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Fiscal Year: 2080/81

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Office Type: Listed Public Company	Office Name: Simriddhi Finance Company Limited
Type of Audit Opinion: Unqualified Opinion	Period (AD): 2023-07-17 to 2024-07-15
Office PAN: 300578784	

Financial figures

S.N.	Heading	Amount
1	Total Asset/Liabilities	NRs. 3045302782
2	Gross Revenue/Turnover	NRs. 285820777
3	Gross Expenses	NRs. 421943887
4	Net Profit Or Loss	NRs. -136123110

Status: Active Document

Document Description:

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Samridhi Finance Company Limited

Statement Of Financial Position
As on Ashad end 2081

Particulars	Note	Ashad End 2081	Ashad End 2080
Assets			
Cash and cash equivalent	4.1	480,708,517	409,276,934
Due from Nepal Rastra Bank	4.2	124,330,689	126,039,696
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	145,308,364	15,554,506
Loans and advances to customers	4.7	1,441,899,541	1,513,181,054
Investment securities	4.8	501,809,181	315,737,612
Current tax assets	4.9	8,067,763	5,676,865
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	130,211,831	113,576,768
Property Plant and Equipment	4.13	133,101,987	141,749,889
Goodwill and Intangible assets	4.14	2,998,803	2,717,783
Deferred tax assets	4.15	37,103,341	25,767,797
Other assets	4.16	39,762,766	35,827,406
Total Assets		3,045,302,782	2,705,106,312
Liabilities			
Due to Bank and Financial Institutions	4.17	153,969,560	354,755,041
Due to Nepal Rastra Bank	4.18	-	-
Derivative financial instruments	4.19	-	-
Deposits from customers	4.20	2,305,546,370	1,610,643,985
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	-	-
Deferred tax liabilities	4.15	-	-
Other liabilities	4.23	115,064,121	105,849,931
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
Total Liabilities		2,574,580,051	2,071,248,957
Equity			
Share Capital	4.26	818,911,400	818,911,400
Share premium		19,703,286	19,703,286
Retained Earnings		(618,320,598)	(439,269,534)
Reserves	4.27	250,428,643	234,512,204
Total Equity Attributable To Equity Holders		470,722,731	633,857,355
Non-Controlling Interest		-	-
Total Equity		470,722,731	633,857,355
Total Liabilities & Equity		3,045,302,782	2,705,106,312
Contingent liabilities and commitment	4.28	-	-
Net assets value per share		57.48	77.40

Himal Oli
Chief Financial Officer

Tika Nidhi Lohani
Chief Executive Officer

Thakur Prasad Bhattarai
Chairman

Binod Kumar Subedi
Director

Durga Thapa
Director

Sudip Ghimire
Director

Sujan Adhikari
Director

Dinesh Kumar Bartaula
Director

Janga Bahadur Hamal
Director

As per our report of even date

CA. Hem Kumar Kafle
Partner
H.D.S.D. Associates
Chartered Accountants

Place: Kathmandu
Date: 2081/06/29

Samriddhi Finance Company Limited

Statement Of Profit or Loss
For the year ended Ashad 2081

Particulars	Note	Current Year	Previous Year
Interest income	4.29	251,562,050	257,460,673
Interest expense	4.30	170,481,624	186,845,208
Net interest income		81,080,426	70,615,465
Fee and commission income	4.31	7,107,883	6,109,334
Fee and commission expense	4.32	-	-
Net fee and commission income		7,107,883	6,109,334
Net interest, fee and commission income		88,188,309	76,724,799
Net trading income/(expenses)	4.33	-	-
Other operating income	4.34	5,237,743	1,067,428
Total operating income		93,426,052	77,792,227
Impairment charge/(reversal) for loans and other losses	4.35	133,671,440	44,156,738
Net operating income		(40,245,388)	33,635,489
Operating expense			
Personnel expenses	4.36	70,937,631	62,884,276
Other operating expenses	4.37	39,424,481	38,236,441
Depreciation & Amortization	4.38	18,369,494	14,653,379
Operating Profit		(168,976,993)	(82,138,607)
Non operating income	4.39	21,913,101	6,821,124
Non operating expense	4.40	183,911	3,597,689
Profit before income tax		(147,247,803)	(78,915,172)
Income tax expense	4.41		
Current Tax expenses		-	-
Deferred Tax Expenses/(Income)		(11,124,694)	(8,848,050)
Profit for the year		(136,123,110)	(70,067,122)
Profit attributable to:			
Equity holders of the Finance company		(136,123,110)	(70,067,122)
Non-controlling interest		-	-
Profit for the year		(136,123,110)	(70,067,122)
Earnings per share			
Basic earnings per share		-16.62	-8.56
Diluted earnings per share		-16.62	-8.56

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Samriddhi Finance Company Limited
Statement Of Comprehensive Income
For the year ended Ashad 2081

Particulars	Ashad End 2081	Ashad End 2080
Profit for the year	(136,123,110)	(70,067,122)
Other comprehensive income, net of income tax		
a) Items that will not be reclassified to profit or loss		
Gains/(Losses) from investments in equity instruments measured at fair value	(702,834)	10,279,560
Gains/(Losses) on revaluation	-	-
Actuarial gain/(loss) on defined benefit plans	-	-
Income tax relating to above terms	210,850	(3,083,868)
Net other comprehensive income that will not be reclassified to profit or loss	(491,984)	7,195,692
b) Items that are or may be reclassified to profit or loss		
Gains/(Losses) on cash flow hedge	-	-
Exchange gains/(losses) arising from translating financial assets of foreign operation	-	-
Income tax relating to above terms	-	-
Reclassify to profit or loss	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-
c) Share of other comprehensive income of associate accounted as per equity method	-	-
Other comprehensive income for the year, net of income tax	(491,984)	7,195,692
Total comprehensive income for the year	(136,615,093)	(62,871,430)
Total comprehensive income attributable to:		
Equity holders of the Finance company	(136,615,093)	(62,871,430)
Non-controlling interest	-	-
Total comprehensive income for the period	(136,615,093)	(62,871,430)

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Samridhhi Finance Company Limited

