cost found not to be specifically impaired and those that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

All individually significant loans and advances and investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

Impairment of loans and advances portfolios are based on the judgments in past experience of portfolio behaviour. In assessing collective impairment the Bank uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original Normal interest rate.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

**Impairment allowance for Loans and Advances**

During the year, the Bank changed its accounting policy with respect to Impairment allowance for Loans and Advances. The Bank now at each reporting date, assesses whether there is objective evidence that loans and advances carried at fair value through profit or loss are impaired and impairment provided for if impairment assessment indicates so. Loans and advances 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 loans and advances 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 Bank on terms that the Bank 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 group. 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 Bank 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 Normal Interest rate 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 Normal Interest rate.

Prior to this change in policy, the Bank used to provide for impairment loss of loans and advances at 1% to 100% on the basis of classification of loans and advances in accordance with the directives of Nepal Rastra Bank.

The Bank believes the new policy is preferable as it more closely aligns the accounting for these transactions with the NFRS and will aid comparability.

Following table below show the NFRS provision under two different model:

**A. LOAN LOSS PROVISION AS PER NRB DIRECTIVE:**

**Loans and advances to BF/Is**

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Loans to microfinance institutions	281,221,682	248,581,172
Other	-	-
Less: Allowances for Impairment	(2,800,101)	(2,485,812)
<b>Total</b>	<b>278,421,581</b>	<b>246,095,360</b>

Loans and advances to customers	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Loans and advances measured at amortized cost	6,631,450,729	5,682,012,866
Less:		
Impairment allowances	152,107,111	140,584,328
Collective Allowances	152,107,111	140,584,328
Individual Allowances	-	-
Net amount	6,479,343,619	5,541,428,538
Loans and advances measured at FVTPL	-	-
<b>Total</b>	<b>6,479,343,619</b>	<b>5,541,428,538</b>

**Movement of Loan Loss Provision as per NRB directive**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Specific allowance for impairment	-	-
Balance at Shrawan 1	-	-
Impairment loss for the year	-	-
Charge for the year	-	-
Recoveries/reversal during the year	-	-
Write-offs	-	-
Exchange rate variance on foreign currency	-	-
Other Movement	-	-
Balance at Asadh end	-	-
Collective allowance for Impairment	-	-
Balance at Shrawan 1	140,584,328	136,701,184
Impairment loss for the year	-	-
Charge/(reversal) for the year	11,522,783	3,883,144
Exchange rate variance on foreign currency	-	-
Other movement	-	-
<b>Balance at Asadh end</b>	<b>152,107,111</b>	<b>140,584,328</b>

## B. IMPAIRMENT AS PER NAS 39

## Loans and advances to BF/Is

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Loans to microfinance institutions	284,805,457	48,581,172
Other	-	-
Impairment allowances (a+b)	-	-
Collective Allowances (a)		
Individual Allowances (b)		
<b>Total</b>	<b>284,805,457</b>	<b>248,581,172</b>

## Loans and advances to Customers

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
<b>Loans and advances measured at amortised cost</b>		
Loans and advances to Customers	6,627,866,954	5,682,012,866
Less:		
Impairment allowances (a + b)	48,024,430	23,174,846
Collective Allowances (a)	42,241,728	5,288,589
Individual Allowances (b)	5,782,702	17,886,258
<b>Total</b>	<b>6,579,842,524</b>	<b>5,658,838,020</b>

## 4.8 Investment securities

Investments made by the Bank in financial instruments has been presented under this account head in three categories i.e. investment securities designated at fair value through profit or loss, investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income. Where income from the investment is received in the form of bonus shares, the valuation of investment shall be made by increasing the number of shares only without changing in the cost of investment.

## Investment securities

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Investment securities measured at amortised cost	1,660,225,000	539,253,625
Investment Securities measured at FVTOCI	325,698,038	326,142,522
<b>Total</b>	<b>1,985,923,038</b>	<b>865,396,147</b>

## 4.8.1 Investment securities measured at amortized cost

Detail of Investment Securities measured at amortized cost is as follows:

## Investment securities measured at amortized cost

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Debt securities	-	-
Government bonds	1,660,225,000	539,253,625
Government treasury bills	-	-
Nepal Rastra Bank bonds	-	-
Nepal Rastra Bank deposits instruments	-	-
Other	-	-
Less: specific allowances for impairment	-	-
<b>Total</b>	<b>1,660,225,000</b>	<b>539,253,625</b>



## 4.8.2 Investment in equity

Investment in equity measured at fair value through other comprehensive income

(Figures in NPR)

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Equity instrument		
<b>Quoted equity instrument</b>	241,401,059	259,852,222
<b>Unquoted equity instrument</b>	84,297,000	66,290,300
<b>Total</b>	<b>325,698,059</b>	<b>326,142,522</b>

## 4.8.3 Information relating to investment in equities

Investment in Quoted Equity

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Cost	Fair Value	Cost	Fair Value
Prabhu insurance ltd-ordinary 13492 shares of Rs. 100 each	7,778,331.52	6,408,700.00	5,978,163.28	3,677,128.00
Prabhu insurance ltd-promoters 7341 shares of Rs. 100 each	816,655.00	4,044,891.00	816,655.00	4,044,891.00
Asian Life Insurance Co Ltd 14976 shares of Rs. 100 each	9,649,291.47	9,090,432.00	7,513,282.56	5,261,654.00
Butwal Power Co. 2948 shares of Rs. 100 each	1,429,045.84	1,058,332.00	1,429,045.84	1,096,120.00
Chilime Hydro Power 3251 shares of Rs. 100 each	2,179,687.33	1,293,898.00	2,179,687.33	1,411,389.00
citizen Investment Trust 2067 shares of Rs. 100 each	4,923,198.69	5,018,676.00	4,076,872.76	4,287,185.00
Citizen Mutual Fund 100000 shares of Rs. 10 each	1,000,000.00	1,006,000.00	1,000,000.00	1,018,000.00
Everest Insurance Co. Ltd. 13069 shares of Rs. 100 each	7,539,544.41	5,384,428.00	7,417,876.83	4,954,875.00
Gurans Life Insurance 7808 shares of Rs. 100 each	3,353,548.98	3,630,720.00	3,677,991.97	2,588,190.00
Himalayan General Insurance Co Ltd 11062 shares of Rs. 100 each	7,073,803.23	4,634,978.00	6,961,273.15	4,333,000.00
Jalvidhyut Lagani Tatha Bikash Co Ltd 1170 shares of Rs. 100 each	231,469.75	155,610.00	231,469.75	188,370.00
Laxmi Equity Fund 292478 shares of Rs. 10 each	2,924,780.00	2,565,032.06	2,924,780.00	2,231,607.14
Life Insurance Corporation 11206 shares of Rs. 100 each	16,015,118.23	14,903,980.00	23,819,347.88	23,198,400.00
Lumbini General Ins. Ltd. 7331 shares of Rs. 100 each	4,900,931.64	3,320,943.00	4,778,731.64	2,626,870.00
Nabil Balance Fund 2 100000 shares of Rs. 10 each	1,000,000.00	990,000.00	1,000,000.00	1,000,000.00
Nabil Equity Fund(unit) 16323 shares of Rs. 10 each	163,230.00	152,293.59	163,230.00	152,293.59
National Life Insurance Co. Ltd. 42098 shares of Rs. 100 each	31,033,742.95	27,868,876.00	42,045,356.71	34,519,680.00
National Life Insurance Co. Ltd promoters 58168 shares of Rs. 100 each	33,254,712.50	18,788,264.00	33,254,712.50	60,722,500.00
Neco Insurance Co Ltd 9286 shares of Rs. 100 each	5,608,150.18	5,636,602.00	4,618,918.41	4,288,185.00
Nepal Doorsanchar 3657 shares of Rs. 100 each	2,271,508.71	2,395,335.00	155,408.67	159,390.00
Nepal Insurance Co. 10597 shares of Rs. 100 each	4,555,998.50	4,652,083.00	6,226,178.50	4,952,460.00
Nepal Life Insurance Co. Ltd 12154 shares of Rs. 100 each	14,782,843.18	15,314,040.00	27,927,320.00	24,099,047.00
NIBL Pragati Fund 35630 shares of Rs. 10 each	356,300.00	290,384.50	356,300	265,087
NLG Insurance-promoters 10930 shares of Rs. 100 each	1,640,840.81	2,462,539.92	1,230,841	1,538,799
NMB Hybrid Fund L 1(unit) 64135 shares of Rs. 10 each	641,350.00	609,282.50	641,350	643,274
Oriental Hotel Ltd 6258 shares of Rs. 100 each	2,300,808.22	2,058,882.00	123,668	154,178
Premier Insurance Ltd. 15871 shares of Rs. 100 each	11,232,820.52	9,776,536.00	5,729,736	3,938,620
Prime life Ins Co. Ltd 2095 shares of Rs. 100 each	1,304,343.86	1,112,445.00	1,304,344	726,984
Prudential Insurance 3130 shares of Rs. 100 each	1,773,260.11	1,543,090.00	1,655,860	1,085,580
Rastriya Beema Co Ltd 2189 shares of Rs. 100 each	22,247,998.06	20,136,611.00	20,535,902	18,851,500
Rural Micro-finance Development Centre 838 shares of Rs. 100 each	478,021.15	587,438.00	478,021	492,445

Sagarmatha Insurance Co. Ltd. 23816 shares of Rs. 100 each	19,890,972.26	16,671,200.00	15,358,836	11,528,880
Sanima Mai Hydropower Ltd 5908 shares of Rs. 100 each	1,373,579.69	1,317,484.00	1,373,580	1,315,895
Shikhar Insurance Co. Ltd. 28273 shares of Rs. 100 each	33,479,311.68	28,810,187.00	25,830,411	15,071,508
Siddhartha Insurance Ltd 10740 shares of Rs. 100 each	7,429,850.36	6,229,200.00	2,371,451	1,403,675
Soaltee Hotel 10031 shares of Rs. 100 each	2,425,644.97	1,544,774.00	2,425,645	2,128,412
Surya Life Insurance Ltd 3664 shares of Rs. 100 each	1,405,465.30	1,641,472.00	5,758,477	4,510,296
Taragaon Regency Hotel 444 shares of Rs. 100 each	126,801.54	83,028.00	126,802	140,304
Unilever Nepal Ltd. 40 shares of Rs. 100 each	1,177,625.51	752,000.00	1,177,626	810,000
United Insurance Ltd. 10071 shares of Rs. 100 each	4,849,229.87	3,726,270.00	4,138,330	2,517,700
Upper Tamakoshi Hydropower Ltd 7000 shares of Rs. 100 each	1,787,170.52	1,631,000.00	1,749,289	1,917,850
NLG Insurance 823 shares of Rs. 100 each	30,900.00	540,721.92	-	-
Nepal Reinsurance Company Limited 3100 shares of Rs. 100 each	1,576,903.49	1,562,400.00	-	-
<b>Total</b>	<b>280,014,790.03</b>	<b>241,401,059.49</b>	<b>280,562,769.72</b>	<b>259,852,221.98</b>

**Investment in Unquoted Equity**

Investment in quoted equity	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Cost	Fair Value	Cost	Fair Value
Citizen Investment Trust (Unit) 1000 shares of Rs. 100 each	100,000.00	100,000.00	100,000	100,000
Credit Information Beureu 13801 shares of Rs. 100 each	613,400.00	1,380,100.00	613,400	1,380,100
Vijay Laghubitta Bittiya Sanstha 480067 shares of Rs. 100 each	30,000,000.00	48,006,700.00	30,000,000	30,000,000
NCHL 23102 shares of Rs. 100 each	1,925,200.00	2,310,200.00	1,925,200	2,310,200
Banking Finance & Insurance Institute Of Nepal 25000 shares of Rs. 100 each	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00
Citizen Life Insurance Co 300000 shares of Rs. 100 each	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
<b>Total</b>	<b>65,138,600.00</b>	<b>84,297,000.00</b>	<b>65,138,600.00</b>	<b>66,290,300.00</b>

