



समृद्धि फाइनान्स

नेपाल राष्ट्र बैकबाट " ग " वर्गको इजाजतपत्र प्राप्त राष्ट्रिय स्तरको वित्तीय संस्था

INTERIM FINANCIAL STATEMENT

As on Poush End 2082

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**Condensed Statement of Financial Position
As on Quarter Ended Poush 2082**

Amount in NPR

Particulars	As on Poush, End, 2082	Immediate Previous Year Ending (Audited)
Assets:		
Cash and Cash Equivalent	114,938,045	377,823,824
Due from Nepal Rastra Bank	746,359,549	587,456,137
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to Banks and FIs	89,271,813	109,562,167
Loans and Advances to Customers	1,969,893,851	1,806,346,884
Investment Securities	275,567,533	208,692,078
Current Tax Assets	12,390,910	11,781,061
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investment Property	173,328,167	176,328,167
Property and Equipment	116,076,883	121,738,805
Goodwill and Intangible Assets	3,192,882	3,551,162
Deferred Tax Assets	61,988,530	61,046,845
Other Assets	32,619,584	25,037,770
Total Assets	3,595,627,748	3,489,364,900
Liabilities:		
Due to Banks and FIS	21,013,941	126,940,486
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	2,990,923,697	2,783,166,227
Borrowings	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	92,665,642	87,206,054
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	3,104,603,280	2,997,312,767
Equity		
Share Capital	818,911,400	818,911,400
Share Premium	19,703,286	19,703,286
Retained Earnings	(617,400,331)	(620,470,698)
Reserves	269,810,113	273,908,145
Total Equity Attributable to Equity Holders	491,024,468	492,052,133
Non-Controlling Interest	-	-
Total Equity	491,024,468	492,052,133
Total Liabilities and Equity	3,595,627,748	3,489,364,900
Net worth per share	59.96	60.08

**Condensed Statement of Profit or Loss
For the Quarter ended Poush, 2082**

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	66,110,906	124,423,484	65,424,748	133,213,418
Interest Expenses	43,503,048	88,482,331	46,228,639	94,452,660
Net Interest Income	22,607,858	35,941,153	19,196,109	38,760,758
Fee and Commission Income	4,165,791	7,486,911	3,114,293	5,695,373
Fee and Commission Expenses	-	-	-	-
Net Fee and Commission Income	4,165,791	7,486,911	3,114,293	5,695,373
Net Interest, Fee and Commission Income	26,773,648	43,428,065	22,310,402	44,456,131
Net Trading Income	-	-	-	-
Other Operating Income	795,006	3,359,060	1,996,899	6,871,247
Total Operating Income	27,568,654	46,787,125	24,307,301	51,327,378
Impairment Charge/(Reversal) for Loans and Other Losses	(28,461,436)	(16,946,097)	39,455,419	61,245,491
Net Operating Income	56,030,090	63,733,222	(15,148,117)	(9,918,113)
Personnel Expenses	16,759,999	33,520,972	16,517,678	32,943,379
Other Operating Expenses	6,788,273	15,117,843	7,983,661	16,378,332
Depreciation and Amortization	4,275,841	8,714,385	4,999,504	9,673,812
Operating Profit	28,205,977	6,380,022	(44,648,960)	(68,913,636)
Non-Operating Income	85,342	190,777	(5,967,212)	92,557
Non-Operating Expenses	5,401,200	5,401,200	(5,999,471)	(5,999,471)
Profit Before Income Tax	22,890,120	1,169,600	(44,616,702)	(62,821,608)
Income tax expense	-	-	-	-
Current Tax	-	-	-	-
Deferred Tax	-	-	-	-
Profit/(Loss) for the period	22,890,120	1,169,600	(44,616,702)	(62,821,608)
Basic Earnings Per Share		0.14		(7.67)
Earnings Per Share(Annualized)		0.29		(15.34)
Diluted Earnings Per Share(Annualized)		0.29		(15.34)