Statement Of Cash Flows
For the year ended Ashad 2081

Particulars	Ashad End 2081	Ashad End 2080
CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	235,609,551	238,642,196
Fees and other income received	7,107,883	6,109,334
Dividend received	-	-
Receipts from other operating activities	1,658,632	1,747,875
Interest paid	(165,541,027)	(182,418,067)
Commission and fees paid	-	-
Cash payment to employees	(68,975,156)	(58,738,938)
Other expenses paid	(42,049,489)	(36,279,878)
Operating cash flows before changes in operating assets and liabilities	(32,189,604)	(30,937,478)
(Increase)/ Decrease in operating assets		
Due from Nepal Rastra Bank	1,709,008	(32,538,821)
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	131,104,434	4,390,857
Loan and advances to customers	(216,860,561)	(44,312,211)
Other assets	(3,822,546)	(16,738,394)
(Increase)/ Decrease in operating liabilities		
Due to bank and financial institutions	(200,785,481)	(126,726,086)
Due to Nepal Rastra Bank	(90,000,000)	(90,000,000)
Deposits from Customers	694,902,385	176,531,227
Borrowings	-	-
Other Liabilities	(4,836,136)	5,177,730
Net Cash flow from operating activities before tax paid	279,221,499	(155,153,175)
Income taxes paid	(2,390,898)	(248,314)
Net Cash flow from operating activities	276,830,601	(155,401,489)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities	(186,774,403)	(46,382,640)
Receipt from the sale of investment securities	-	51,523,454
Purchase of property and equipment	(12,265,724)	(34,264,621)
Receipt from the sale of property and equipment	-	-
Purchase of intangible assets	(941,850)	(796,650)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	7,650,000
Interest received	-	-
Dividend received	4,667,589	1,102,774
Net cash used in investing activities	(195,314,388)	(21,167,683)
CASH FLOW 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	-	76,402,761
Dividends paid	-	-
Principal Payment of Lease Liability	(5,149,601)	(4,217,582)
Interest payment of Lease Liability	(4,935,029)	(4,463,154)
Other receipt/ payment	-	-
Net cash from financing activities	(10,084,630)	67,722,024
Net increase/ (decrease) in cash and cash equivalents	71,431,583	(108,847,148)
Cash and cash equivalents at Shrawan 1, 2080	409,276,934	518,124,081
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Cash and cash equivalents at Ashad end, 2081	480,708,517	409,276,933

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Samridhhi Finance Company Limited

Statement Of Changes In Equity
For the year ended Ashad 2081

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalization Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-Controlling Interest	Total Equity
Gains/(losses) from investments in equity instruments measured at fair value						(491,984)				(491,984)		(491,984)
Gains/(losses) on revaluation										-		-
Actuarial gains/(losses) on defined benefit plans										-		-
Gains/(Losses) on Cash flow hedge										-		-
Exchange gain/(losses) arising from translating financial assets of foreign operation										-		-
Total comprehensive income for the year	-	-	-	-	-	(491,984)	-	(136,123,110)	-	(136,615,093)		(136,615,093)
Transfer to reserve during the year					(5,773,373)			(22,096,234)	440,317	(27,429,290)		(27,429,290)
Transfer from reserve during the year					21,559,374			5,773,373	622,422	27,955,169		27,955,169
Transactions with owners, directly recognised in equity												
Share issued										-		-
Dividend to equity shareholders										-		-
Bonus shares issued										-		-
Cash dividend paid										-		-
Gain on disposal of investments in equity instruments measured at fair value through OCI										-		-
Total contributions by and distributions	-	-	-	-	-	-	-	-	-	-		-
Balance as at Ashad end, 2081	818,911,400	19,703,286	97,164,622	-	153,377,594	(6,265,357)	5,089,045	(618,320,598)	1,062,739	470,722,731		470,722,731

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Samridhi Finance Company Limited

**Statement of Distributable Profit or Loss
For the year ended Ashad 2081
(As per NRB Regulation)**

Particulars	Ashad End 2081	Ashad End 2080
Net profit or (loss) as per statement of profit or loss	(136,123,110)	(70,067,122)
<u>Appropriations:</u>		
a. General reserve	-	-
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	-	-
e. Employees' training fund	(622,422)	(440,316)
f. Other	-	(5,989,208)
Profit or (loss) before regulatory adjustment	(136,745,531)	(76,496,646)
<u>Regulatory adjustment :</u>		
a. Interest receivable (-)/previous accrued interest received (+)	(11,842,605)	(8,669,844)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	7,884,131	(40,284,557)
e. Deferred tax assets recognised (-)/ reversal (+)	(11,335,544)	(5,764,182)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	-
i. Other (+/-) (Fair Value gain/(Loss))	(491,984)	7,195,692
Net profit for the year end 31 Ashad 2080 available for distribution	(152,531,534)	(124,019,538)
Opening Retained Earning as on Shrawan 1 2080	(439,269,534)	(315,892,265)
Adjustment (+/-) (Prior Period)	(26,605,093)	642,269
<u>Distributions:</u>		
<i>Bonus Shares issued</i>	-	-
<i>Cash Dividend Paid</i>	-	-
Total Distributable profit or (Loss) as on 31 Ashad 2081	(618,406,161)	(439,269,534)
Annualised distributable Profit/Loss per Share	(75.52)	(53.64)

Note 3.19.2 (d)

Movement in Regulatory Reserve (From FY 2074/75 and onwards)

FY	Interest Receivable	Short loan loss provision	Short provision for possible losses on investment	Short Provision on NBA	Deferred Tax Assets	Goodwill	Gain on Bargain Purchase	Actuarial Loss Recognized	Fair Value Loss Recognized in OCI	Other	Total
2074/75				58,788,927							58,788,927
2075/76					3,606,791						3,606,791
2076/77				100,000	963,672						1,063,672
2077/78	210,602			(31,367,900)	13,394,990					1,162,344	(16,599,963)
2078/79	6,090,048			22,112,000	2,038,161				12,969,065		43,209,274
2079/80	8,669,844			40,284,557	5,764,182			-	(7,195,692)		47,522,891
2080/81	11,842,605			(7,884,131)	11,335,544				491,984		15,786,002
Total	26,813,099	-	-	82,033,453	37,103,341	-	-	-	6,265,357	1,162,344	153,377,594

Samridhhi Finance Company Limited
Notes to Financial Statements
For the year ended Ashad 2081

1 Reporting entity

Samridhhi Finance Company Limited (hereinafter referred to as "Finance") is a public limited company, established under the Companies Act, 2063 (Registration No. 742/45/057 dated 2057/08/05). It has obtained license from Nepal Rastra Bank (NRB) as a "C" Class Financial institution (License No. "C"/49/062/63 dated 2063/01/13) and has been comprehensive banking services since 2063 BS.