**4.8.4 Disclosure of Cost and Fair Value**

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Cost	Fair Value	Cost	Fair Value
Prabhu insurance Ltd-ordinary 13492 shares of Rs. 100 each	7,778,331.52	6,408,700.00	5,978,163.28	3,677,128.00
Prabhu insurance Ltd-promoters 7341 shares of Rs. 100 each	816,655.00	4,044,891.00	816,655.00	4,044,891.00
Asian Life Insurance Co Ltd 14976 shares of Rs. 100 each	9,649,291.47	9,090,432.00	7,513,282.56	5,261,654.00
Butwal Power Co. 2948 shares of Rs. 100 each	1,429,045.84	1,058,332.00	1,429,045.84	1,096,120.00
Chilime Hydro Power 3251 shares of Rs. 100 each	2,179,687.33	1,293,898.00	2,179,687.33	1,411,389.00
citizen Investment Trust 2067 shares of Rs. 100 each	4,923,198.69	5,018,676.00	4,076,872.76	4,287,185.00
Citizen Mutual Fund 100000 shares of Rs. 10 each	1,000,000.00	1,006,000.00	1,000,000.00	1,018,000.00
Everest Insurance Co. Ltd. 13069 shares of Rs. 100 each	7,539,544.41	5,384,428.00	7,417,876.83	4,954,875.00
Gurans Life Insurance 7808 shares of Rs. 100 each	3,353,548.98	3,630,720.00	3,677,991.97	2,588,190.00
Himalayan General Insurance Co Ltd 11062 shares of Rs. 100 each	7,073,803.23	4,634,978.00	6,961,273.15	4,333,000.00
Jalvidhyut Lagani Tatha Bikash Co Ltd 1170 shares of Rs. 100 each	231,469.75	155,610.00	231,469.75	188,370.00
Laxmi Equity Fund 292478 shares of Rs. 10 each	2,924,780.00	2,565,032.06	2,924,780.00	2,231,607.14
Life Insurance Corporation 11206 shares of Rs. 100 each	16,015,118.23	14,903,980.00	23,819,347.88	23,198,400.00
Lumbini General Ins. Ltd. 7331 shares of Rs. 100 each	4,900,931.64	3,320,943.00	4,778,731.64	2,626,870.00
Nabil Balance Fund 2 100000 shares of Rs. 10 each	1,000,000.00	990,000.00	1,000,000.00	1,000,000.00
Nabil Equity Fund(unit) 16323 shares of Rs. 10 each	163,230.00	152,293.59	163,230.00	152,293.59
National Life Insurance Co. Ltd. 42098 shares of Rs. 100 each	31,033,742.95	27,868,876.00	42,045,356.71	34,519,680.00

National Life Insurance Co. Ltd promoters 58168 shares of Rs. 100 each	33,254,712.50	18,788,264.00	33,254,712.50	60,722,500.00
Neco Insurance Co Ltd 9286 shares of Rs. 100 each	5,608,150.18	5,636,602.00	4,618,918.41	4,288,185.00
Nepal Doorsanchar 3657 shares of Rs. 100 each	2,271,508.71	2,395,335.00	155,408.67	159,390.00
Nepal Insurance Co. 10597 shares of Rs. 100 each	4,555,998.50	4,652,083.00	6,226,178.50	4,952,460.00
Nepal Life Insurance Co. Ltd 12154 shares of Rs. 100 each	14,782,843.18	15,314,040.00	27,927,320.00	24,099,047.00
NIBL Pragati Fund 35630 shares of Rs. 10 each	356,300.00	290,384.50	356,300	265,087
NLG Insurance-promoters 10930 shares of Rs. 100 each	1,640,840.81	2,462,539.92	1,230,841	1,538,799
NMB Hybrid Fund L 1(unit) 64135 shares of Rs. 10 each	641,350.00	609,282.50	641,350	643,274
Oriental Hotel Ltd 6258 shares of Rs. 100 each	2,300,808.22	2,058,882.00	123,668	154,178
Premier Insurance Ltd. 15871 shares of Rs. 100 each	11,232,820.52	9,776,536.00	5,729,736	3,938,620
Prime life Ins Co. Ltd 2095 shares of Rs. 100 each	1,304,343.86	1,112,445.00	1,304,344	726,984
Prudential Insurance 3130 shares of Rs. 100 each	1,773,260.11	1,543,090.00	1,655,860	1,085,580
Rastriya Beema Co Ltd 2189 shares of Rs. 100 each	22,247,998.06	20,136,611.00	20,535,902	18,851,500
Rural Micro-finance Development Centre 838 shares of Rs. 100 each	478,021.15	587,438.00	478,021	492,445
Sagarmatha Insurance Co. Ltd. 23816 shares of Rs. 100 each	19,890,972.26	16,671,200.00	15,358,836	11,528,880
Sanima Mai Hydropower Ltd 5908 shares of Rs. 100 each	1,373,579.69	1,317,484.00	1,373,580	1,315,895
Shikhar Insurance Co. Ltd. 28273 shares of Rs. 100 each	33,479,311.68	28,810,187.00	25,830,411	15,071,508
Siddhartha Insurance Ltd 10740 shares of Rs. 100 each	7,429,850.36	6,229,200.00	2,371,451	1,403,675
Soaltee Hotel 10031 shares of Rs. 100 each	2,425,644.97	1,544,774.00	2,425,645	2,128,412
Surya Life Insurance ltd 3664 shares of Rs. 100 each	1,405,465.30	1,641,472.00	5,758,477	4,510,296
Taragaon Regency Hotel 444 shares of Rs. 100 each	126,801.54	83,028.00	126,802	140,304
Unilever Nepal Ltd. 40 shares of Rs. 100 each	1,177,625.51	752,000.00	1,177,626	810,000
United Insurance ltd. 10071 shares of Rs. 100 each	4,849,229.87	3,726,270.00	4,138,330	2,517,700
Upper Tamakoshi Hydropower Ltd 7000 shares of Rs. 100 each	1,787,170.52	1,631,000.00	1,749,289	1,917,850
NLG InsuranceE 823 shares of Rs. 100 each	30,900.00	540,721.92	-	-
Nepal Reinsurance Company Limited 3100 shares of Rs. 100 each	1,576,903.49	1,562,400.00	-	-
<b>Sub Total</b>	<b>280,014,790.03</b>	<b>241,401,059.49</b>	<b>280,562,769.72</b>	<b>259,852,221.98</b>
Citizen Investment Trust (Unit) 1000 shares of Rs. 100 each	100,000.00	100,000.00	100,000	100,000
Credit Information Beureu 13801 shares of Rs. 100 each	613,400.00	1,380,100.00	613,400	1,380,100
Vijay Laghubitta Bittiya Sanstha 480067 shares of Rs. 100 each	30,000,000.00	48,006,700.00	30,000,000	30,000,000
NCHL 23102 shares of Rs. 100 each	1,925,200.00	2,310,200.00	1,925,200	2,310,200
Banking Finance & Insurance Institute Of Nepal 25000 shares of Rs. 100 each	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00
Citizen Life Insurance Co 300000 shares of Rs. 100 each	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
<b>Total</b>	<b>345,153,390.03</b>	<b>325,698,059.49</b>	<b>345,701,369.72</b>	<b>326,142,521.98</b>

#### 4.9 Current Tax Assets and Liabilities

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Current tax assets		
Current year income tax assets	59,951,665	47,938,668
Tax assets of prior periods		
<b>Total</b>	<b>59,951,665</b>	<b>47,938,668</b>
Current tax Liabilities		
Current year income tax liabilities	49,489,946	45,628,865
Tax Liabilities of prior periods		
<b>Total</b>	<b>49,489,946</b>	<b>45,628,865</b>
<b>Total</b>	<b>10,461,719</b>	<b>2,309,803</b>

**4.10 Investment in Subsidiaries**

There were no Investment by Bank in Subsidiaries.

**4.11 Investment in Associates**

There was no Investment by Bank in Associates.

**4.12 Investment Properties**

Land or land and building other than those classified as property and equipment; and non-current assets held for sale under relevant accounting standard has been presented under this account head. This also includes land, land and building acquired as non-banking assets by the Bank but not sold. After Initial Recognition, the Bank chose either the fair value model to subsequently measure Investment Properties. No Investment properties are measured at cost. The detail of Investment properties measured at fair value is as follows:

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Investment Properties measured at fair value	-	-
Balance as on Shrawan 1	74,030,782.53	-
Addition/Disposal during the year	(22,457,966.48)	74,030,782.53
Net changes in fair value during the year	-	-
Adjustment/Transfer	-	-
Net Amount	51,572,816.05	74,030,782.53
Investment Properties measured at cost		
Balance as on Shrawan 1	-	-
Addition/Disposal during the year	-	-
Adjustment/Transfer	-	-
Accumulated impairment loss	-	-
Net Amount	-	-
<b>Total</b>	<b>51,572,816.05</b>	<b>74,030,782.53</b>

**Details**

S.N.	Name of Borrower	Amount	Date
1	K.S.D. Husing, Damak-17 jhapa	48,590,640	2/22/2075
2	Ramesh Barhakoti, Damak-17 Jhapa	2,982,176	10/28/2075
	<b>Total</b>	<b>51,572,816</b>	

**4.13 Property and Equipment**

All assets of long-term nature (fixed) like land, building, IT equipment, fixtures and fittings, office equipment and appliances, vehicles, machinery, leasehold developments and capital work in progress owned by the Bank has been presented under this head.

Particulars	Land	Building	Leasehold Properties	Computer and Accessories	Vehicles	Furniture & Fixture	Machinery	Others Assets	Total	Total
									As at 31st Ashadh 2077	As at 31st Ashadh 2076
Cost										
Balance as on 31st Asadh 2075	217,930,313	52,032,447	-	14,816,302	30,681,182	64,618,888	-	44,817,826		424,896,957
Addition during the Year										
Acquisition				2,907,079	16,488,029	331,576		4,427,236		24,153,920
Capitalization										
Disposal during the year				(27,928)	(979,175)	-				(1,007,104)
Adjustment/Revaluation										
<b>Balance as on 31st Asadh 2076</b>	<b>217,930,313</b>	<b>52,032,447</b>	<b>-</b>	<b>17,695,452</b>	<b>46,190,035</b>	<b>64,950,464</b>	<b>-</b>	<b>49,245,062</b>		<b>448,043,774</b>
Addition during the Year										
Acquisition				1,353,394	5,562,300	14,797,224		6,210,646	27,923,564	

Capitalization										
Disposal during the year					(3,208,800)			(15,912)	(3,224,712)	
Adjustment/Revaluation										
<b>Balance as on 31st Asadh 2077</b>	<b>217,930,313</b>	<b>52,032,447</b>	<b>-</b>	<b>19,048,846</b>	<b>48,543,535</b>	<b>79,747,689</b>	<b>-</b>	<b>55,439,796</b>	<b>472,742,626</b>	
Depreciation and Impairment										
Balance as on 1st Shrawan 2075		18,009,886	-	8,709,116	15,251,962	30,193,576	-	23,619,464		95,784,005
Depreciation charge for the Year		1,701,082		1,575,671	2,796,389	5,083,039		3,408,852		14,565,032
Impairment for the year										
Disposal										
Adjustment		97,974		(637)				(97,337)		
As on 31st Asadh 2076		19,808,942	-	10,284,150	18,048,352	35,276,615	-	26,930,979		110,349,037
Impairment for the year										
Depreciation charge for the Year		1,616,028		1,709,443	4,902,118	5,916,574		3,954,589	18,098,752	
Disposals					(2,185,601)			(398)	(2,185,999)	
Adjustment		(97,061)						97,061		
<b>As on Asadh end 2077</b>		<b>21,327,909</b>	<b>-</b>	<b>11,993,593</b>	<b>20,764,868</b>	<b>41,193,189</b>	<b>-</b>	<b>30,982,231</b>	<b>126,261,790</b>	
<b>Capital Work in Progress</b>										
<b>Net Book Value as on 31st Asadh 2076</b>	<b>217,930,313</b>	<b>32,223,505</b>	<b>-</b>	<b>7,411,303</b>	<b>28,141,684</b>	<b>29,673,850</b>	<b>-</b>	<b>22,314,084</b>		<b>337,694,737</b>
<b>Net Book Value as on 1st Shrawan 2077</b>	<b>217,930,313</b>	<b>30,704,538</b>	<b>-</b>	<b>7,055,253</b>	<b>27,778,667</b>	<b>38,554,500</b>	<b>-</b>	<b>24,457,565</b>	<b>346,480,835</b>	

#### 4.14 Goodwill and Intangible Assets

Goodwill and intangible assets like computer software both purchased and internally generated, trade mark etc has been presented under this account head.