Ratios as per NRB Directives

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter(YTD)	This Quarter	Up to This Quarter(YTD)
Capital Fund to RWA		15.73		12.17
Tier 1 Capital to RWA		12.88		0.43
CET 1 Capital to RWA		12.88		10.43
Non-Performing Loan(NPL) to Total Loan		8.17		19.34
Net NPL to Total Loan		1.49		6.59
Total Loan Loss Provision to Total NPL		100.34		75.84
Cost of Funds		5.70		6.85
Credit to Deposit Ratio		72.62		72.93
Base Rate		9.37		10.94
Interest Spread Rate		4.57		4.56
Return on Equity		0.24		(12.77)
Return on Assets		0.03		(1.80)

Notes:

1. This figures are subject to change as per the direction of the Regulator/External Auditor.
2. The above financial have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by the Nepal Accounting Standard Board.
3. Previous year figures have been regrouped, rearranged and reclassified wherever necessary for fair presentation.
4. Loans and advances are presented along with accrued interest and staff loans net of impairment charges.
5. Investment in securities have been marked to market using NFRS 13 Input value and have been measured at fair value through other comprehensive income.
6. The finance has recognized impairment on credit exposures as the HIGHER of total ECL calculated as per NFRS 9 and existing regulatory provisions as mentioned in Unified NRB Directives no 02.
7. The detailed interim report has been published in finance website (www.sfcl.com.np)

Statement of Change in Equity
For the 2nd Quarter ended Poush, 2082

Particulars	Attributable to Equity-Holders of the Finance									
	Share Capital	Share Premium	General Reserve	Exchange Equalization	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
Balance at Shrawan 01, 2082	818,911,400	19,703,286	99,470,647	-	163,968,264	2,847,213	5,089,045	(620,470,698)	2,532,975	492,052,133
Comprehensive Income for the year										
Profit for the year								1,169,600		1,169,600
Other Comprehensive Income, Net of Tax										
Total Comprehensive Income for the year						(2,197,265)				(2,197,265)
Transfer to Reserves during the year			233,920					2,385,041	250,354	2,869,315
Transfer from Reserves during the year					(2,385,041)			(484,273)		(2,869,315)
Transactions with Owners, directly recognized in Equity										
Share Issued										
Share Based Payments										
Dividend to Equity-Holders										
Bonus Shares Issued										
Cash Dividend Paid										
Other										
Total Contributions by and Distributions			233,920		(2,385,041)	(2,197,265)		3,070,367		(1,278,019)
Balance at Poush, 30, 2082	818,911,400	19,703,286	99,704,567	-	161,583,223	649,948	5,089,045	(617,400,331)	2,783,329	491,024,468

Statement of Cash Flow
For the 2nd Quarter ended Poush, 2082

Particulars	Current Year Upto this Quarter	Corresponding Previous Year Upto this Quarter
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received (+)	119,378,883	85,080,824
Fees and other income received (+)	7,486,911	5,695,373
Divided received (+)	3,321,132	-
Receipts from other operating activities (+)	190,777	1,793,127
Interest paid (-)	(86,425,140)	(92,126,225)
Commission and fees paid (-)	-	-
Cash payment to employees (-)	(33,520,972)	(27,220,747)
Other expense paid (-)	(15,117,843)	(16,378,332)
Operating cash flows before changes in operating assets and liabilities	(4,686,251)	(43,155,979)
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	(158,903,412)	(8,254,014)
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	20,290,353	(138,828,413)
Loans and advances to customers	(146,957,468)	171,985,000
Other assets	(7,581,814)	(20,306,848)
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	(105,926,545)	(100,834,367)
Due to Nepal Rastra Bank	-	-
Deposit from customers	207,757,471	281,929,050
Borrowings	-	-
Other liabilities	3,402,397	31,440,574
Net cash flow from operating activities before tax paid	(192,605,270)	173,975,002
Income taxes paid (-)	(609,849)	(679,115)
Net cash flow from operating activities	(193,215,119)	173,295,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(70,014,406)	(279,186,108)
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(2,694,182)	-
Receipt from the sale of property and equipment	-	-
Purchase of intangible assets	-	-
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-

Receipt from the sale of investment properties	3,037,928	-
Interest received	-	-
Dividend received	-	5,170,677
Net cash used in investing activities	(69,670,660)	(274,015,431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	-
Dividends paid	-	-
Interest paid	-	-
Other receipt/payment	-	2,481,000
Net cash from financing activities	-	2,481,000
Net increase (decrease) in cash and cash equivalents	(262,885,779)	(103,200,544)
Cash and cash equivalents at beginning of the year	377,823,824	480,708,517
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Cash and cash equivalents at Poush End, 2082	114,938,046	377,507,973