Head office of the Institution is located at Hetauda sub-metropolitan, Makwanpur, Nepal. Its ordinary shares are listed with Nepal Stock Exchange Ltd. and its stock symbol is "SFCL".

Finance offers comprehensive banking services within the scope of provisions of Bank and Financial Institutions Act 2073 and its Memorandum and Articles of Association.

2 Basis of Preparation

The Financial statements of the Finance has been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRSs) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN). The preparation and presentation of financial statements are in compliance with the requirements of format issued by Nepal Rastra Bank in Directive No. 4 of Unified Directives, 2080.

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

2.1 Statement of Compliance

The financial statements have been prepared and approved by Board of Directors in accordance with Nepal Financial Reporting Standards (NFRSs) as published by Accounting Standards Board (ASB) Nepal and pronounced by the Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of Unified Directives, 2080.

The significant accounting policies applied in the preparation of financial statements are set out in Note 3. These policies have been consistently applied to all the years presented except otherwise stated. The bank has opted for certain carve outs in application of NFRS which have been briefly described in the Notes to Accounts.

2.2 Reporting Period and Approval of Financial Statements

2.2.1 Reporting Period

The accompanying financial statements cover annual reporting period between 1st Shrawan 2080 and ending on 31 Ashad 2081 (the reporting period) and the status is reported as at the year-end date of 31 Ashad 2081 (the report date).

2.2.2 Approval of Financial Statements

The accompanied financial statements have been approved and authorized for issue by the Board of Directors in its **506 Board meeting dated 29th Ashoj, 2081** and the Board acknowledges the responsibility of preparation of financial statements of the Bank. The approved financial statements have been recommended for approval by the shareholders in the 23rd Annual General Meeting of the Bank.

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates, Assumptions and Judgments

Finance, under NFRSs, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, it is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements.

The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

The NFRSs require Finance to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Institution applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised, and are applied prospectively.

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

1. Classification of financial assets

Financial Assets or Liabilities are either measured at fair value or at amortized cost and can be presented under any of the following accounting classifications based on specific circumstances:

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

Presentation and / or measurement of the amounts recognized in financial statements could be different for a particular financial asset or financial liability under any two different accounting classifications. The Finance's management exercise judgment in the application of appropriate accounting policy to achieve correct accounting classifications for its financial assets and financial liabilities

2. Fair value of financial assets

Fair value of financial statements is determined on three levels on the basis of available market on reporting date and the measurement may change depending on available market circumstances.

The fair value of financial instruments that are traded in an active market is the closing price on the reporting dates. Whenever the instruments are not actively traded in active market, they are determined using other techniques considering the observable market inputs to the extent possible.

The Bank measures fair values using the following fair value hierarchy as provided in NFRS 13.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

Level 2 inputs are inputs other than quoted 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. Company has used its own data (accounting value) and considered if there exists factors that would otherwise result in changes to the book value of assets or liabilities.

3. Impairment loss on financial assets

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

- Loan loss provision amount derived as prescribed in directive no. 02/80 of Nepal Rastra Bank; and
- Impairment loss amount determined as per Incurred Loss Model specified in para 5 of NFRS 9.

Particulars	Amount
Loan Loss Provision as per NRB Directive no. 02/79	220,929,322
Impairment loss amount determined as per Incurred Loss Model specified in para 5 of NFRS 9	29,535,589

4. Useful life and salvage value of property and equipment

Management judgment is exercised in the estimation of residual values, useful lives and methods of depreciation of property and equipment. Management uses its experienced judgment in determining the useful lives of property and equipment.

5. Impairment loss of non financial assets

At each reporting date, or more frequently if events or changes in circumstances necessitates, Finance assesses whether there are indicators of impairment for a non-financial asset. Where any indication of impairment exists, Finance makes an estimation of the asset's recoverable amount. The 'recoverable amount' of an asset is the greater of its 'Value in Use' and it's 'Fair Value' less costs to sell. In determining the 'Value in use', future cash flow estimates are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining 'Fair Value' less cost to sell, an appropriate valuation model is used.

The whole impairment assessment exercise requires the management to make estimates of expected future cash flows, appropriate discount rates and also select appropriate valuation model.

6. Current Tax and Deferred tax

Finance is subject to income tax under Income Tax Act 2058 B.s. and amendments thereto, and due to the potential differences that may exist between the Finance and the Income Tax Authorities with regard to the interpretation of complex tax provisions, management judgment is required to determine the total provision for current tax and deferred tax amounts. Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which such losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon

the likely timing and level of future taxable profits, together with future tax planning strategies.

7. Employee benefit obligations

Finance recognizes following two types of employee liabilities as defined benefit obligations:

- a) Gratuity Liability
- b) Accumulated Leave Liability (Sick Leave and Home Leave)

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

8. Provision for liabilities, commitment and contingencies

Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions. All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless they are remote.

2.5 Changes in Accounting Policies

The principal accounting policies adopted in the preparation of financial statements are set out in relevant notes for each item of the financial statements. Accounting policies have been consistently applied to all the years presented, unless otherwise stated. There are no changes in accounting policies in current fiscal year.

2.6 Reporting Pronouncements

The Finance has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on September 13, 2013. The NFRS Confirm, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Institute of Chartered Accountants of Nepal has pronounced implementation of NFRS. Accordingly, the accompanying financial statements for the year ended July 15, 2024 are prepared in accordance with NFRS.

2.7 Provisions of Carve-out adapted by Finance

The Institute of Chartered Accountants of Nepal (ICAN) issued "Notice regarding Decision on Carve-outs in NFRS with Alternative Treatments" on Shrawan 2nd, 2079 and alternative treatments as per carve-outs has been adapted while preparing the financial statements. The details of carve-out provisions adapted by the Bank is given hereunder.

2.7.1 Incurred Loss Model to measure the Impairment Loss on Loan and Advances (NAS 39: Financial Instruments: Recognition and Measurement, Para 58)

As per carve out prescribed, 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 amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 of NAS 39 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.

Such entities shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39 and shall apply paragraph 63 to measure the impairment loss on financial assets other than loan and advances. The entity shall disclose the impairment loss as per this carve -out and the amount of impairment loss determined as per paragraph 63.

Further, Bank and Financial Institutions shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 to measure the impairment loss on financial assets and other assets other than loan and advances. The Bank and Financial Institutions shall disclose the impairment loss as per this carve-out and the amount of impairment loss determined as per paragraph 63.