Particulars	Goodwill	Software		Other	Total	Total
		Purchased	Developed		As at 31st Ashadh 2077	As at 31st Ashadh 2076
<b>Cost</b>						
<b>Balance as on 1st Shrawan 2075</b>		<b>1,533,144</b>				<b>1,533,144</b>
Addition during the Year						
Acquisition		819,250				819,250
Capitalization						
Disposal during the year						
Adjustment/Revaluation						
<b>Balance as on 31st Asadh 2076</b>		<b>2,352,394</b>				<b>2,352,394</b>
Addition during the Year						
Acquisition						
Capitalization						
Disposal during the year						
Adjustment/Revaluation						
<b>Balance as on 31st Asadh 2077</b>		<b>2,352,394</b>	<b>-</b>	<b>-</b>	<b>2,352,394</b>	
<b>Ammortization and Impairment</b>						
<b>Balance as on 1st Shrawan 2075</b>		<b>1,449,656</b>				<b>1,449,656</b>
Ammortization charge for the Year		108,981				108,981
Impairment for the year						
Disposals						
Adjustment						
<b>Balance as on 31st Asadh 2076</b>		<b>1,558,637</b>				<b>1,558,637</b>
Ammortization charge for the Year		158,751			<b>158,751</b>	
Impairment for the year						
Disposals						
Adjustment						



Balance as on 31st Asadh 2077		1,717,388	-	-	1,717,388
Capital Work in Progress					
Net Book Value as on 31st Asadh 2076		793,757			793,757
Net Book Value as on 31st Asadh 2077		635,006			635,006

**4.15 Deferred Tax Assets**

Deferred tax assets recognized as per NFRSs on temporary deductible differences, carry forward of unused tax losses, changes in tax rate etc. has been presented under this account head.

Particulars	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/Liabilities
Deferred Tax on Temporary differences on following items			Previous Year
Loans and Advances to B/FIs			
Loans and Advances to customers			
Investment Properties			
Investment Securities	5,867,654		5,867,654
Property and equipment		(36,578,397)	(36,578,397)
Employees' defined benefit plan	11,338,511	-	11,338,511
Lease liabilities			-
Provisions			-
Other temporary differences	1,418,671		1,418,671
Deferred Tax on Temporary differences	18,624,837	(36,578,397)	(17,953,560)
Deferred Tax on carry forward of unused tax losses			-
Deferred tax due to changes in tax rate			-
Net Deferred tax (asset)/liabilities as on year end of 2076/77			(17,953,560)
Deferred tax(asset)/liabilities as on shrawan 1, 2076			(10,313,001)
Origination/(Reversal) during the year			7,640,559
Deferred tax expense/(income) recognized in profit or loss			(7,568,926)
Deferred tax expense/(income) recognized in other comprehensive income			(71,634)
Deferred tax expense/(income) recognized directly in equity			
<b>Current Year</b>			
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/Liabilities
Deferred Tax on Temporary differences on following items			
Loans and Advances to B/FIs			
Loans and Advances to customers			
Investment Properties			
Investment Securities	5,836,606		5,836,606
Property and equipment		(39,347,726.45)	(36,578,397)
Employees' defined benefit plan	3,814,317		3,814,317
Lease liabilities			-
Provisions			-

Other temporary differences	1,194,829		1,194,829
Deferred Tax on Temporary differences	10,845,751	(39,347,726)	(1,313,001)
Deferred Tax on carry forward of unused tax losses			-
Deferred tax due to changes in tax rate			-
Net Deferred tax (asset)/liabilities as on year end of 2076/77			(28,501,975)
Deferred tax(asset)/liabilities as on shrawan 1, 2076			(17,953,560)
Origination/(Reversal) during the year			10,548,415
Deferred tax expense/(income) recognized in profit or loss			14,025,109
Deferred tax expense/(income) recognized in other comprehensive income			(3,476,695)
Deferred tax expense/(income) recognized directly in equity			

**4.16 Other assets**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Assets held for sale		
Accounts receivable		
Accrued income		
Prepayments and deposits	19,613,310	1,143,600
Bills Receivable		
Income tax deposit		
Deferred Employee Expenditure	4,227,922	3,962,639
Other Non-Banking Assets		
Other		
Stationery Stock		
Other Assets	106,825,040	103,390,315
<b>Total</b>	<b>130,666,272</b>	<b>108,496,554</b>

**4.17 Due to Bank and financial institution**

The balances in accounts maintained with the institution by other local and foreign banks and financial institution has been presented under this head. Interbank borrowing, interbank deposit, balances on settlement and clearing accounts as well as other amount due to bank and financial institution has also been presented under this account head.

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Money market deposits		
Interbank borrowing	599,000,000	290,000,000
Other deposits from BFIs	1,040,735,840	187,888,287
Settlement and clearing accounts		
<b>Total</b>	<b>1,639,735,840</b>	<b>477,888,287</b>

**4.18 Due to Nepal Rastra Bank**

This account head shall also contain the amount of payable to Nepal Rastra Bank. Amount payable to NRB shall include amount of refinance facilities, standing liquidity facility, lender of last resort, sale and repurchase agreements, deposit from NRB etc.

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Refinance from NRB	41,815,239	96,533,873
Standing liquidity facility		-
Lender of last resort facility from NRB		-
Securities sold under repurchase agreement		-
Other payable to NRB		-
<b>Total</b>	<b>41,815,239</b>	<b>96,533,873</b>

**4.19 Derivative financial instruments**

There were no derivative financial instruments held by the Bank during the year.

**4.20 Deposits from Customers**

All deposit accounts other than deposit from BFIs (local and foreign) and NRB has been presented under this account head.

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Institutions Customers:		
Term deposits	786,960,230	674,513,150
Call Deposits	315,327,023	544,548,975
Current Deposits		
Other		
Subtotal:	1,102,287,253	1,219,062,125
Individual Customers:		
Term deposits	4,335,292,880	3,613,785,320
Saving Deposits	1,920,069,599	1,821,453,760
Current Deposits		
Other	95,613,145	53,424,220
<b>Subtotal:</b>	<b>6,350,975,624</b>	<b>5,488,663,300</b>
<b>Total</b>	<b>7,453,262,878</b>	<b>6,707,725,425</b>

**4.20.1 Currency wise analysis of deposits from customers**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Nepalese rupee	7,453,262,878	6,707,725,425
Indian rupee		
United states dollar		
Great Britain pound		
Euro		
Japanese yen		
Chinese yuan		
Other		
<b>Total</b>	<b>7,453,262,878</b>	<b>6,707,725,425</b>

**4.21 Borrowing**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Domestic Borrowing:	-	-
Nepal Government	-	-
Other institution	-	-

Other	-	-
Sub total	-	-
Foreign Borrowing:		
Foreign Bank and Financial Institutions	-	-
Multilateral Development Bank	-	-
Other institutions	-	-
Sub total	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4.22 Provisions**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contract	-	-
Other	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4.23 Other liabilities**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Liability for employees defined benefit obligations	25,214,390	37,795,037
Liability for long-service leave	3,889,006	4,639,511
Short-term employee benefits	93,756	89,393
Bills payable		-
Creditors and Accruals	17,193,061	6,738,795
Interest payable on deposit	105,296,977	77,332,625
Interest payable on borrowing		-
Liabilities on deferred grant income		-
Unpaid Dividend		-
Liabilities under finance lease		-
Employee bonus payable	17,717,748	22,337,595
Other	50,087,144	31,498,596
<b>Total</b>	<b>219,492,083</b>	<b>180,431,553</b>

**4.23.1 Defined benefit obligation**

The Bank provides Pension & Gratuity Plan, Retirement Plan and Leave Encashment Plan (in terms of Annual Leave and Sick Leave) as defined benefits to its employees. These benefits are post-employment benefit plans and are paid based on length of service. These benefit plans are funded whereas the Bank makes earmark investment of these funds. The gratuity plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed year of service.

The pension plan provides for lump sum payments to vested employees at retirement or equated payment till death of the employee (and half thereafter to the spouse of the employee). Further, employees of the Bank are entitled to avail Annual Leave and Sick Leave. The employees can carry forward the un-availed leave and are entitled to encash the cumulative leave at the time of the retirement. The obligation under these plans are calculated by a qualified actuary every year using projected unit credit method. The disclosure relating to defined benefit plans are as follows:

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Present value of unfunded obligations		37,795,037
Present value of funded obligations	37,714,389	-
Total present value of obligations	37,714,389	37,795,037
Fair value of plan assets	12,500,000	-
Present value of net obligations	25,214,389	37,795,037
Recognised liability for defined benefit obligation	25,214,389	37,795,037

## 4.23.2 Plan Assets

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Equity securities	-	-
Government bonds	-	-
Bank deposits	12,500,000	-
Other	-	-
<b>Total</b>	<b>12,500,000</b>	<b>-</b>

## 4.23.3 Movement in the present value of defined benefit obligations

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Defined benefit obligation at Shrawan 1st	37,795,037	27,560,919
Actuarial (Gains) / losses	(7,866,370)	3,342,300
Benefit paid by the plan		-
Current service cost and interest	7,785,722	6,891,818
Defined benefit obligation at Ashadh end	37,714,389	37,795,037

## 4.23.4 Movement in the fair value of plan assets

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Fair value of plan assets at Shrawan 1st	-	-
Contributions paid into the plan	12,500,000	-
Benefit paid during the year	-	-
Actuarial (losses) gains	-	-
Expected return on plan assets	-	-
Fair value of plan assets at Ashadh end	12,500,000	-

## 4.23.5 Amount recognised in profit or loss

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Current service cost	4,762,119	5,101,624
Past Service Cost		-
Interest on obligation	3,023,603	1,790,194
Expected return on plan assets		-
<b>Total</b>	<b>7,785,722</b>	<b>6,891,818</b>



## 4.23.6 Amount recognised in other comprehensive income

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Actuarial (gains) / losses	(7,866,370)	3,342,300
<b>Total</b>	<b>(7,866,370)</b>	<b>3,342,300</b>

## 4.23.7 Actuarial assumptions

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
	Gratuity	Gratuity
Discount Rate	6.50%	8.00%
Expected Return on Plan Asset	6.50%	-
Future Salary Increase	6.50%	6.00%
Withdrawal rate	1.00%	1.00%

## 4.24 Debt securities issued

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Debt securities issued designated at fair value through profit or loss		-
Debt securities issued at amortised cost	247,449,233	-
<b>Total</b>	<b>247,449,233</b>	<b>-</b>

## 4.25 Subordinated Liabilities

No Subordinated Liabilities has been issued by the Bank.