Partnership for Prosperity

**Statement of Distributable Profit or Loss
For the 2nd Quarter ended Poush, 2082(As per NRB Regulation)**

Particulars	Current Year Upto this Quarter YTD	Previous Year Corresponding Quarter YTD
Net profit or (loss) as per statement of profit or loss	1,169,600	(62,821,608)
Appropriations:		
a. General reserve	(233,920)	
b. Foreign exchange fluctuation fund	-	
c. Capital redemption reserve	-	
d. Corporate social responsibility fund	(11,696)	
e. Employees' training fund	(238,658)	
f. Other		
CSR Fund	-	
Reversal of Fair Value Reserve	-	
Profit or (loss) before regulatory adjustment	685,326	(62,821,608)
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	2,510,698	(15,362,704)
b. Short loan loss provision in accounts (-)/reversal (+)	-	
b. Short loan loss provision in investment (-)/reversal (+)	-	
d. Short loan loss provision on Non-Banking Assets (-)/reversal (+)	4,895,739	13,464,940
e. Deferred tax assets recognized (-)/ reversal (+)	-	(332,594)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	
g. Bargain purchase gain recognised (-)/reversal (+)	-	
h. Actuarial loss recognised (-)/reversal (+)	-	
i. Other (+/-)	-	776,053
Net Profit for the Quarter End 30th Poush, 2082 available for distribution	3,070,367	(65,828,020)
Opening Retained Earning as on Shrawan 1 2082	(620,470,698)	(618,320,598)
Adjustment(+/-)		3,952,127
Distribution:		
Bonus Share Issued	-	
Cash Dividend Paid	-	-
Total Distributable profit or (loss) as on Qtr. end date	(617,400,331)	(680,196,491)
Annualized Distributable Profit/Loss per share	(75.39)	(83.06)

Notes to Interim Financial Statements

1. Basis of Preparation

The interim financial statements of the Finance have been prepared on going concern basis and under historical conventions except where the standards require otherwise.

Further, the financial statements have been prepared on accrual basis of accounting except the cash flow information which is prepared, on a cash basis, using the direct method.

2. Statement of Compliance with NFRS

The Interim Financial Statements of the Finance have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS)-NAS 34 “Interim Financial Reporting” as published by the Accounting Standards Board (ASB) Nepal and pronounced by “The Institute of Chartered Accountants of Nepal” (ICAN) and in compliance with BAFIA 2073 and Unified Directives 2081 issued by Nepal Rastra Bank and all other applicable laws and regulations.

The formats used in the preparation of the Financial Statements and the disclosures made therein comply with the specified formats prescribed by Nepal Rastra Bank for the preparation, presentation and publication of Interim Financial Statements.

The Condensed Interim Financial Statement comprise of:

- Condensed Statement of Financial Position
- Condensed Statement of Profit or Loss
- Condensed Statement of Comprehensive Income
- Condensed Statement of Changes in Equity
- Condensed Statement of Cash Flows
- Notes to Interim Financial Statements and
- Ratios as per NRB Directive
- Statement of Distributable Profit (As per NRB Regulation)

3. Reporting Period

Reporting Period is a period from the first day of Shrawan of any year to the last day of quarter end, i.e; Ashoj, Poush, Chaitra and Ashadh as per Nepali calendar.

	Nepali Calendar	English Calendar
Current Year Period	1st Kartik 2082 to 30 th Poush, 2082	18 th October, 2025 to 14 th January, 2026
Previous Year Period	1 st Kartik 2081 to 29 th Poush, 2081	17 th October, 2024 to 13 th January 2025

4. Functional and Presentation Currency

The Financial Statements of the Finance are presented in Nepalese Rupees (Rs), which is the functional and presentation currency of the Finance. The figures are rounded to nearest integer, except otherwise indicated.

5. Comparative Information

Comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's interim financial statement and re-classified wherever necessary to conform to current period presentation. Further, audited Financials has been taken into consideration for Comparison purpose.