2.7.2 Impracticability to determine transactions cost of all previous years which is the part of effective interest rate (NAS 39: Financial Instruments: Recognition and Measurement, Para 9)

As per carve out prescribed, The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instruments (for example, prepayment call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate (see NAS 18 Revenue), transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

2.7.3 Impairability to determine interest income on amortized cost (NAS 39: Financial Instruments: Recognition and Measurement, Para AG93)

As per carve-out prescribed, Once 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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

2.8 Discounting

When the realization of asset and settlement of obligation is for more than one year, the financial institution considers discounting of such assets and liabilities where the impact is material. Various internal and external factors have been considered for determining the discount rate to be applied to the cash flows of the entity.

2.9 Limitation of NFRS Implementation

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

2.10 Going Concern

The Board has made an assessment of the company's ability to continue as a going concern and satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.10 Prior Period Errors

Prior Period Errors are omissions or misstatements in an entity's financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the affected prior years' financial statements. Sometimes such changes may not be practicable. In such cases, it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period. In current Financial statement 2080-81 an adjustment has been made to reflect prior period items amounting to 2,66,05,093. Out of such amount Rs.2,793 is NFRS adjustment for the year 2077-78, Rs.1,54,956 is related to lease adjustment as per NFRS 16 for the year 2078-79, Rs.2,35,99,880 is related to the lease adjustment as per NFRS 16 for the year 2079-80. Rs 31,57,375 is related to deferred interest receivable for the year 2079-80. The total adjustment of Rs.2,66,05,093 has been made to ensure that the financial statement accurately reflect the financial position and result of operation

3 Significant Accounting Policies

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

3.1 Basis of Measurement

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

- Investment securities are measured at Fair value through Other Comprehensive Income (FVTOCI).
- Financial assets other than measured at amortized cost are measured at fair value.
- Derivative financial instruments are measured at fair value.
- Inventories are measured at cost or net realizable value whichever is lower.
- Net defined benefit liabilities are measured at Present Value of Defined Benefits Obligation less the Total Plan Assets
- Investment property is measured at fair value.

3.2 Basis of consolidation

Finance does not have subsidiary companies, accordingly, consolidation of financial statements is not a requirement.

3.3 Cash and cash equivalent

Cash and Cash Equivalents include cash in hand, balances with banks and money at call and at short notice. These are subject to insignificant risk of changes in their fair value and are used by the Finance Company in the management of short-term commitments.

Details of the Cash and Cash Equivalents are given in Note 4.1 to the Financial Statements.

3.4 Financial assets and financial liabilities

The bank classifies its financial assets into the following measurement categories:

- a) financial assets held at fair value through profit or loss;
- b) financial assets held at fair value through other comprehensive income, and
- c) financial assets held at amortized cost.

Accordingly, financial liabilities are classified as either:

- a) held at fair value through profit or loss, or
- b) held at amortized cost.

3.4.1 Recognition

The Finance recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition. Transaction costs in relation to financial assets and liabilities which are carried at fair value through profit or loss (FVTPL), are charged to statement of Profit or Loss.

3.4.2 Classification

The financial assets and liabilities are subsequently measured at amortized cost or fair value on the basis of business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are classified under three categories as required by NFRS9, namely:

- i) At Amortized Cost
- ii) At Fair Value through Profit or Loss (FVPL)
- iii) At Fair Value through Other Comprehensive Income (FVOCI)

i) At amortized cost: The Finance classifies a financial asset measured at amortized cost if both of the following conditions are met:

- a. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- b. 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.

ii) 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 that are directly attributable to the acquisition are recognized in statement of 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.

iii) At fair value through other comprehensive income: Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank 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 through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

Financial assets are classified under three categories as required by NFRS9, namely:

- i) At Fair Value through Profit or Loss (FVPL)
- ii) At Amortized Cost

i) At Fair Value through Profit or Loss (FVPL): All financial liabilities other than measured at fair value through Statement of Profit or Loss are classified as subsequently measured at amortized cost using effective interest method.

ii) At amortized cost: All financial liabilities other than measured at fair value through Statement of Profit or Loss are classified as subsequently measured at amortized cost using effective interest method.

3.4.3 Measurement

Initial Measurement

At initial recognition, the bank measures a financial assets or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction cost that are incremental and directly attributable to the acquisition or issue of the financial assets or financial liability, such as commission and fees. The transaction cost of financial assets and financial liabilities carried at fair value through profit of loss are expensed in profit or loss. Allowance for impairment is recognized when the credit quality of the financial asset has deteriorated significantly since initial recognition.

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 initially 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 rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or un-collectability.

In case of Loans and Advances measured at amortized cost, the processing charge and documentation charges received from customers which are directly attributable to the acquisition or issue of such financial assets are booked as income in the Statement of Profit and Loss in the reporting period in which they are received. The effective interest rate method is not applied as it is impracticable to determine reliably.

Further, once 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 calculated by applying effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

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.

3.4.4 De-recognition

Financial Assets

Financial assets are partially or fully de-recognized in any of the following condition:

- termination of contractual rights to cash flow
- upon transfer of the contractual cash flows in a transaction in which substantially all of the risk and rewards of the ownership of the financial assets are transferred or in which the Finance neither transfer nor retains substantially all of the risk and rewards of the ownership and it does not retain control of the financial assets.

On derecognition of a financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognised) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of profit or loss.

Financial Liabilities

Upon settlement or termination of any liability related to financial liability, financial liability is de-recognized. The difference between carrying amount and settlement amount is accounted through statement of profit or loss.

3.4.5 Determination of fair value

Fair is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is initially considered based on quoted rate where the assets or liabilities are principally transaction, in the absence of which the most advantageous market is the active market.

When available, the Finance measures the fair value of an instrument using the quoted price in an active market for that instrument. The market is regarded as active if transactions for the assets 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 Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise 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.

Fair value of non-financial assets like property & equipment, investment property and intangible assets are considered the deemed cost of such assets in line with NFRS 1.

Fair Value Hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values.

Level 1: Fair value is determined based on quoted price of financial instruments in active market.

Level 2: Fair value is determined based on quoted price of similar financial instruments within consideration to significant observable inputs.

Level 3: Fair value is determined used using other method as the inputs for valuation are unobservable inputs for the asset or liability. Finance has used its own data (accounting value) and considered if there exists factors that would otherwise result in changes to the book value of assets or liabilities for this level of valuation.