## 4.26 Share Capital

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Ordinary shares	800,000,000	800,000,000
Convertible preference share(Equity component)	-	-
Irredeemable preference share(Equity component)	-	-
Perpetual debt(Equity component only)	-	-
<b>Total</b>	<b>800,000,000</b>	<b>800,000,000</b>

## 4.26.1 Ordinary Shares

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Authorized capital:		-
10,000,000 ordinary shares of Rs.100 each	1,000,000,000	1,000,000,000
Issued capital:		
8,000,000 ordinary shares of Rs.100 each	800,000,000	800,000,000
Subscribed and paid of capital		
8,000,000 ordinary shares of Rs.100 each	800,000,000	800,000,000
<b>Total</b>	<b>800,000,000</b>	<b>800,000,000</b>

**4.26.2 Ordinary share ownership**

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Percent	Amount	Percent	Amount
Domestic ownership:				
Nepal Government				-
"A" class licensed institution				-
Other licensed institutions				-
Other institutions	2.23%	17,840,000	2.23%	17,840,000
Public	97.77%	782,160,000	97.77%	782,160,000
Other				-
Foreign ownership				-
<b>Total</b>	<b>100%</b>	<b>800,000,000</b>	<b>100%</b>	<b>800,000,000</b>

**4.27 Reserves**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Statutory General Reserve	167,130,478	144,397,993
Exchange equilization reserve	-	-
Corporate social responsibility reserve	1,328,147	1,478,406
Capital redemption reserve	-	-
Regulatory reserve	85,434,474	96,977,442
Investment adjustment reserve	-	-
Capital reserve	-	-
Assets revaluation reserve	85,349,593	85,349,593
Fair value reserve	(27,309,940)	(13,691,193)
Dividend equalisation reserve		-
Actuarial gains	(919,048)	(6,425,507)
Other reserve		-
Employee training	194,018	1,606,373
<b>Total</b>	<b>311,207,723</b>	<b>309,693,106</b>

**4.27.1 General Reserve**

General Reserve is created as per Section 44 of the Banks and Financial Institutions Act 2073 equivalent to 20% of the net profit earned during the year until the reserve is twice the paid-up share capital of the Bank after which 10% of the net profit earned during the year shall be set aside as General Reserve.

Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank.

**4.27.2 Exchange Fluctuation Reserve Fund**

Exchange Fluctuation Reserve is the reserve created as per Section 44 of the Banks and Financial Institutions Act 2073 equivalent to 25% of the foreign exchange gain realized on the translation of foreign currency to the reporting currency during the year other than Indian Rupees.

Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank other than to set off revaluation loss incurred, if any during the year.

**4.27.3 Investment Adjustment Reserve**

Investment Adjustment Reserve is created as per the regulatory requirement equivalent to 2% of investment securities classified as available for sale which are not listed within the prescribed time except on investment on shares specifically allowed by Nepal Rastra Bank. It is presented within other reserve in Statement of changes in equity.

**4.27.4 Fair Value Reserve**

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

**4.27.5 Assets Revaluation Reserve**

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

**4.27.6 Regulatory Reserve**

The amount that is allocated from profit or retained earnings of the Bank to this reserve as per the Directive of NRB for the purpose of implementation of NFRSs and which has not been regarded as free for distribution of dividend (cash as well as bonus shares) has been presented under this account head. The amount allocated to this reserve includes interest income recognized but not received in cash, difference of loan loss provision as per NRB directive and impairment on loan and advance as per NFRSs (in case lower impairment is recognized under NFRSs), amount equals to deferred tax assets, actuarial loss recognized in other comprehensive income, amount of goodwill recognized under NFRSs etc.

The interest income received within Ashwin end which were receivable as on Ashadh end has been adjusted in the financial statement and the regulatory reserve has been created only for the remaining balance of interest receivable as on Ashwin end.

a. Interest Receivable as on Ashadh End 2077 = Rs.107,788,681

b. Interest Received within Ashwin End 2077 = Rs.48,854,685

**4.27.7 Corporate Social Responsibility Fund**

The fund created for the purpose of corporate social responsibility by allocating profit has been presented under this account head.

**4.27.8 Other Reserve Fund**

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

**Movement of Other Reserves are as follows:**

Particulars	CSR	Employee Training	Actuarial gain / (loss)	Def Tax Reserve	Total Other Reserve
2075.03.31	650,090.36	745,829.17	(4,085,896.50)	-	(2,689,976.96)
NFRS Adjustment					-
Expensed off from CSR	(650,090.36)	(745,829.17)			(1,395,919.53)
Allocated during 2075.76	1,478,405.63	1,606,373.08	(2,339,610.00)		745,168.71
Other Adjustment	-				-
2076.03.31	1,478,405.63	1,606,373.08	(6,425,506.50)	-	(3,340,727.79)
NFRS Adjustment					
Expensed off from CSR	(1,286,882.84)	(1,412,355.25)			(2,699,238.09)
Allocated during 2076.77	1,136,624.26	-	5,506,459.00		6,643,083.26
Other Adjustment					
2077.03.31	1,328,147.05	194,017.83	(919,047.50)	-	603,117.38

**4.28 Contingent Liabilities and Commitment**

Particulars	As at 31st Ashadh 2076	As at 1st Shrawan 2074
Contingent Liabilities	2,300,000	1,720,000
Undrawn and undisbursed facilities		-
Capital commitment		-
Lease commitment		-
Litigation		-
<b>Total</b>	<b>2,300,000</b>	<b>1,720,000</b>

**4.28.1 Contingent Liabilities**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Acceptance and Documentary credit		-
Bills for collection		-
Forward exchange contracts		-
Guarantees	2,300,000	1,720,000
Underwriting commitments		
Other commitments		
<b>Total</b>	<b>2,300,000</b>	<b>1,720,000</b>

**4.28.2 Undrawn and Undisbursed Facilities**

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Undisbursed amount of loans	-	-
Undrawn limits of overdraft	-	-
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4.29 Interest Income**

The interest income recognized as per NFRSs has been presented under this head. This includes interest income on loan and advance, investment securities except on those investment securities measure at fair value through profit or loss, cash and cash equivalent, due from Nepal Rastra Bank, due from BFIs, loan and advances to staff etc.

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Cash and cash equivalents	76,249,566	82,708,109
Due from Nepal Rastra Bank		-
Placement with Banks and Financial Institutions		-
Loans and Advances to Bank and Financial Institutions	16,403,204	-
Loans and advances to customers	893,542,649	813,237,348
Investment securities	49,599,070	17,853,035
Loans and advances to staff	2,486,145	2,188,642
Other		-
<b>Total interest income</b>	<b>1,038,280,635</b>	<b>915,987,134</b>

**4.30 Interest Expenses**

The interest expenses recognized as per NFRSs has been presented under this head. The interest expenses include accrued on deposits collected, debt securities issued, borrowings obtained, subordinated liabilities, amount due to bank and financial institutions, due to NRB etc.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Due to Bank and Financial Institutions	13,154,425	-
Due to Nepal Rastra Bank	11,719,078	-
Deposits from customers	735,287,547	636,532,702
Borrowing	-	-
Debt securities issued	9,613,149	-
Subordinated liabilities	-	-
Other	-	-
<b>Total interest expense</b>	<b>769,774,198</b>	<b>636,532,702</b>

**4.31 Fees and Commission Income**

Fee income is earned for diverse ranges of services provided by the Bank to its customers. Fee income arises on the execution of a significant act completed or from provision of services like service fees, Loan documentation fee, loan management fee, consortium fee, commitment fee, card issuance and renewal fees, prepayment and swap fee, remittance fee, investment banking fee, asset management fee, brokerage, commission on letter of credit, commission on guarantee, locker rental income, etc.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Loan Administration fees		
Service fees	61,267,492	68,132,765
Consortium fees		-
Commitment fees		-
DD/TT/Swift fees		-
Credit card/ATM issuance and renewal fees		-
Prepayment and swap fees		-
Investment banking fees		-
Assets management fees		-
Brokerage fees		-
Remittance fees		-
Commission on letter of credit		-
Commission on Guarantee Contracts issued	42,000	265,000
Commission on share underwriting/issued		-
Locker rental		-
Other Fees and Commission Income	43,357,607	36,958,597
<b>Total Fees and Commission Income</b>	<b>104,667,100</b>	<b>105,356,362</b>

**4.32 Fees and Commission Expense**

Payment on account of fee and commission for services obtained by the Bank has been presented under this account head. This account head shall include card related fees, guarantee commission, brokerage expenses etc.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other Fees and Commission Expense	-	-
<b>Total Fees and Commission Expense</b>	<b>-</b>	<b>-</b>

**4.33 Net trading income**

Trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities has been presented under this account head.



Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/Loss Foreign Exchange Transaction	-	-
Other	-	-
<b>Total Net trading income</b>	<b>-</b>	<b>-</b>

**4.34 Other operating income**

Receipt of all other operating income not specifically provided under the income heads above has been booked and presented under this head. This includes foreign exchange revaluation gain, gain/loss on sale of available for sale securities, dividend on available for sale securities, gain/loss on sale of property and equipment, gain/loss on sale of investment properties, operating lease income, gain/loss on sale of gold and silver, income of Finance lease etc.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Foreign Exchange Revaluation Gain		
Gain/loss on sale of investment Securities	8,163,295	(977,272)
Fair value gain/loss on investment property		-
Dividend on equity instruments	4,130,933	1,594,447
Gain/loss on sale of property and equipment	242,517	1,065,545
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	325,000	306,600
Other	1,765,064	1,149,480
<b>Total other operating income</b>	<b>14,626,809</b>	<b>3,138,800</b>

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

It includes impairment charge/reversal on loan and advances to customers, loan and advances to bank and financial institutions, investment securities, placement with bank and financial institutions, property and equipment, goodwill and intangible assets, investment properties etc

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Impairment charge/(reversal) on loan and advances to B/FIs	362,243	
Impairment charge/(reversal) on loan and advances to customer	11,474,830	4,772,255.52
Impairment charge/(reversal) on financial Investment		
Impairment charge/(reversal) on placement with bank and financial institutions		
Impairment charge/(reversal) on property and equipment		
Impairment charge/(reversal) on goodwill and intangible assets		
Impairment charge/(reversal) on investment property		
<b>Total impairment charge/(reversal) for loan and other losses</b>	<b>11,837,072.77</b>	<b>4,772,255.52</b>

**4.36 Personnel Expense**

All expenses related to employees of the Bank has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, Finance expense under NFRSs, cash-settled share-based payments etc.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Salary	53,647,702	50,538,182
Allowances	3,838,975	3,241,700
Gratuity expenses	7,785,722	6,891,818
Provident fund	4,257,776	3,802,541
Uniform	1,054,398	1,004,438
Training & Development Expense	1,412,355	1,290,177
Leave encashment	3,238,271	2,780,267
Medical	-	-
Insurance	714,734	761,397
Employees Incentive	-	-
Cash-settled share-based payments	-	-
Pension Expense	-	-
Finance expenses under NFRS	732,892	628,402
Other Expenses Related to Staff	2,269,799	2,801,002
<b>Subtotal</b>	<b>78,952,624</b>	<b>73,739,924</b>
Employees Bonus	17,717,748	22,337,595
<b>Grand Total</b>	<b>96,670,372</b>	<b>96,077,519</b>

**4.37 Other operating expense**

All operating expense other than those relating to personnel expense are recognized and presented under this account head. The expenses covered under this account head includes office administration expense, other operating and overhead expense, directors' emoluments, remuneration and non-audit fee paid to auditors, professional and legal expense, branch closure cost expense, redundancy cost expense, expense of restructuring, impairment of non-financial assets, expense of corporate social responsibility, onerous lease provisions etc.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Directors' fee	907,500	1,029,900
Directors' expense	120,457	153,573
Auditors' remuneration	519,800	406,800
Other audit related expense	300,662	219,723
Professional and legal expense	147,132	546,750
Office administration expense	51,821,838	43,900,770
Operating lease expense	11,542,275	9,404,031
Operating expense of investment properties	-	-
Corporate Social Responsibility Expense	1,286,883	4,681,335
Onerous lease provision	-	-
Other	17,249,268	13,125,171
<b>Total other operating expense</b>	<b>83,895,815</b>	<b>73,468,053</b>

**4.37.1 Office Administration Expenses**

Office Administration expenses is the expenses incurred in the operation of the organization specifically incurred by the office. It includes water and electricity, repair and maintenance, insurance, printing and stationery, newspaper, advertisement, donation, security, deposit and guarantee premium, travel allowance and expenses, entertainment, annual general/special general meeting expenses, internet expenses, etc.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Water and electricity	3,604,654	3,722,344
Repair and maintenance		-
(a) Building	676,852	951,421
(b) Vehicle	1,243,036	1,464,984
(c) Computer and accessories	412,106	582,073
(d) Office equipment and furniture	199,724	64,675
(e) Other	665,588	1,021,800
Insurance	2,111,219	1,990,949
Postage, telex, telephone, fax	1,900,997	1,898,494
Printing and stationery	4,077,114	2,334,773
News paper, books and journals	429,131	357,896
Advertisement	3,963,008	4,087,332
Donation		-
Security expense	10,403,364	8,900,631
Deposit and loan guarantee premium	1,961,536	1,745,799
Travel allowance and expense	376,000	777,619
Entertainment	1,273,851	2,180,103
Annual/special general meeting expense	2,242,620	1,470,987
<b>Other</b>		-
Website	3,332,052	2,613,059
Software	5,445,507	4,450,250
Others	7,503,477	3,285,583
<b>Total</b>	<b>51,821,838</b>	<b>43,900,770</b>