6. Uses of Estimates, assumptions and judgments

The preparation of financial statements requires the management to make estimates and assumptions that are considered while reporting amount of assets and liabilities (including contingent assets and liabilities) as of the date of the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

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

- Measurement of defined benefit obligations.
- Provisions, commitments and contingencies.
- 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.
- Impairment on loans and advances (Higher of provision for loan loss calculated as per NRB and Impairment loss calculated as per NFRS 9- Expected Credit Loss Related Guidelines, 2024).

7. Change in Accounting Policies

The Finance has applied its accounting policies consistently from year to year except for some comparatives have been grouped or regrouped to facilitate comparison, corrections of errors and any deviations from the same have been explicitly mentioned.

8. Significant Accounting Policies

The accounting policies applied and method of computation followed in the preparation of the consolidated interim financial statement is in consistent with the accounting policies applied and method of computation followed in preparation of the annual financial statement.

8.1 Cash and Cash Equivalent

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

8.2 Financial Assets and Financial Liabilities

The Finance determines the classification of its financial instruments (assets and liabilities) at initial recognition. The classification of financial instruments is done as:

- Financial assets or liabilities held-for-trading

- Financial assets or liabilities held at fair value through profit or loss
- Financial Instruments measured at amortized cost
- Financial Investments at FVTOCI

8.2.1 Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Finance becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

8.2.2 Classification

The classification of financial instruments at initial recognition depends on the purpose and the management’s intention for which the financial instruments are acquired and their characteristics.

a. Financial assets or liabilities held-for-trading

Financial assets / liabilities held for the purpose of selling in the short term and for which there is a recent pattern of short term profit taking. The Finance has not designated any financial assets and liabilities upon initial recognition as held for trading.

b. Financial assets or liabilities designated at fair value through profit or loss

Management designates an instrument at fair value through profit or loss upon initial recognition when the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.

The Finance has not designated any financial assets and liabilities upon initial recognition as at fair value through profit or loss.

c. Financial Instruments measured at amortized cost

These financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Finance has the intention and ability to hold to maturity. After initial measurement, such financial investments are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less impairment. Amortized cost is generally calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

Included in this classification are loans and advances, treasury bills, government bonds and other debt securities.

d. Financial Assets and liabilities measured at fair value through other comprehensive income

These investments include equity and debt securities. Equity investments classified as FVOCI are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. After initial measurement, such financial investments are subsequently measured at fair value.

8.2.3 Measurement

Initial Measurement

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

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

Subsequent Measurement

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

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

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

8.2.4 De-recognition

Financial assets are derecognized when the right to receive cash flows from the assets have expired or where the Finance has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Finance has retained control, the assets continue to be recognized to the extent of the Finance's continuing involvement. Financial liabilities are derecognized when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expired.

8.2.5 Determination of Fair Value

Fair value is the amount for which an asset could be exchanged or a liability be settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair values are determined according to the following hierarchy as per NFRS 13:

Level 1 input are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3 inputs are unobservable inputs for the asset or liability.

The finance measures the fair value of an instrument using quoted prices in an active market if available. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transaction on arm's length basis.

Further, all unquoted equity investments are recorded at cost.

8.2.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when and only when Finance has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under NFRSs or for gains and losses arising from a group of similar transaction such as in trading activity.

8.2.7 Impairment of Financial Assets and Liability

Loans & Advances: The Finance, following regulatory backstop as mentioned in Clause 16 of “NFRS 9- Expected Credit Loss Related Guidelines, 2024” has recognize impairment on credit exposures as the HIGHER of total ECL calculated as per NFRS 9 and existing regulatory provisions as mentioned in Unified NRB Directives no 02.

The Finance recognizes impairment on loans and advances as the higher of the amount computed as per the norms prescribed by the Regulator and amount determined as per paragraph 5.5 of NFRS – 9. Impairment calculation has been done based on the above criteria, where Expected Credit Loss (ECL) Method for impairment has been adopted.

Under the norms prescribed by the Regulator, impairment is provisioned from 1% to 100% of the outstanding balance depending on the categorization of the individual loans & advances.

For assessment of impairment under NFRS 9, Finance categorizes the credit facilities into three stages based on the various level of Credit Risk, where historical information is considered only as an anchor and are adjusted for current condition and future forecast, as below:

Stage 1 - Instrument determined to have low credit risk like “Investment grade” instrument” are fall under this bucket, where 12-months expected credit loss is calculated at day 1 at the pre-calculated loss rate.