3.4.6 Impairment

At each reporting date, the Finance assesses whether there is objective evidence that financial assets are impaired. The financial assets 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 and that the loss has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer
- default or delinquency by a borrower
- the restructuring of a loan or advance by the Finance on terms that the Finance would not consider otherwise;
- indication that a borrower or issuer will enter bankruptcy
- the disappearance of an active market for a security; or
- 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 net worth below its book value is objective evidence of impairment.

The Finance considers evidences of impairment for loans and advances and investment securities at both specific asset and at collective level. 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 investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities with similar risk characteristics.

In assessing the collective impairment, the Finance uses the statistical modelling of historic trends of the probability of default, the time of recoveries and the amount of loss incurred and makes an adjustment if the current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historic trends. Default rates, loss rates and expected timing of future recoveries are regularly benchmarked against the actual outcomes to ensure that they remain appropriate.

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

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss (through OCI for such investments measured at fair value through OCI on which there exists fair value reserve).

The Finance writes off a loan or an investment security, either partially or in full and any related allowance for impairment losses, when the Finance determines that there is no realistic prospect of recovery.

Finance has individually assessed impairment of Loan and Advances and Impairment of Loan and Advances as per NFRS and NRB regulation.

3.4.6 Amortized cost measurement

The 'amortised cost' of a financial asset and 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 amortisation using the effective interest method of any difference between initial amount recognised and the maturity amount minus any reduction for impairment.

3.4.7 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

3.5 Trading assets

Financial assets are classified as trading assets (held for trading) if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking. They are recognized on trade date, when the bank enters into contractual arrangements with counterparties, and are normally derecognized when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognized in profit or loss.

3.6 Derivatives assets and derivative liabilities

Derivative instruments include transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The finance does not have any derivative instrument during the reporting period.

3.7 Property, Plant and Equipment

Non-financial tangible assets that are held for service providing to customers and for administrative use of the Finance are classified as Property and Equipment.

Recognition

Property and Equipment are recognized in books whenever it is probable that future economic benefits associated with such assets will flow to the entity and the amount of assets can be reliably measured.

Measurement

At initial recognition, items of property and equipment are measured at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the Finance. Ongoing repair and maintenance are expensed off as incurred.

Subsequent to the initial measurement, there is option to measure the assets either on cost or on revaluation. Finance has measured all items at cost on subsequent measurement. On transition to NFRS, the Finance has elected to continue with the carrying value of all of its property and equipment measured as per the previous NAS and use that carrying value as the deemed cost as fair value in line with provisions of NFRS 1.

Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Assets not capitalized

Items of property Plant and equipment with original cost up to Rs.5,000 are directly accounted as expenses.

Capital Work in Progress

Assets in the course of construction are capitalized in the assets under capital work in progress (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences.

Salvage Value

Salvage value of assets has not been considered.

Depreciation

Depreciation is charged upon the assets is available for use and does not cease until the assets is disposed off, classified as held for sale or ceases to generate economic benefits.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property and equipment so as to write-off their carrying value over the expected useful economic lives.

Items of property, Plant Property and equipment are depreciated on WDV method using the following rates.

Nature of Assets	Depreciation Rate
Office Equipments	25%
Computer Hardware	25%
Furniture & Fixtures	25%
Vehicles	20%
Leasehold Assets	10%

3.8 Goodwill and Intangible assets

Goodwill

Goodwill arises on the acquisition financial institutions when the aggregate of the fair value of the consideration transferred exceed the amount of the identifiable assets and liabilities acquired. If the amount of the identifiable assets and liabilities acquired is greater, the difference is recognised immediately in the Statement of profit or loss.

Goodwill is allocated to cash generating units (CGU) at the lowest level at which goodwill is monitored for internal management process. Impairment testing is performed annually, and whenever there is an indication that CGU may be impaired. If the present value of expected cash inflows is less than carrying amount, impairment loss is recognized and accounted through Statement of Profit or Loss. Goodwill is stated at cost less accumulated impairment losses.

Acquired Intangible Assets

Intangible assets are recognized whenever the cost of assets can be reliably measured, by the past experience it is demonstrated. Finance has control over such assets for the specified period and it is probable that future economic benefits could be derived from such assets. Finance has followed NAS 38 for accounting of intangible assets.

In the financial statements, softwares are presented as intangible assets.

Computer Software

Computer software are capitalised on the basis of the purchase cost of software or license and costs incurred to bring it to use. Cost of internally developed software includes directly attributable costs.

Intangible assets are amortized over the period of its estimated use, or incase of licenses, over the period of contractual right of use. Whenever there is no specific life or license period, such softwares are amortized over the period of five years.

At each reporting date, impairment test of intangible assets is done in order to oversee whether the carrying amount exceeds recoverable amount. Impairment loss is charged to Statement of Profit or Loss.

On transition to NFRS, the Finance has elected to continue with the carrying value of all of its intangible assets measured as per the previous NAS and use that carrying value as the deemed cost as fair value in line with provisions of NFRS 1.

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 Company. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate.

Nature of Assets	Useful Life
Computer Software	5 Years
Licenses	5 Years

3.9 Investment Property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less impairment losses. If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

De-recognition:

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.

The finance holds investment property that has been acquired through enforcement of security over the loans and advances.

Details of Investment properties as on Ashad end 2081 are as follows:

S.No.	Particulars	Amount
1	Anurag Pahari	9,756,470
2	Sudhir Basnet	4,861,390
3	Pratap Sign Muktan	2,293,263
4	Puspa And Sons Suppliers	2,700,000
5	Ram Chandra Sunuwar	1,215,007
6	Tularaj Poultry Firm	8,609,895
7	Hotel North East	24,949,509
8	Acres Agricultural Farm And Poultry	10,356,000
9	Perfect Traders	33,994,969
10	Mohammed Shahid	10,102,406
11	Sansar Investment	21,372,921
	Total	130,211,830

3.10 Income tax

Income tax expenses include current tax, deferred tax and any adjustments recognised in the period for current tax of prior periods.

Current Tax

Current tax is the amount of income tax payable in respect of taxable profit. This is calculated as per the provisions of Income Tax Act with the effective tax rate for current period. Taxable profit differs from the profit reported in the statement of profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible. Income tax rate applicable for Finance is 30%.

Deferred Tax

Deferred tax is calculated using balance sheet approach on temporary differences between tax base of assets and liabilities and carrying amount in the financial statements. Deferred tax is calculated using known future tax rate on each reporting date.

Deferred tax is recognized when it is probable that future taxable profit will be available to adjust the impact of temporary differences. Changes in deferred tax over period is recognized as deferred tax income/expenses in Statement of Profit or Loss.