**4.38 Depreciation & Amortisation**

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation measured and recognized as per NFRSs on property and equipment, and investment properties, and amortization of intangible assets has been presented under this account head.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Depreciation on Property and Equipment	18,098,752	14,565,032
Depreciation on investment property		-
Amortization of intangible assets	158,751	108,981
<b>Total depreciation and amortization</b>	<b>18,257,504</b>	<b>14,674,013</b>

**4.39 Non-operating income**

The income and expenses that have no direct relationship with the operation of transactions of the Bank has been presented under this head. The income/expense covered under this account head includes loan written off, recovery of loan, redundancy provision, expense of restructuring etc.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Recovery of loan written off	-	-
Other income	37,900	2,080,600
<b>Total non-operating income</b>	<b>37,900</b>	<b>2,080,600</b>

**4.40 Non-Operating Expenses**

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Loan Written Off	-	-
Redundancy provision	-	-
Expenses of restructuring	-	-
Other expense	-	-
<b>Total non-operating Expenses</b>	<b>-</b>	<b>-</b>

**4.41 Income tax Expense**

The amount of income tax on net taxable profit has been recognized and presented under this account head. This account head shall include current tax expense and deferred tax expense/deferred tax income.

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Current tax expense		
Current year	49,489,946	45,628,865
Adjustment for prior years		-
Deferred tax expense		
Origination and reversal of temporary differences	14,025,109	7,568,926
Changes in tax rate		-
Recognition of previously unrecognized tax losses		-
<b>Total income tax expense</b>	<b>63,515,055</b>	<b>53,197,791</b>

**4.41.1 Reconciliation of tax expense and accounting profit**

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Profit before tax	177,177,482	201,038,354
Tax amount at tax rate of 30.0%	53,153,244	60,311,506
Add: Tax effect of expenses that are not deductible for tax purpose	8,975,605	3,020,911
Less: Tax effect on exempt income		(478,334)
Add/less: Tax effect on other items	(12,638,904)	(17,225,217)
Total income tax expense	49,489,946	45,628,865
Effective tax rate	30%	30%

**Statement of Distributable profit or loss**  
**For the year ended 31st Ashadh 2077 (15 July 2020)**  
**As per NRB Regulation**

Particulars	Current Year 2076-77	Previous Year 2075-76
<b>Opening Retained Earnings Before Allocation (Adjusted)</b>	<b>8,346,248</b>	<b>67,472,004</b>
<b>Net Profit/(loss) as per Statement of Profit or Loss</b>	<b>113,662,426</b>	<b>147,840,563</b>
<b>Appropriation</b>		
a. General Reserve	22,732,485	29,568,113
b. Foreign Exchange Fluctuation fund		-
c. Capital redemption reserve		-
d. Corporate social responsibility fund	1,136,624	1,478,406
e. Employees training fund	-	1,606,373
f. Other	-	-
<b>Profit/(loss) before regulatory adjustment</b>	<b>89,793,317</b>	<b>115,187,672</b>
<b>Regulatory Adjustments:</b>		
a. Interest Receivable (-)/previous accrued interest received(+)	(17,325,091)	(13,771,126)
b. Short loan loss provision in accounts(-)/reversal(+)		-
c. Short provision for possible losses on investment(-)/reversal(+)	36,523,021	(36,523,021)
d. Short provision for possible losses on Non-Banking Assets (-)/reversal(+)	14,148,519	(40,257,788)
e. Deferred Tax Assets recognized(-)/reversal(+)	-	-
f. Goodwill recognized (-)/Impairment of Goodwill(+)		-
g. Bargain purchase gain recognized (-)/reversal(+)		-
h. Actuarial Loss recognized (-)/reversal(+)	5,506,459	(6,425,507)
i. Other (+/-) (Fair Value Loss recognized)	(27,309,940)	-
<b>Profit or (Loss) after Regulatory Adjustments</b>	<b>101,336,285</b>	<b>18,210,230</b>
<b>Total Retained Earnings</b>	<b>109,682,533</b>	<b>85,682,233</b>



## 5. Disclosures & Additional Information

### 5.1 Risk Assessment and Management

#### Credit Risk

A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. In the first resort, the risk is that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. Factors for the credit risk includes Counterparty Risk, Concentration Risk and Securitization Risk.

The Finance has applied following mitigates for management of Credit Risk factors:

- Independent and ongoing credit quality review
- Limiting credit exposures
- Problem credit management system
- Diversification of risk asset portfolio among several sectors and sub sectors of the economy over a large number of customers
- Deposit of borrower in bank, cash margin and additional collateral at individual level
- Proper valuation, storage, maintenance and insurance of collaterals.

Such mitigates are monitored by Board of Directors, Risk Management Committee which is Board Level Committee, Credit Risk Management Department, NRB Inspection team and Internal Audit Department of the Finance

#### Market Risk

Market risk is the possibility of a customer experiencing losses due to factors that affect the overall performance of the Finance in which the customer is involved. Market risk is systematic risk of the financial market.

Factors of Market Risk includes Interest Rate Risk, Equity Risk in Banking Book.

The Finance has applied following mitigates for management of the Market Risk factors:

- Stress testing/simulation of market conditions
- Gap Analysis
- Limiting trading activity of instruments in the different markets
- Regular review of risk management processes
- Regular review of Risk Tolerance and appetite limit.
- Measurement of Equity price shocks.
- Measurement of Interest Rate Shocks
- Interest rate related Risk Monitoring.

Such mitigates are monitored by Board of Directors, Risk Management Committee, Internal Audit Department

#### Liquidity Risk

Liquidity risk is the risk that the Finance may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Factors of Liquidity Risk includes Deterioration in quality of credit portfolio Concentrations in either assets or liabilities, Rapid asset growth funded by highly volatile large deposits, A large size of off-balance sheet exposure.

The Finance has applied following mitigates for the management of Liquidity Risk:

- Appropriate composition of assets and liabilities
- Diversified and stable sources of funds
- Access to inter-bank market
- Contingency funding plan for crisis situations
- Regular stress testing
- Cushion of liquid assets held
- Consistent analysis using liquidity ratios
- Review of Deposit Mix Concentration.

Such mitigates are monitored by BOD, Finance and Credit Department, Internal Audit Department.

#### Fair value of Financial Assets and Liabilities

Fair Value of financial assets and liabilities risk management includes effective portfolio management by finance department which is monitored by BOD, and other high-level officials.

### 5.2 Capital Management

The capital management approach of the Finance is driven by its desire to maintain a strong capital base to support the development of its business and to meet the regulatory capital requirements at all times.

As Capital is the centrepiece of the Finance's performance matrix, a sound capital management forms the very core of the overall performance landscape to ensure that the Finance delivers on its objective of maximizing the shareholder's value. The senior management of the Finance is engaged and responsible for prudent capital management at all times. In compliance with the regulatory requirement of increasing the capital base as prescribed by the Central Bank, the Finance is comfortable in meeting the minimum capital requirements and is strongly positioned to meet the performance benchmarks.

### 1. Capital Structure and a Breakdown of its Components:

Particulars	Current Period	Previous Period
Common Equity Tier 1 Capital	1,019,377,383	956,617,987
Tier 1 Capital	1,019,377,383	956,617,987
Tier 2 Capital	423,442,219	146,922,933
Total Capital	1,442,819,602	1,103,540,920
Risk-Weighted Exposures	9,169,467,636	15,011,587,832

Regulatory Ratios	Current Period	Previous Period
Leverage Ratio	9.45%	
Common Equity Tier 1 to Risk Weighted Exposure Ratio	11.12%	10.63%
Tier 1 to Risk Weighted Exposure Ratio	11.12%	10.63%
Total Capital to Risk Weighted Exposure Ratio	15.74%	12.27%

### Capital Adequacy Table

1. 1 Risk Weighted Exposures	Current Period	Previous Period
Risk Weighted Exposure for Credit Risk	7,649,755,460	7,711,086,662
Risk Weighted Exposure for Operational Risk	1,519,702,087	1,284,450,062
Risk Weighted Exposure for Market Risk	10,089	
<i>Adjustments under Pillar II</i>		
Add: 3% of the total RWE due to non compliance to Disclosure Requirement (6.4 a 10)		
Add: ....% of the total deposit due to insufficient Liquid Assets (6.4 a 6)	-	-
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>	<b>9,169,467,636</b>	<b>8,995,536,724</b>

(Rs In '000)

1.2 CAPITAL	Current Period	Previous Period
Tier 1 Capital (Core Capital) (CET1 +AT1)	1,019,377,383	956,617,987
Common Equity Tier 1 (CET 1)	1,019,377,383	956,617,987
Paid up Equity Share Capital	800,000,000	800,000,000
Equity Share Premium	2,475,548	2,475,548
Proposed Bonus Equity Shares	-	-
Statutory General Reserves	167,130,478	144,397,993
Retained Earnings	109,682,533	85,682,233
Un-audited current year cumulative profit/(Loss)	-	-
Capital Redemption Reserve	-	-
Capital Adjustment Reserve	-	-
Dividend Equalization Reserves	-	-
Bargain purchase gain	-	-
Other Free Reserve	-	-
Less: Goodwill	-	-
Less: Intangible Assets	(635,006)	(793,757)
Less: Deferred Tax Assets	-	-
Less: Fictitious Assets	-	-
Less: Investment in equity in licensed Financial Institutions	-	-
Less: Investment in equity of institutions with financial interests	-	-
Less: Investment in equity of institutions in excess of limits	(59,276,170)	(75,144,030)
Less: Investments arising out of underwriting commitments	-	-
Less: Reciprocal crossholdings	-	-
Less: Purchase of land & building in excess of limit & unutilized	-	-
Less: Cash Flow Hedge	-	-
Less: Defined Benefit Pension Assets	-	-
Less: Un recognized Defined Benefit Pension Liabilities	-	-
Less: Negative balance of reserve accounts	-	-
Less: Other Deductions	-	-
Adjustments under Pillar II	-	-
Less: Shortfall in Provision (6.4 a 1)	-	-
Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)	-	-
Additional Tier 1 (AT1)	-	-
Perpetual Non Cumulative Preference Share Capital	-	-
Perpetual Debt Instruments	-	-
Stock Premium	-	-
Supplementary Capital (Tier II)	423,442,219	146,922,933
Cumulative and/or Redeemable Preference Share	-	-
Subordinated Term Debt	247,449,233	-
Hybrid Capital Instruments	-	-
Stock Premium	-	-
General loan loss provision	90,643,393	61,573,340
Exchange Equalization Reserve	-	-
Investment Adjustment Reserve	-	-
Assets Revaluation Reserve	85,349,593	85,349,593
Other Reserves	-	-
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>1,442,819,602</b>	<b>1,103,540,920</b>

(Rs In '000)

1.3 CAPITAL ADEQUACY RATIOS	Current Period	Previous Period
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.12%	10.63%
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.12%	10.63%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	15.74%	12.27%

**2. Risk Exposures**

The risk weighted exposures as of 15th July 2020 is given below:

## • Risk weighted exposures

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	240,702,894			240,702,894	0%	-
Balance With Nepal Rastra Bank	294,630,303			294,630,303	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities	39,200,000			39,200,000	0%	-
All Claims on Government of Nepal				-	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
All claims on Nepal Rastra Bank				-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)				-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)			-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)			-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)			-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)			-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework				-	0%	-
Claims on Other Multilateral Development Banks			-	-	100%	-
Claims on Domestic Public Sector Entities			-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)			-	-	20%	-
Claims on Public Sector Entity (ECA 2)			-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)			-	-	100%	-
Claims on Public Sector Entity (ECA 7)			-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	2,655,809,969		-	2,655,809,969	20%	531,161,994
Claims on domestic banks that do not meet capital adequacy requirements			-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)			-	-	20%	-