Stage 2 - Changes in risk of default occurring over expected life of the instruments i.e. instruments with rebuttable presumptions of contractual payments more than 1 month past due fall under this bucket. Here lifetime expected credit losses are calculated.

Stage 3 - Credit impaired or loss incurred credit or Counterparty that has defaulted or will default immediately. For this classification, more than 3 months past due credit are considered as quantitative threshold.

Particulars Criteria	Stage-1	Stage -2	Stage -3
	Where credit has not significantly increased since Initial Recognition	Significant Increase in Credit Risk	Credit Impaired
Credit Risk	Low	Moderate to High	Significant
ECL Model	Twelve-month ECL	Lifetime ECL	Lifetime ECL
Interest Income Recognition	Based on coupon interest rate on principal outstanding for all assets	Based on coupon interest rate on principal outstanding for all assets	Based on cash basis approach

In particular, management judgment is required in the estimation of the amount and timing of future

cash flows when determining the impairment loss, remaining within the provisions of NFRS 9- Expected Credit Loss Related Guidelines, 2024 issued by Nepal Rastra Bank. Here, Expected Credit Loss Method requires major assessment on whether there is significant increase in Credit Risk of the Counterparty for identification of the multiple stages of credit risk. Major indicators considered are:

- Significant changes in internal price indicators of credit risk;
- Changes in the rates or terms of an existing financial instrument due to changes in credit risk of the instrument;
- Significant changes in external market indicator of credit risk;
- Internal credit rating downgrade for the borrower;
- Adverse changes in business, financial or economic Conditions;
- Significant change in the operating results of the borrower;
- Significant changes in the value of the collateral or guarantee provided;

Significant changes in the expected performance and behavior of the borrower

Financial investments at FVOCI:

For these financial investments, the Finance assesses at each reporting date whether there is objective evidence that an investment is impaired. The Finance assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost.

In the case of equity investments, objective evidence would also include a ‘significant’ or ‘prolonged’ decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized in other comprehensive income.

8.3 Reversal of Impairment

If the amount of an impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by reducing the financial asset Impairment allowance account accordingly. The write-back is recognized in the Statement of Profit or Loss.

8.4 Write-off of Financial Assets Carried at Amortized Cost

Financial assets (and the related impairment allowance accounts) are normally written off either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

Collateral Valuation

The Finance seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Nepal Rastra Bank. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuator and audited financial statements.

8.5 Collateral Legally Repossessed or Where Properties Has Devolved to the Finance

Legally Repossessed Collateral represents Non-Financial Assets acquired by the Finance in settlement of the overdue loans. The assets are initially recognized at fair value when acquired. The Finance's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. The proceeds are used to reduce or repay the outstanding claim. The immovable property acquired by foreclosure of collateral from defaulting customers, or which has devolved on the Finance as part settlement of debt, has not been occupied for business use.

These assets are shown as Legally Repossessed Collateral under "Other Assets."

8.6 Trading Assets

One of the categories of financial assets at fair value through profit or loss is "held for trading" financial assets. All financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short term profit taking are trading assets.

8.7 Derivative financial Instrument

The finance does not have any Derivative Financial Instruments.

8.8 Property Plant and Equipment

8.8.1 Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Finance applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets.

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

8.8.2 Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

8.8.3 Cost Model

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

8.8.4 Revaluation Model

The Finance has not applied the revaluation model to the any class of freehold land and buildings or other assets. Such properties are carried at a previously recognized GAAP Amount.

On revaluation of an asset, any increase in the carrying amount is recognized in 'Other comprehensive income' and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease

relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

8.8.5 Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Finance and it can be reliably measured. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

8.8.6 Depreciation

Depreciation is calculated by using the written down value method on cost or valuation of the Property & Equipment other than freehold land and leasehold properties. Depreciation on leasehold properties is calculated by using the straight line method on cost or valuation of the property. The rates of depreciations are given below:

Asset Category	Rates	Salvage Value
Building	5%	0%
Leasehold Properties	10%	0%
Computer & Accessories	25%	0%
Vehicle	20%	0%
Furniture & Fixture	25%	0%
Machinery	15%	0%
Equipment & Others	15%	0%

Depreciation on newly acquired property and equipment's are charged from the date of booking. Depreciation of property and equipment ceases when it is de-recognized at the time of its disposal.