In line with NRB Directives, deferred tax reserve is created to the amount equal to deferred tax assets.

Income tax on items of OCI

Income tax arising on the items of other comprehensive income is charged to statement of OCI itself.

3.11 Deposits, debt securities issued and subordinated liabilities

Deposit are financial liabilities and are generally repayable on demand except fixed period deposit accepted by Finance from its customers.

The Finance borrows money by issuing debt securities and subordinated debt. The borrowing is acknowledged or evidenced by issue of a negotiable instrument. The negotiable instrument can be certificate of deposit, commercial paper or debt note. Subordinated debt is issued to meet the capital requirements at bank level and to supply the capital to various operations. This debt generally consists of negotiable instruments and is usually listed on exchanges providing an active secondary market for the debt.

3.12 Provisions

Provision is a liability with uncertain timing and event. Provision is recognised if as a result of a past event, the group 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. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent Liabilities: Contingent liabilities are i) possible obligations arising from past events whose existence will be confirmed on happening or not happening or uncertain future events not wholly within the control of Finance, or ii) a present obligation arising from past events but are not recognized because outflow of resources to settle may not be required or such amount can not be reliably estimated.

Contingent liabilities are separately disclosed in financial statements.

3.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Finance and the revenue can be measured reliably. Revenue is not recognized during the period in which its recoverability of income is not probable. The bases of income recognition are as below:

3.13.1 Interest income

Interest income include interest income on loan and advance, investment securities except on those investment securities measured 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.

Interest income on loans and advances is recognized on amortized principal which is nearer to the effective interest method suggested by NFRS. The adoption of effective interest method is not possible due to constraints of time, effort and cost in short term compared to the benefits it provides. Benefit of carve out has been applied to this effect. Interest of loans and advances which are significantly impaired are not recognized. Furthermore, the interest income has not been recognized where the loan's contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of net realizable value of collateral as guided by guidelines issued by NRB.

Out of the total interest receivable of Rs. 44061057.19 (PY 26931550.37), Rs.17129506.82 interest accrued during the reporting period is recognised as interest income as per NFRS, out of which amount net of tax and employee bonus has been transferred to regulatory reserve after deducting amount of interest recovered upto Shrawn 32 2081. Amount transferred to regulatory reserve during the reporting period is Rs. 11842604.88.

3.13.2 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided or significant act performed. The fees and commission income and expense that are integral to the effective interest rate on the financial assets and financial liability are included in the measurement of the effective interest rate. Finance has opted to use carve-out as mentioned in Note 2.1.1 (b) on this matter and accounted all realized fee and commission income upfront.

Commission on guarantees issued that are for less than one year are immediately accounted as income. If the period of guarantee is more than one year, then proportionate amount of fee is accounted as income.

3.13.3 Dividend income

Dividend income is recognized when the right to receive dividend is established i.e. dividend is approved by general meeting of companies.

Dividend income if related to period earlier than the date of acquisition of shares and its amount related to pre and post acquisition could be segregated, then the pre-acquisition period dividend is adjusted to cost of investment.

3.13.4 Net trading income

Income derived from buying/selling of assets and liabilities classified as for trading purpose are accounted as net trading income. Gain and loss on trading assets and liabilities are recognized on mark to market basis and not on realization basis.

3.13.5 Net income from other financial instrument at fair value through profit or loss

Gains and losses arising from changes in the fair value of other financial instruments held at fair value through profit or loss are included in Statement of Profit or Loss in the period in which they arise.

These includes the net gain/(loss) on translation or period end balances carried in foreign exchange to the Nepalese Rupees.

3.14 Interest expense

Interest expense on all financial liabilities including deposits is recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities is considered to be incidental to the Bank'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

Short Term Employee Benefits

Expenses in respect of short term benefits are recognised on the basis of amount paid or payable during which services are rendered by the employees. Liabilities for salary and allowances that are expected to be settled wholly within 12 months after the end of the financial year in which the employee render the related services are recognised in respect of employees services upto the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Post Employment Benefits

The Finance company operates post-retirement benefit scheme for its employee. Post employment benefit plan includes the following.

a. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the Finance pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. These comprise contributions to the social security fund (SSF) on account of Provident Fund and Gratuity amount as per Labour Act, 2074.

Obligations for contributions to defined contribution plans are recognized as personnel expenses in profit or loss in the periods during which related services are rendered. The Finance does not assume any further liability other than its annual contribution.

b. Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually by actuaries using the projected unit credit method.

The Company recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Company recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognized

The Company's defined benefit plan comprise gratuity as per company's bylaw. In accordance with the actuarial valuation for FY 2080-81, our total defined benefit obligation for gratuity is determined to be Rs. 1910186.

c. Other Long Term Employment Benefit

Long term employment benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then 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 of use asset, even if that right is not explicitly specified in an arrangement.

At lease commencement date, the Finance recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Finance Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Finance depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Finance Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Finance measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Finance Company's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The finance elected not to recognize right-of-use asset and lease liabilities for short-term leases and leases of low value assets.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in Other Liabilities.

Expenses recognized in Statement of Profit or Loss as per NFRS 16

Particulars	Amount
Finance Cost	4,935,029
Depreciation	8,453,508

Assets and Liabilities recognized in Statement of Financial Position as per NFRS 16

Particulars	Amount
Gross Right of Use Assets (ROU)	80,959,872
Accumulated Depreciation	20,098,778
Net Right of Use Assets (ROU)	60,861,094

Lease Liabilities **67,651,626**

3.17 Foreign Currency Transaction

Transaction in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange prevailing on that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payment during the year and the amortised cost in the foreign currency translated at the rate of exchange at the reporting date.

Non monetary assets and liabilities that measured at fair value in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in the foreign currency are translated using the rate of exchange on the date of transactions. The resulting exchange gain or loss differences are generally recognised in Profit or Loss.

The finance is not involved in any kind of foreign currency transaction during the fiscal year.

3.18 Financial guarantee and loan commitment

Financial guarantees are contract that require the Fund to make specified payments to reimburse the holder for a loss that incurs because a specified debtors fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below -market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below market interest rate included within other liabilities.

3.19 Share Capital and Reserves

3.19.1 Share Capital

Equity share capital is financial instruments issued by the company only to the extent that they do not meet the definition of financial liabilities.

All the issued shares are paid up and are listed with Nepal Stock Exchange for the purpose of trading by shareholders. All shares have right to vote on the basis of no. of shares held. Finance does not have shares of other kind other than ordinary shares.