Claims on foreign bank (ECA Rating 2)			-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)			-	-	100%	-
Claims on foreign bank (ECA Rating 7)			-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement			-	-	20%	-
Claims on Domestic Corporates (Credit rating score equivalent to AAA)			-	-	1	-
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)			-	-	1	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)			-	-	1	-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)			-	-	1	-
Claims on Domestic Corporates (Unrated)			-	-	1	-
Claims on Foreign Corporates (ECA 0-1)			-	-	20%	-
Claims on Foreign Corporates (ECA 2)			-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)			-	-	100%	-
Claims on Foreign Corporates (ECA 7)			-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)			-	-	75%	-
Claims fulfilling all criterion of regularity retail except granularity	4,790,836,925	154,907,212	-	4,635,929,713	100%	4,635,929,713
Claims secured by residential properties	1,191,081,844		-	1,191,081,844	60%	714,649,107
Claims not fully secured by residential properties			-	-	150%	-
Claims secured by residential properties (Overdue)			-	-	100%	-
Claims secured by Commercial real estate	539,008,540		-	539,008,540	100%	539,008,540
Past due claims (except for claims secured by residential properties)			-	-	150%	-
High Risk claims			-	-	150%	-
Lending Against Securities (Bonds & Shares)	375,009,786		-	375,009,786	100%	375,009,786
Investments in equity and other capital instruments of institutions listed in stock exchange	241,401,059		-	241,401,059	100%	241,401,059
Investments in equity and other capital instruments of institutions not listed in the stock exchange	84,297,000		-	84,297,000	150%	126,445,500
Staff loan secured by residential property	16,735,316			16,735,316	50%	8,367,658
Interest Receivable/claim on government securities				-	-	-
Cash in transit and other cash items in the process of collection				-	0	-
Other Assets (as per attachment)	529,354,929	51,572,826	-	477,782,103	100%	477,782,103
<b>TOTAL (A)</b>	<b>10,998,068,565</b>	<b>206,480,038</b>	<b>-</b>	<b>10,791,588,527</b>		<b>7,649,755,460</b>



B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments				-	0%	-
Bills Under Collection				-	0%	-
Forward Exchange Contract Liabilities			-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty			-	-	20%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	2,300,000.00		2,300,000.00	-	50%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty			-	-	50%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Underwriting commitments			-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral			-	-	100%	-
Repurchase Agreements, Assets sale with recourse			-	-	100%	-
Advance Payment Guarantee			-	-	100%	-
Financial Guarantee			-	-	100%	-
Acceptances and Endorsements			-	-	100%	-
Unpaid portion of Partly paid shares and Securities			-	-	100%	-
Irrevocable Credit commitments (short term)			-	-	20%	-
Irrevocable Credit commitments (long term)			-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-
Other Contingent Liabilities			-	-	100%	-
Unpaid Guarantee Claims			-	-	200%	-
TOTAL (B)	2,300,000.00	-	2,300,000.00	-		-
Total RWE for credit Risk Before Adjustment (A) +(B)	11,000,368,565	206,480,038	2,300,000	10,791,588,527		7,649,755,460
Adjustments under Pillar II						
Add: 10% of the loan and facilities in excess of Single Obligor Limits(6.4 a3)	-	-	-	-		-
Add: 1% of the contract(sale) value in case of the sale of credit with recourse (6.4 a4)	-	-	-	-		-
<b>Total RWE for Credit Risk after Bank's adjustments under Pillar II</b>	<b>11,000,368,565</b>	<b>206,480,038</b>	<b>2,300,000</b>	<b>10,791,588,527</b>	<b>-</b>	<b>7,649,755,460</b>

## • Amount of NPAs (Both Gross and Net) Rs. In '000'

S. No.	Particulars	Gross NPA (Rs.)	Loan-Loss Provision (Rs.)	Net NPA (Rs.)
a.	Watchlist Loan	-	-	-
b.	Substandard	-	-	-
c.	Doubtful	6,524.97	3,262.49	3,262.49
d.	Bad	71,759.38	71,759.38	-
	<b>Total</b>	<b>78,284.35</b>	<b>75,021.87</b>	<b>3,262.49</b>

• **NPA Ratios:**

- Gross NPA to Gross Advances : 1.14%
- Net NPA to Net Advances : 0.01%

• **Movement of Non-Performing Assets Rs. In 000**

Particulars	Current Year	Previous Year	Changes %
Non-Performing Assets	78,284.35	97,878	-20%
Non-Performing Assets (%)	1.14%	1.65%	

• **Write off of Loans and Interest Suspense**

Following Loans and Interest Suspense have been written off during the year 2019-20.

- None

• **Movements in Loan Loss provision and Interest Suspense:**

Rs. In '000'

Particulars	Loan Loss Provision	Interest Suspense
Opening balance	140,584	31,433.85
Write Back/off in the years		(1,276.49)
Addition in the year	11,523	
Balance as at 16h July 2020	152,107.16	30,157.36

• **Details of Subordinated Term Debt:**

- Not applicable

• **Details of Additional Loan Loss Provision:**

Loan amounting to Rs 948,511,307 has been provisioned for Rs. 11,474,829.46.

• **Segregation of Investment Portfolio**

S. No.	Investment Category	Amount Rs. (000)
1.	Held for Trading	-
2.	Held to Maturity	1,660,225,000
3.	Available for Sale	325,698,038

3. **Risk Management Function**

GFIL is exposed to various types of risks including credit, market, liquidity, operational, legal, compliance and reputation risks. The objective of the risk management framework at the Finance is to ensure that various risks are understood, measured and monitored and that the policies and procedures established to address these risks are strictly adhered to. The Bank has set up a strong control and monitoring environment for comprehensive risk management at all levels of operation.

**Measurement of Risks for Capital Adequacy Purpose:**

Under Pillar 1 of the specific NRB guidelines, the finance company currently follows Simplified Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Net Open Position approach for Market risk.

**A. Credit Risk****Strategies and Process:**

All credit related aspects are governed by Operation Manual of GFIL. These documents outline the type of products that can be offered, customer categories, credit approval process and limits. These documents are approved by the Board of directors.

The Finance Company's main emphasis is on SME credit. Different limits of lending power have been assigned at branch level, department head level and the credit committee level. Every aspect relating to credit such as procedure, documentation etc. are clearly defined in the Operation Manual and the Credit Policy of the bank.

**Pre-Sanction:**

The branch managers have the authority to approve the credit within their permissible limits after due scrutiny of background of the promoter, nature of business, turnover in the account, other financial indicators, income, collateral and security. Loans above the authority of branch are recommended to head office for further decision.

**Credit Risk Assessment Process:**

Risk Management Department carries out a comprehensive credit risk assessment process that encompasses analysis of relevant quantitative and qualitative information to ascertain credit rating of the borrower. The credit rating process involves assessment of risk emanating from various sources such as market risk, management risk, environmental risk, financial risk and security risk taking into consideration as much as 30 sub-parameters under each of these categories. Credit thresholds have been set for forwarding the credit files for risk rating before they are submitted for approval in the credit committee by the concerned credit units.

**Post Sanction Monitoring/ Follow up:**

Concerned branch are required to obtain regular information of the business. In case of revolving loans, the drawing power is checked commensurate with the existing level of stocks and working capital checked and verified at regular interval. The credit units at the Head Office are also required to prepare quarterly credit report to submit at higher level as a part of formal monitoring process.

**B. Operation Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk is inherent in the bank's business activities.

The board level committee that undertakes supervision and review of operational risk aspects are the Risk Management Committee and Audit Committee. The board and the risk committee review the operational risk level and the material operational risk exposure. The Audit committee supervises audit and compliance related aspects. Internal Audit department on the other hand carries out audit according to the audit plan and reports findings to the audit committee.

**Risk Arising from breakdown of Information and Operating System:**

The bank has introduced new centralized software PUMORI IV and has improved in its MIS infrastructure in order to ensure the associated operational risks being brought down to an acceptably low level.

To safeguard the probable losses resulting from system failure or natural disaster, the bank has taken following policies to minimize the risk:

- Back up – Daily back up of all balances are taken at the end of the day. The bank is developing a system of auto back up in the near future.
- Disaster Recovery Site – The bank has established disaster recovery site.
- Validation of Entry and Password control – There is a system of maker and checker for entry validation before posting. Access authority for data entry, update, modification and validation has been given on the basis of levels of staffs.
- Exception Reporting – The system creates exception report as and when required.

**Risk Arising from Procedural Lapses and Internal control:**

The company has defined every banking procedures in the Operation Manual related to banking transactions. Internal circulars are issued whenever required. Reporting by branches is regular.

**Corporate Governance:**

NRB Guidelines with respect to Corporate Governance are duly complied with.

**C. Market Risk****a. Investments**

Currently GFIL has not made any investment for trading purpose. The investment in government securities have been made to hold till maturity. The investment in equity of listed institutions has been held as available for sale.

**b. Foreign Exchange**

The company's policy is to maintain the net open position of convertible foreign currency where exchange rate risk persists in matching position.

## 5.3 Classification of financial assets and financial liabilities

Particulars	Fair Value through PL	Amortized Cost	Fair Value through OCI	Total
Financial Assets:				
Cash and cash equivalents		1,275,487,862		1,275,487,862
Due from Nepal Rastra Bank		294,630,303		294,630,303
Loans and advances to B/FIs		278,421,581		278,421,581
Loans and advances to customers		6,479,343,619		6,479,343,619
Investment securities (Development Bonds)		1,660,225,000		1,660,225,000
Investment securities (Equity)			325,698,038	325,698,038
Other Financial assets		126,438,350		126,438,350
Total financial Assets		10,114,546,714	325,698,038	10,440,244,752
Financial Liabilities:				
Due from customers		8,493,998,717		8,493,998,717
Other Financial Liabilities		17,193,061		17,193,061
Total financial Liabilities		8,511,191,779		8,511,191,779

## 5.4 Segment Analysis

## 5.4.1 General Information

The Finance's operation is managed centrally through Head Office. All strategic, financial and operational policies and operations are controlled and directed from the head office. The finance operates in 16 branches though has a single jurisdiction

The Finance has identified following segments as reportable:

- Banking Segment involves functions like collecting deposits and lending activities among other similar activities.
- Treasury Segment involves short term and long-term investment activities like investing in T-Bills, Bonds, Shares of companies etc.
- Remittance Segment involves activities of transferring / receiving funds locally and/or globally.

There is no inter-unit cost transfer mechanism within the bank.

## 5.4.2 The segmental information about profit or loss, assets and liabilities are presented below:

Name of Segment	Banking	Treasury	Remittance
a. Revenues from external customers	1,005,422,986	68,694,287	-
b. Intersegment revenues	-	-	-
c. Net Revenue	1,005,422,986	68,694,287	-
d. Interest revenue	912,431,999	125,848,636	-
e. Interest Expense	748,441,972	21,332,227	-
f. Net interest revenue (b)	163,990,027	104,516,409	-
g. Depreciation and amortization*	-	-	-
h. Segment Profit / (Loss)	163,990,027	104,516,409	-
i. Entity's interest in the profit or loss of associates accounted using equity method	-	-	-
j. Other Material non cash item	-	-	-
k. Impairment of assets	-	-	-
l. Segment Assets*	8,379,456,180	1,985,923,038	-
m. Segment liabilities*	9,134,813,956	247,449,233	-

\* Depreciation and amortization cannot be allocated to reportable segment from internal data record keeping system.

\*\* The presented assets and liabilities exclude assets such as PPE, Intangibles, Advances and payables that are not allocable to particular segment.