8.8.7 Changes in Estimates

The asset's methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end

8.8.8 Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

8.8.9 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of an asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Finance incurs in connection with the borrowing of funds.

8.8.10 De-recognition

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

8.9 Goodwill and Intangible Assets

8.9.1 Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Finance in previous annual Financial Statements or interim Financial Statements are not recognized as part of the cost of an intangible asset at a later date.

8.9.2 Computer Software & Licenses

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Finance, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

8.9.3 Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Goodwill is measured at cost less accumulated impairment losses.

8.9.4 Amortization of Intangible Assets

Intangible Assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the finance. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Finance assumes that there is no residual value for its intangible assets.

8.9.5 De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on de recognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

8.10 Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Finance as non-banking assets but not sold as on the reporting date. The Finance holds investment property that has been acquired through enforcement of security over the loans and advances.

Investment properties are initially measured at cost, including transaction costs. Subsequently all investment properties (without exception) are reported at fair value with any gains or losses in fair value

reported in the income statement as they arise. The fair value used is that which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction and should reflect market conditions at the balance sheet date.

Investment properties are derecognized when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

8.11 Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

8.12 Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

8.13 Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except: Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in Subsidiaries, deferred tax assets are recognized 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 difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

8.14 Deposit and Liabilities

Deposit and liabilities are the Finance's sources of funding. Deposits include noninterest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The fair value of fixed interest bearing deposits is considered as the interest receivable on these deposits plus carrying amount of these deposits. The fair value of debt securities issued is also considered as the carrying amount of these debt securities issued. Sub-ordinate liabilities are liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors.

As per NFRS-09 regarding Financial Instruments recognition and measurement, EIR rate is to be used for booking such interest expense and when calculating the EIR, an entity shall estimate cash flows considering all contractual term of the financial instrument but not credit loss, which includes the fees and points received or paid, transaction costs, premiums, discounts, when calculating EIR, all these transaction costs shall be considered unless it is immaterial or impracticable to do so.

8.15 Provision

A provision is recognized if, as a result of a past event, the Finance has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Finance from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provisions are not recognized for future operating losses.

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

8.16 Revenue Recognition

As per NAS 18 “Revenue” Revenue is recognized to the extent that it is probable that the economic benefits will flow to Finance and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

8.16.1 Interest Income

For all financial assets measured at amortized cost, interest bearing financial assets classified as available-for-sale interest income is recorded using the rate that closely approximates the EIR because the Finance considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Similarly, interest bearing financial assets classified as Fair value through Profit and loss Effective interest is not recognized on such instruments. As transaction cost on such instruments are directly recognized in the statement of Profit and loss.

Further, as per the carve out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately and separate EIR computation for every customer seems impracticable, such transaction costs of all previous years has not been considered when computing EIR. Due to impracticability, such relevant costs are ignored, due to which EIR rate equals to the rate provided to customers and therefore, income recognized by system on accrual basis has been considered as income.

8.16.2 Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income.

Fees and other commission income are recognized on accrual basis.

8.16.3 Dividend Income

Dividend income is on equity instruments are recognized in the statement of profit and loss within other income when the Finance’s right to receive payment is established.

8.16.4 Net Trading Income

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as wells as unrealized changes in fair value of trading assets and liabilities.

8.16.5 Net Income from other financial instrument at fair value through profit or loss

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No other financial instrument is designated at fair value through profit or loss. The Finance has no income under the heading net income from other financial instrument at fair value through profit or loss.

8.16.6 Interest Expense

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate, interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

8.16.7 Employee Benefits

Employee benefits include:

- Short-term employee benefits such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
 - i. Wages, salaries and social security contributions;
 - ii. Paid annual leave and paid sick leave;
 - iii. Profit sharing and bonuses, and
 - iv. Non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;Short term employee benefits are measured on an undiscounted basis and are expenses as the related service is provided.
- Termination Benefits
- Other long term benefit
- Post-employment benefits, such as the following:

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the Finance pays fixed contribution into a separate Finance (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

Gratuity

An actuarial valuation is carried out every year to ascertain the full liability under gratuity. The calculation is performed using project unit credit method. However, actuarial valuation has not been done in quarterly financials and hence will be adjusted in Annual Financials.