3.19.2 Reserves

Finance has created various types of reserves as part of regulatory requirement.

a) General Reserve

General reserve is the statutory reserve. In this reserve, the amount transformed from appropriation of net profit according to the Banks and Financial Institutions Act, 2073 shall be included. No type of dividend (cash or bonus share) shall be distributed from the amount in general/statutory reserve. Approval of NRB shall be required in order to use the amount in this reserve.

Particulars	Amount
Opening Reserve	97,164,622
Addition during the year	-
Closing Reserve	97,164,622

b) Exchange Equalization Reserve

Exchange equalization reserve is a statutory reserve. A bank which has earned foreign exchange revaluation gain on foreign currency other than Indian currency has to allocate 25 percent of such revaluation gain to this reserve as per provision of the Bank and Financial Institution Act. Any amount allocated to exchange equalization reserve as per the provision of the Bank and Financial Institutions Act, shall be presented under this heading. Since the finance has not involved in foreign exchange transaction and does not hold any foreign currencies, such reserve has not been created.

c) Other Reserves

The Other Reserves shown in the SOCE of the financial statement comprises of the following:

Corporate Social Responsibility (CSR) Reserve

In line with clause 16 of Directive 16/079, Finance is required to allocate 1% of its net profit for the year for CSR and is required to create CSR Reserve. The amount appropriated to this reserve is expensed off as prescribed in the same Directive in the next fiscal year. The Finance has not created such reserve in FY 2080-81.

Employees' Training Fund

As per NRB Directive 6(6), Finance should spend 3% of total personnel expense of previous year on training and personal development of its employees. Accordingly, the finance has spent during the FY 2080-81 on different Internal & External Trainings of Rs. 1671554 and it was directly expensed in the Profit and Loss Account.

Particulars	Amount
Opening Reserve	440,316
Addition during the year	1,413,343
Utilization during the year	(1,231,238)
Closing Reserve	622,422

d) Regulatory Reserve

This is specific reserve created in line with NRB Directive 4. All the adjustments made in NFRS that are different from earlier NRB Directives are included in this fund. This fund is not available for distribution of dividend. The movement of Regulatory reserve is presented in Note 3.19.2 (d). During the current financial year 2080-81 there has been writeback of regulatory reserve short provision amounting to Rs.78,84,131. The writeback results from the over provision of regulatory reserve recognized to date. This writeback ensures that the financial statements provide a true and fair view of the entity's financial position and compliance with relevant regulations.

e) Capital Reserve

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

f) 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 shall be presented under this account head. Any realized fair value changes upon disposal of the re-valued asset are reclassified from this reserve heading to retained earnings. The fair value reserve shown in the SOCE of the financial statements comprises of followings:

Particulars	Amount
Opening Reserve	(5,773,373)
Addition during the year	(491,984)
Closing Reserve	(6,265,357)

- g) Actuarial Gain Reserve**
This reserve is for presenting the OCI component of defined benefit obligations. This is not an actual reserve.
- h) Assets Revaluation Reserve**
Any reserve created from revaluation of assets (such as Property & Equipment, Intangible Assets, Investment Property) shall be 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.
- During the FY 2080-81 the company has not revalued the land.
- i) Capital Redemption Reserve**
This head shall include the statutory reserve created for making payment towards Redeemable Non-Convertible Preference Shares.
- j) Dividend Equalization Reserve**
For the purpose of maintaining uniformity in dividend payment, certain amount of profit during the year of profit making may be transferred shall be presented under this account head. Dividend may be distributed by debiting this account with the approval of the Board of Directors and endorsed by the General meeting.
- k) Investment Adjustment Reserve**
It is a regulatory reserve created as a cushion for adverse price movements in bank's investments as directed by the Directives of Nepal Rastra Bank.

3.19.3 Share Premium

The amount of money collected on issue of shares in excess of its face value shall be presented under this heading. The outstanding amount in this account shall not be considered eligible for distribution of cash dividend.

Movement in Share Premium Account

Particulars	Amount
Balance as on Shrawn 2080	19,703,286
Add: Addition during FY 2080-81	-
Less: Cost incurred in issue of unsubscribed Right Share during FY 2080-81	-
Balance as on Ashad 2081	19,703,286

3.19.4 Retained Earning

The accumulated profits which has not been distributed to shareholders and has been ploughed back in the licensed institutions' operations and is free for distribution of dividend to the shareholders shall be presented under this heading.

3.20 Earning per share including diluted

The Finance measures earning per share on the basis of the earning attributable to the equity shareholders for the Period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 Earnings per Share.

3.21 Segment reporting

Segment has been segregated based on the management function of Finance and accordingly, the seven states of Nepal are considered as the segments. Income and expenses directly related to such segments are reported. Assets and liabilities specific to those are presented as segment assets and liabilities. Income tax is not segregated.

Samridhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Cash & Cash equivalent

Note 4.1

Particulars	Ashad End 2081	Ashad End 2080
Cash in hand	34,344,979	53,005,122
Balances with B/FIs	446,363,538	356,271,812
Money at call and short notice	-	-
Other	-	-
Total	480,708,517	409,276,934

Due from Nepal Rastra Bank

Note 4.2

Particulars	Ashad End 2081	Ashad End 2080
Statutory balances with NRB	124,330,689	126,039,696
Securities purchased under resale agreement	-	-
Other deposit and receivable from NRB	-	-
Total	124,330,689	126,039,696

The amount Rs.11840.70 of o/w ips clearing and Rs.648163.82 of connect ips parking has been settled on next day

Placements with Bank and Financial Institutions

Note 4.3

Particulars	Ashad End 2081	Ashad End 2080
Placement with domestic B/FIs	-	-
Placement with foreign B/FIs	-	-
Less: Allowances for impairment	-	-
Total	-	-

Derivative financial instruments

Note 4.4

Particulars	Ashad End 2081	Ashad End 2080
<i>Held for Trading</i>		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<i>Held for risk management</i>		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Total	-	-

Samridhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Other trading assets

Note 4.5

Particulars	Ashad End 2081	Ashad End 2080
Treasury bills	-	-
Government bonds	-	-
NRB bonds	-	-
Domestic corporate bonds	-	-
Equity securities	-	-
Other - Units of mutual funds	-	-
Total	-	-
Pledged		
Non-pledged		

Loan and advances to B/FIs

Note 4.6

Particulars	Ashad End 2081	Ashad End 2080
Loans to microfinance institutions	147,070,436	15,759,060
Other	-	-
Less: Allowances for impairment	(1,762,072)	(204,554)
Total	145,308,364	15,554,506