**5.4.3 Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:****a) Revenue**

<b>Total revenue of reportable segments</b>	<b>1,074,117,273</b>
Other revenue	83,495,171
Elimination of intersegment revenue	-
Entity's revenues	1,157,612,444

**b) Profit or Loss**

<b>Total profit or loss for reportable segments</b>	<b>268,506,436</b>
Other profit or loss	-
Elimination of intersegment profits	-
Unallocated amounts:	(91,328,955)
Profit before income tax	177,177,482

**c) Assets**

<b>Total assets for reportable segments</b>	<b>10,365,379,218</b>
Other assets	-
Unallocated amounts	488,243,832
Entity's assets	10,853,623,050

**d) Liabilities**

<b>Total liabilities for reportable segments</b>	<b>9,134,813,956</b>
Other liabilities	-
Unallocated liabilities	495,443,291
Entity's liabilities	9,630,257,247

**e) Information about product and service**

Revenue from each type of product and services described in point 1 (b) above

Banking	1,005,422,986
Treasury	68,694,287
Remittance	-

**f) Information about geographical areas**

Bank has been assessing segment results differently than as required.

**g) Information about major customer:**

None of the customer individually or as a group contributes to 10% or more of the bank's revenue.

**5.5 Share options and share based payment**

There is no share-based payment made by the Finance.

**5.6 Contingent Liabilities and Commitments**

Litigation is a common occurrence in the banking industry due to the nature of business undertaken. The finance company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the finance makes adjustment to account for adverse effect which the claims may have on its financial standing. Contingent liabilities on other matters have already been disclosed in notes 4.28.

**5.7 Related party disclosures**

The related parties of the Finance which meets the definition of related parties as defined in "NAS 24 Related Parties Disclosure" are as follows:

**i. Key Management Personnel (KMP)**

The key management personnel are those persons having authority and responsibility of planning, directing and



controlling the activities of the entity, directly or indirectly including any director. The key management of the Finance includes members of its Board of Directors, Chief Executive Officer, and other higher-level employee of the Finance. The name of the key management personnel who were holding various positions in the office during the year were as follows:

Name of the Key Management Personnel	Post
Bishwa Prakash Saakha	BOD Chairman
Dilip Kumar Munankarmi	Director
Jeny Joshi	Director
Sudhir Man Maskey	Director
Pashupati Bhakta Shrestha	Director
Ramesh Malla	Director*

Saroj KajiTuladhar	Chief Executive Officer
Swayambhu Shakya	Executive Manager/Company Secretary
Paras Narsingh Pradhan	Executive Manager
Devaki Baidya	Manager
Bharat Bahadur Mahat	Manager
Anjali Sthapit	Manager

\* Resigned from 2076.10.14

#### 5.7.1 Compensation to Key Management Personnel

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and Allowances paid to the Chief Executive Officer is based on the contract entered by the Finance with him whereas compensation paid to other member of KMP are governed by Employees Byelaws and decisions made by management time to time in this regard. In addition to salaries and allowances, non- cash benefits like vehicle facility, subsidized rate employees loan, termination benefits are also provided to KMP.

The details relating to compensation paid to key management personnel (directors only) were as follows:

Particulars	Current Year
Meeting Fees	841,000
Other Expenses	120,457
<b>Total</b>	<b>961,457</b>

The details relating to compensation paid to key management personnel other than directors were as follows:

Particulars	Amount
Short term employee benefits(including Bonus and Paid Leave)	-
Vehicle Facility	No
*Other Benefits	Yes
Other long-term benefits	No
**Post-Employment	Mentioned in Note 3.15(b)

\* Other benefits and payments include Finance cost calculated towards subsidized Loans and advances provided to staffs.

\*\* Post employment benefit includes Provident fund, Gratuity and Leave provision created, the bifurcation of which is not quantifiable separately to KMPs. The provision is made on lump sum as per the Actuarial Valuation.

#### 5.8 Merger and acquisition

No any Merger and acquisition has taken in the years presented.

#### 5.9 Additional Disclosure of Non-consolidated entities

Since, the finance company does not have any subsidiaries, there are no such non-consolidated entities.

**5.10 Events after reporting date.**

Following are the adjusting events qualifying for adjustment in respect to creating Regulatory Reserve.

AIR opening 2076.04.01	31,433,852.34
For the Period	76,354,829.57
AIR Closing 2077.03.31	110,445,899.91
AIR for loan and advances overdue for more than 12 months	2,657,218.00
AIR for other than loan and advances overdue for more than 12 months	107,788,681.91
Interest income received till Ashwin End	48,854,685.35

**5.11 Valuation Hierarchy**

Following tables demonstrates the valuation hierarchy of Bank's Assets and Liabilities. This fair value may differ from the actual amount that may be received or paid on settlement, realization or maturity of those Financial Assets and Liabilities.

*Fair Value of Financial Assets and Liabilities Measured at Fair Value*

The fair value measurement hierarchy is as follows:

- 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 there are unobservable inputs of the instruments. The inputs are not based on observable market data.

Fair Value Disclosure	Level 1		Level 2		Level 3	
Particulars	As on 31.03.2077	As on 31.03.2076	As on 31.03.2077	As on 31.03.2076	As on 31.03.2077	As on 31.03.2076
Quoted Equity Shares	241,401,059	258,313,423				
Unquoted equity			84,297,000	66,290,300		

**5.12 Loan Loss Provision as per NRB Directives No. 2**

Category	Loan Amount	Provision %	Provision Amount
Good	6,455,692,808.07	1	64,556,928.08
Watchlist	306,568,342.00	5	15,328,417.10
Substandard	-	25	-
Doubtful	6,524,974.00	50	3,262,487.00
Bad	71,759,379.85	100	71,759,379.85
<b>Total</b>	<b>6,840,545,503.92</b>		<b>154,907,212.03</b>

**5.13 Impact of COVID-19**

Due to outbreak of novel corona virus (COVID-19) and imposition of lockdown in the country, the bank has not been able to perform its banking transactions and collect interest and loan amount from the customers effectively. In addition, a sudden downfall in rate of disbursement of new loans has taken place. The pandemic caused by Covid-19 has impacted grossly negatively on the financial performance of the bank.

Followings are the impact of Covid-19 on the bank:

- Due to the remission of 2% interest rate on the existing interest rate of Chaitra for the customers affected by Covid-19 as directed by Nepal Rastra Bank, the bank has incurred a loss of around Rs. 2.06 crores in the interest income from customers on loans and advances. Further adhering NRB circular for waiver of 10% interest to Covid affected clients we provided rebate of Rs. 1,489,238.50.
- As per the circular issued by Nepal Rastra Bank, the loan amount for 62 loans classified under good loan on Poush end with the maturity on Ashadh end has been classified under Watchlist.
- Imposition of lockdown created a barrier in the regular operation of the branch offices due to the risk of infection from Corona virus to the employees and customers.
- The follow up procedure couldn't be fulfilled for the collection of amount from the customers.

Due to the pandemic still in existence caused by Covid-19, the chances of default in loans and advances and collection of income might exist. Also there is probability of customers being infected by Covid-19 which may affect the operation of the bank.

**To cope with the impact of Covid-19, the bank has performed following actions:**

- The bank has examined the loans and advances which are high likely to be default and has given priority for the collection of the matured loans and advances amount.
- The bank has provided the loans and advances only after the risk valuation to the customers.
- The bank is in the process of restructuring the loans and advances keeping in view the regulatory provisions.
- To meet working capital and liquidity of borrower, the bank has provided short and mid term loans.
- As per the notice issued by Nepal Rastra Bank, the bank extended temporarily the due date for the payment of interest and principal amount.
- Further the bank provides the necessary facilities to the customers affected by Covid-19 as per the circulars and notices issued by Nepal Rastra Bank.
- The bank has prepared plans for providing customer services safely in case the employees of the bank get affected by Covid-19.

The bank has believed that the actions taken by the bank will be sufficient for the uncertainty caused temporarily by the covid-19 in operational and financial performance of the bank. The bank expects for V-Shaped recovery in the economy recession caused by Covid-19.

**5.14 Disclosure of Shareholders holding more than 0.5% of total Shareholding**

Holder No.	Shareholder Name	Qty	Percentage (in %)
1	Jeni Joshi	476,885.83	5.96%
2	Sudhir Man Maskey	455,687.64	5.70%
3	Saroj Kaji Tuladhar	316,335.80	3.95%
4	Raja Ram Joshi	296,163.64	3.70%
5	Sworga Man Singh Shrestha	281,972.57	3.52%
6	Parameshwar Bhakata Malla	278,411.04	3.48%
7	Jayakar Prasad Gauchan	245,305.98	3.07%
8	Manju Maskey Amatya	239,603.02	3.00%
9	Indira Joshi	164,545.38	2.06%
10	Arun Agrawal	159,779.61	2.00%
11	Najma Khan	153,001.29	1.91%
12	Panna Ratna Tuladhar	138,103.84	1.73%
13	Bijay Bahadur Shrestha	126,305.58	1.58%
14	Rajendra Tuladhar	123,100.80	1.54%
15	Jyoti Kumari Sarawagi	116,465.01	1.46%
16	Keshab Tuladhar	115,299.17	1.44%
17	Assets Nepal	110,192.84	1.38%
18	Sefina Maskey	110,192.84	1.38%
19	Damar Keshar Shrestha	91,800.55	1.15%
20	Ramhari Poudel	79,051.24	0.99%
21	Surya Capital Pvt. Ltd.	78,154.27	0.98%
22	Ramita Shrestha	71,555.96	0.89%
23	Shashi Kant Agarwal	67,319.89	0.84%
24	Anish Tuladhar	56,366.12	0.70%
25	Romi Ratna Tuladhar	56,122.71	0.70%
26	Kedar Narayan Manandhar	51,994.92	0.65%
27	Mahendra Kumar Goyal	51,504.13	0.64%
28	Dharma Bhakta Balla	50,524.52	0.63%
29	Manohar Krishna Shrestha	49,356.62	0.62%
30	Raja Ratna Tuladhar	48,320.28	0.60%
31	Sumit Kumar Agarwal	46,919.36	0.59%
32	Moti Prabha Tuladhar	46,693.68	0.58%
33	Nil Devi Tuladhar	46,693.68	0.58%
34	Hari Krishna Dangol	40,982.26	0.51%

**5.15 Additional Disclosure for Accrued Interest Receivable (AIR)****Statement Showing AIR Adjustment**

Particulars	Amount (Rs.)
AIR opening 2076.04.01	31,433,852.34
Addition for the Period	76,354,829.57
AIR Closing 2077.03.31	110,445,899.91
AIR for loan and advances overdue for more than 12 months	2,657,218.00
AIR for other than loan and advances overdue for more than 12 months	107,788,681.91
Interest income received till Ashwin End	48,854,685.35

**5.16 Additional Disclosure****5.16.1 Regulatory Reserve**

Regulatory Reserve is composed of AIR income included in Interest Income as per Accrual Basis of Accounting, Losses on remeasurement of Actuarial Liabilities, Provisions for Losses in Investment whose carrying cost is lower than Market Value, Provisions for Non-Banking Assets. Allocation to Regulatory Reserve is made out of profit of FY 2076-77. Compositions of Regulatory Reserve are as follows:

- Interest Receivable as on 2077.03.31 (net of tax and bonus effect) after taking into consideration, interest collected during the first three month of next Fiscal Year.
- For negative balance of fair value reserve as on 2077.03.31.
- For Non-Banking Assets (net of tax and bonus effect) after considering NBA sold within first Quarter.
- Losses on remeasurement of Defined Benefit Obligation (net of tax effect) which has been charged to OCI, is allocated to Regulatory Reserve.

Particulars	Creation Due to					Total
	AIR	Actuarial Loss	Investment Loss	Provision for NBA	Fair Value	
Opening Regulatory Reserve as on 2076.04.01	13,771,126	6,425,507	36,523,021	40,257,788		96,977,442
Creation	17,325,091				27,309,940	44,635,031
Reversal	-	(5,506,459)	(36,523,021)	(14,148,519)		(56,177,999)
Closing As on 2077.03.31	31,096,217	919,048	-	26,109,269	27,309,940	85,434,474

**5.16.2 Proposed Distributions (Dividends and Bonus Shares)**

The Board has recommended 12% (including tax) as cash dividend for the reported year, 2019-20. This proposal of the Board of Directors is subject to the ratification by the annual general meeting of the shareholders. The proposed distribution shall be recognized in equity in the period in which they are paid.