Unutilized Accumulated Leave

Finance's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Finance's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Finance's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise. However, actuarial valuation has not been done in quarterly financials and hence will be adjusted in Annual Financials.

A. Information About Reportable Segments

Particulars	Bagmati	Koshi	Madhesh	Gandaki	Lumbini	Unallocated	Total
Revenue from external customers	18,877,270	885,521	2,098,925	248,967	781,692	-	22,892,375
Intersegment revenues	-	-	-	-	-	-	-
Net revenue	18,877,270	885,521	2,098,925	248,967	781,692	-	22,892,375
Interest income	69,180,035.66	10,351,308.19	16,304,416.83	5,438,458.71	11,304,213.91	-	112,578,433
Interest expenses	50,754,886.52	4,414,746.47	12,657,690.17	5,889,348.43	12,708,468.72	-	86,425,140
Net interest revenue	18,425,149	5,936,562	3,646,727	(450,890)	(1,404,255)	-	26,153,293
Staff expenses	22,891,841	2,163,472	4,142,026	1,464,509	2,859,123	-	33,520,972
Operating expenses	19,138,494	1,527,867	2,730,643	751,749	1,677,829	-	25,826,581
Depreciation and amortization	4,016,012	315,400	621,834	129,431	342,871	-	5,425,547
Impairment loss/(gain)	(17,485,620)	431,361	1,348,351	(1,153,775)	(86,412)	-	16,946,095
Other expenses	-	-	-	-	-	-	-
Total segment expenses	28,609,791	4,438,100	8,842,853	1,191,914	4,793,410	-	47,876,068
Segment profit/(loss)	8,692,629	2,383,982	(3,097,201)	(1,393,837)	(5,415,973)	-	1,169,600
Entity's interest in the profit or loss of associate accounted for using equity method							
Other material non-cash items:							
Loans	1,292,650,538	206,749,835	362,291,594	106,231,992	219,379,672	-	2,187,303,631
Deposits	1,499,778,854	196,069,665	571,714,981	255,637,144	488,700,655	-	3,011,901,299
Impairment of Assets	161,793,605	2,357,921	4,975,034	6,605,981	3,667,585	-	179,400,127
Segment Assets	2,039,213,502	223,827,750	397,123,082	122,276,526	242,154,581	571,032,307	3,595,627,748
Segment Liabilities	2,011,362,542	221,473,894	500,497,991	123,698,299	247,570,554	491,024,468	3,595,627,748

B. Reconciliation of reportable segment profit or loss

Particulars	Current Quarter
Total Profit before tax for reportable segment	1,169,600
profit before tax for other segment	-
Elimination of intersegment profit	-
Elimination of discontinues operation	-
Uncollected Amounts:	-
-Other Corporate Expenses	-
Profit before tax	1,169,600



10. Related Party Disclosure

The related parties of the Finance which meets the definition of related parties as defined in “NAS 24 Related Party Disclosures” are as follows-

As per Para 9 of NAS 24

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Compensation to the Members of the Board

All the members of the Board are non-executive directors and no executive compensation is paid to the directors. Specific non-executive allowances paid to the directors till current period ended Poush, 2082 are as under.

Particulars	Amount
Board Meeting Fees	279,000
Committee Sitting Fees	84,000
Other Allowances	136,000
Board Meeting Expenses	84,913
Total	583,913

These allowances are approved by the Annual General Meeting of the finance.

The remuneration and benefits paid to Key Management Personnel (KMP) amounts to Rs. 44,92,191.

11. Dividend paid (aggregate or per share) Separately for ordinary shares and other shares

The Finance has not proposed any dividend in this year.

12. Issued, repurchases and repayments of debt and equity securities

There are no issues, repurchase and repayments of debt and equity securities during the interim period as on 30th Poush, 2082.

13. Events after Interim Period

The Finance monitors and assesses events that may have potential impact to qualify as adjusting and/or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

There are no material events that have occurred subsequent to the reporting date till the publication of this interim financial statement.

14. Effect of changes in the composition of the entity during the interim period including merger and acquisition

The finance has signed MOU of merger with Pokhara Finance Limited and is planning for joint operation within 6 months. However, this merger may not affect the changes in the composition of the entity in the second quarter ended, 30th Poush, 2082.

The End