## Comparison Between Unaudited and Audited Financial Statement

Statement of Financial Position	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			Amount	%	
<b>Assets</b>				<b>0.00%</b>	
Cash and Cash Equivalent	1,262,761,591	1,275,487,862	12,726,271	1.01%	
Due from Nepal Rastra Bank	294,630,303	294,630,303	-	0.00%	
Placement with Bank and Financial Institutions		-	-	0.00%	
Derivative Financials Instrument		-	-	0.00%	
Other Trading Assets		-	-	0.00%	
Loans and Advances to Bank and Financial Institutions	284,805,457	278,421,581	(6,383,876)	-2.24%	
Loans and Advances to Customers	6,451,382,457	6,479,343,619	27,961,162	0.43%	Change in Ammortization of Loans
Investment Securities	2,003,306,307	1,985,923,038	(17,383,269)	-0.87%	
Current Tax Assets		10,461,719	10,461,719	0.00%	
Investment in Subsidiaries		-	-	0.00%	
Investment in Associates		-	-	0.00%	
Investment Property	51,572,816	51,572,816	-	0.00%	
Property and Equipment	346,324,987	346,480,835	155,848	0.05%	Included in other Assets
Goodwill and Intangible Assets	793,757	635,006	(158,751)	-20.00%	Included in other Assets
Deferred Tax Assets		-	-	0.00%	Included in other Assets
Other Assets	205,104,010	130,666,272	(74,437,738)	-36.29%	Included in other Assets
<b>Total Assets</b>	<b>10,900,681,685</b>	<b>10,853,623,050</b>	<b>(47,058,634)</b>	<b>-0.43%</b>	<b>Consequential effect of above items.</b>

<b>Liabilities</b>					
Due to Bank and Financial Institutions	1,040,735,840	1,639,735,840	599,000,000	57.56%	Due to reclassification of liability
Due to Nepal Rastra Bank	41,815,239	41,815,239	-	0.00%	-
Derivative Financials Instrument		-	-	0.00%	-
Deposits from Customers	7,453,262,878	7,453,262,878	0	0.00%	
Borrowings	599,000,000	-	(599,000,000)	-100.00%	Due to reclassification of liability
Current Tax Liabilities	44,460,611	-	(44,460,611)	-100.00%	Due to reclassification of liability
Provisions	0	-	-	0.00%	-
Deferred Tax Liabilities		28,501,975	28,501,975	0.00%	-
Other Liabilities	243,530,568	219,492,083	(24,038,486)	-9.87%	Due to reclassification of liability
Debt Securities Issued	247,370,331	247,449,233	78,903	0.03%	-
Subordinated Liabilities		-	-	0.00%	-
<b>Total Liabilities</b>	<b>9,670,175,466</b>	<b>9,630,257,247</b>	<b>(39,918,219)</b>	<b>-0.41%</b>	<b>Consequential effect of above items.</b>



Equity					
Share Capital	800,000,000	800,000,000	-	0.00%	
Share Premium	2,475,548	2,475,548	(0)	0.00%	
Retained Earnings	54,122,887	109,682,533	55,559,646	102.65%	Due to reclassification from Reserve & Surplus
Reserves	373,907,784	311,207,723	(62,700,061)	-16.77%	Due to reclassification to Retained earning
<b>Total Equity Attributable to Equity Shareholders</b>	<b>1,230,506,219</b>	<b>1,223,365,803</b>	<b>(7,140,416)</b>	<b>-0.58%</b>	
Non Controlling Interest	-	-	-	0.00%	
<b>Total Equity</b>	<b>1,230,506,219</b>	<b>1,223,365,803</b>	<b>(7,140,416)</b>	<b>-0.58%</b>	
<b>Total Equity and Liabilities</b>	<b>10,900,681,685</b>	<b>10,853,623,050</b>	<b>(47,058,634)</b>	<b>-0.43%</b>	<b>Consequential effect of above items.</b>

Statement of Profit and Loss	As per Unaudited	As per Audited Financial Statement	Variance		Reasons for Variance
			Amount	%	
Interest Income	1,040,937,853	1,038,280,635	(2,657,218)	-0.26%	AIR considered as Income
Interest Expenses	769,695,296	769,774,198	78,903	0.01%	due to rounding
Net Interest Income	271,242,557	268,506,436	(2,736,121)	-1.01%	
Fee and Commission Income	94,017,395	104,667,100	10,649,705	11.33%	Including Commission incomes previously classified under Other Operating Income
Fee and Commission Expenses		-	-	0.00%	Reclassification from operating expenses
Net Fee and Commission Income	94,017,395	104,667,100	10,649,705	11.33%	
Net Interest, Fee and Commission Income	365,259,952	373,173,536	7,913,584	2.17%	
Net Trading Income		-	-	0.00%	-
Other Operating Income	15,178,247	14,626,809	(551,438)	-3.63%	Few Commission incomes previously classified under Other Operating Income
Total Operating Income	380,438,199	387,800,345	7,362,146	1.94%	-
Impairment Charge/(reversal) for loans and other losses	36,336,858	11,837,073	(24,499,785)	-67.42%	Due to recalculation of provision
Net Operating Income	344,101,341	375,963,272	31,861,931	9.26%	-
Operating Expenses		-	-	0.00%	
Personnel Expenses	91,959,455	96,670,372	4,710,917	5.12%	Revised calculation of Interest on staff loan
Other Operating Expenses	83,527,188	83,895,815	368,627	0.44%	Depreciation included within other operating expense.
Depreciation & Amortization	18,254,601	18,257,504	2,903	0.02%	Depreciation included within other operating expense.
Operating Profit	150,360,097	177,139,582	26,779,485	17.81%	-
Non Operating Income	1,951,516	37,900	(1,913,616)	-98.06%	Due to reclassification of other operating income
Non Operating Expenses		-	-	0.00%	-
Profit before Income Tax	152,311,613	177,177,482	24,865,869	16.33%	-
Income Tax Expenses		-	-	0.00%	-
Current Tax	44,460,611	49,489,946	5,029,335	11.31%	Due to change in profit

Deferred Tax		14,025,109	14,025,109	0.00%	Deferred tax calculation not made.
Profit for the Period	107,851,002	113,662,426	5,811,424	5.39%	Consequential effect of above items.

Consolidated Statement of Comprehensive Income	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			Amount	%	
Profit/(Loss) for the period	107,851,002	113,662,426	(5,811,424)	-5.39%	-
Other Comprehensive Income	6,091,212	(8,112,288)	14,203,500	233.18%	NFRS Adjustment and Change in Actuary Valuation
Total Comprehensive Income	113,942,214	105,550,139	8,392,075	7.37%	Consequential effect of above items.





**नेपाल राष्ट्र बैंक**  
वित्त कम्पनी सुपरिवेक्षण विभाग  
गैर-स्थलगत सुपरिवेक्षण इकाई



केन्द्रीय कार्यालय  
बालुवाटार, काठमाडौं  
फोन : ४४९९८०४/४४९९२५०  
फ्याक्स : ४४९५९५८  
इमेल : fsidreportsfc@nrb.org.np  
Web : [www.nrb.org.np](http://www.nrb.org.np)  
पोष्ट बक्स : ७३

पत्रसंख्या:- वि.कं.सु.वि./अफसाइट/एजिएम/०६/२०७७-७८/१०९

मिति २०७७/०९/०७

श्री गुडविल फाइनेन्स लिमिटेड  
हात्तीसार, काठमाडौं ।

जि	दिनांक २२/०८/७८
फि	मिति २०७७/०९/०७
न	

विषय: लाभांश घोषणा/वितरण तथा वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महाशय,

तहाँबाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातका आधारमा आ.व. २०७६/७७ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गरी सार्वजनिक गर्न र प्रस्तावित नगद लाभांश रु.२,८८,००,०००/- र बोनस शेयर रु. ६,७२,००,०००/- आयकर ऐन/नियमावली तथा अन्य प्रचलित कानुनी व्यवस्थाको समेत पालना गरी वार्षिक साधारण सभाबाट स्वीकृत भए पश्चात् मात्रै वितरण गर्न देहायको निर्देशन सहित सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

१. यस बैंकले दिएका निर्देशन पालना गर्न तथा लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका कैफियतहरु सुधार गर्न तथा त्यस्ता कैफियतहरु पुनः दोहोरिन नदिने व्यवस्था गर्नुहुन ।
२. नियमित रुपमा System Audit गर्ने व्यवस्था मिलाउनु हुन ।
३. सम्पत्ति शुद्धीकरण (मनी लाउण्डरिङ्ग) निवारण ऐन, २०६४ (दोस्रो संशोधन, २०७०), सम्पत्ति शुद्धीकरण (मनी लाउण्डरिङ्ग) निवारण नियमावली, २०७३ तथा नेपाल राष्ट्र बैंकबाट जारी भएको एकीकृत निर्देशन तथा परिपत्रका व्यवस्थाहरुको पूर्ण पालना गर्न संचालक समिति र प्रमुख कार्यकारी अधिकृतको ध्यानाकर्षण गराइन्छ ।

उपर्युक्त निर्देशनहरुलाई त्यस संस्थाको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नु हुन समेत अनुरोध गर्दछु ।

भवदीय,



(अमिल सुबेदी)  
सहायक निर्देशक

बोधार्थ :

१. नेपाल राष्ट्र बैंक  
बैंक तथा वित्तीय संस्था नियमन विभाग ।
२. वित्त कम्पनी सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, श्री गुडविल फाइनेन्स लिमिटेड ।




काठमाडौं

१. हात्तिसार

५. डिल्लीबजार

६. इन्द्रचोक

१३. त्रिपुरेश्वर

७. तौमढी

भक्तपुर

कुमारीपाटी

ललितपुर

१२. बुटवल

७. धनगढी

३. चौराही

८. दाङ

नेपालगंज

३. बाँके

## केन्द्रीय तथा शाखाहरू

१. केन्द्रीय क हात्तिसार, काठमाडौं • फोन : ०१-४४४४०३९, फ्याक्स : ०१-४४४३४९४
२. इटहरी, सुनसरी • फोन : ०२५-५८७०५९, फ्याक्स : ०२५-५८७०५०
३. नेपालगंज, बाँके • फोन : ०८१-५२८०५६, फ्याक्स : ०८१-५२८०५८
४. विर्तामोड, भक्तपुर • फोन : ०२३-५४०५४८, फ्याक्स : ०२३-५४०५४९
५. डिल्लीबजार शाखा, काठमाडौं • फोन : ०१-४४२२२९०, फ्याक्स : ०१-४४२२२९१
६. इन्द्रचोक शाखा, काठमाडौं • फोन : ०१-४२२९५५४, फ्याक्स : ०१-४२२९५५५
७. तौमढी, भक्तपुर • फोन : ०१-६६१२०५५, फ्याक्स : ०१-६६२००६८
८. चौराही, दाङ • फोन : ०८२-५६३३५०, फ्याक्स : ०८२-५६३३५२
९. कुमारीपाटी, ललितपुर • फोन : ०१-५००८६९०, फ्याक्स : ०१-५००८६९३
१०. इलाम, • फोन : ०२७-५२०९४९, फ्याक्स : ०२७-५२०९४७
११. फिदिम, पाँचथर • फोन : ०२४-५२९०६८
१२. बुटवल • फोन : ०७९-५४७२८९
१३. त्रिपुरेश्वर • फोन : ०१-४२३९५३३, ४२३९९९२, ४२३९५८३
१४. बर्दिबास • फोन : ०४४-५५०२९९
१५. धनगढी • फोन : ०९९-४९७३५७
१६. नवलपुर • फोन : ०४६-५७००६०

## टिपोट





## टिपोट



## टिपोट



# २५ औं साधारण सभाका केही भलकहर





# A Proud Milestone A Lasting Legacy

We are immensely proud of this milestone  
and stay committed to leave behind  
a lasting legacy of performance,  
excellence & aspirations.