Allowances for impairment

Note 4.6.1

Particulars	Ashad End 2081	Ashad End 2080
Balance at Shrawan 1	204,554	261,635
Impairment loss for the year		
Charge for the year	1,557,518	(57,081)
Recoveries/reversal	-	-
Amount written off	-	-
Balance at Ashad end	1,762,072	204,554

Samridhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Loans and advances to customers

Note 4.7

Particulars	Ashad End 2081	Ashad End 2080
Loans and advances measured at amortized cost	1,661,066,790	1,600,460,715
Less: Impairment allowances		
Collective impairment	-	-
Individual Impairment	(219,167,250)	(87,279,661)
Net amount	1,441,899,541	1,513,181,054
Loan and advances measured at FVTPL	-	-
Total	1,441,899,541	1,513,181,054

Loans and advances includes staff loan at cost as well as net amount of accrued interest receivable and interest suspense on loan.

Loan classification and impairment allowance as per NRB Directive 2 is as follows:

Particulars	Ashad End 2081	Ashad End 2080
Performing loan	1,398,221,188	1,487,346,684
Good	1,098,294,558	1,043,943,085
Watchlist	299,926,630	443,403,599
Non-performing loan	348,044,834	71,514,102
Substandard	133,470,366	4,288,842
Doubtful	197,112,458	64,159,057
Loss	17,462,009	3,066,203
Total	1,746,266,022	1,558,860,786
Add: loan to employees and Net AIR	(85,199,226)	41,599,930
Total loan	1,661,066,795	1,600,460,715
Impairment allowance		
Performing loan	42,246,727	56,363,663
Good	21,424,808	19,270,732
Watchlist	20,821,919	37,092,931
Non-performing loan	178,682,595	31,120,552
Substandard	64,297,125	342,860
Doubtful	105,859,473	30,011,141
Loss	8,525,997	766,551
Additional		
Total	220,929,322	87,484,215

Analysis of loan and advances - By Product

Note 4.7.1

Particulars	Ashad End 2081	Ashad End 2080
Product		
Term Loans	646,507,657	463,748,114
Overdraft	114,758,033	189,454,699
Cash Credit Loan	123,879,932	139,008,974
Short Term Working Capital/Demand Loan	1,100,000	564,003
Personal residential loans	122,396,724	183,446,022
Real estate loans	110,368,134	137,313,616
Margin lending loans	132,638,734	104,811,786
Hire purchase loans	164,103,941	162,433,581
Deprived sector loans	265,835,504	161,807,139
Bills purchased	-	-
Staff loans	17,810,153	30,427,439
Other	64,677,363	537,960
Sub Total	1,764,076,174	1,573,553,333
Interest receivable	43,829,946	26,907,382
Total	1,807,906,121	1,600,460,715

Samridhhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Analysis of loan and advances - By Currency

Note 4.7.2

Particulars	Ashad End 2081	Ashad End 2080
Nepalese rupee	1,807,906,121	1,600,460,715
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese Yuan	-	-
Other	-	-
Total	1,807,906,121	1,600,460,715

Analysis of loan and advances - By Collateral

Note 4.7.3

Particulars	Ashad End 2081	Ashad End 2080
Secured		
Movable/immovable assets	1,267,861,374	1,197,676,813
Gold and silver	-	-
Guarantee of domestic B/FIs	139,439,326	-
Government guarantee	2,627,282	2,603,853
Guarantee of international rated bank	-	-
Collateral of export document	-	-
Collateral of fixed deposit receipt	66,579,267	79,487,207
Collateral of Government securities	-	-
Counter guarantee	-	-
Personal guarantee	127,029,393	148,340,922
Other collateral	7,232,106	172,351,920
Sub Total	1,610,768,747	1,600,460,715
Unsecured	-	-
Total	1,610,768,747	1,600,460,715

Allowances for Impairment

Note 4.7.4

Particulars	Ashad End 2081	Ashad End 2080
Specific allowances for impairment		
Balance at Shrawan 1	87,279,661	44,176,788
Impairment loss for the year:		
Charge for the year	131,887,588	43,102,874
Recoveries/reversal during the year	-	0
Write-offs	-	-
Exchange rate variance on foreign currency	-	-
Other movement	-	-
Balance at Ashad end	219,167,250	87,279,661
Collective allowances for impairment		
Balance at Shrawan 1		
Impairment loss for the year:		
Charge/(reversal) for the year	-	-
Exchange rate variance on foreign currency	-	-
Other movement	-	-
Balance at Ashad end	-	-
Total allowances for impairment	219,167,250	87,279,661

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Investment Securities

Note 4.8

Particulars	Ashad End 2081	Ashad End 2080
Investment securities measured at amortized cost	405,029,688	222,291,681
Investment in equity measured at FVTOCI	96,779,494	93,445,931
Total	501,809,181	315,737,612

Investment securities measured at amortized cost

Note 4.8.1

Particulars	Ashad End 2081	Ashad End 2080
Debt securities	-	-
Government bonds	121,375,000	51,673,617
Government treasury bills	283,654,688	170,618,064
Nepal Rastra Bank bonds	-	-
Nepal Rastra Bank deposits instruments	-	-
Other	-	-
Less: specific allowances for impairment	-	-
Total	405,029,688	222,291,681

Investment in equity measured at fair value through other comprehensive income

Note 4.8.2

Particulars	Ashad End 2081	Ashad End 2080
Equity instruments		
Quoted equity securities	90,572,330	87,458,882
Unquoted equity securities	6,207,164	5,987,049
Total	96,779,494	93,445,931

Samridhhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Information relating to investment in equities

Note 4.8.3

	Ashad End 2081		Ashad End 2080	
	Cost	Fair Value	Cost	Fair Value
Investment In Quoted Equity				
Measured at Fair Value through OCI				
Chhimek laghubitta Bittiya Sanstha Ltd <i>3 shares (Bonus Share)</i>	-	-	-	-
NERUDE Laghubitta Bittiya Sanstha Ltd <i>125 shares of Rs. 1,118.14 each</i>	-	595	-	-
Sana Kisan Laghubitta Bittiya Sanstha Ltd <i>72 shares of Rs. 1,391.46 each</i>	-	-	-	-
Nirdhan Uthan Laghubitta Bittiya Sanstha Ltd Promotor Share <i>4,546 shares of Rs. 542.91 each</i>	2,468,073	2,727,600	2,468,073	2,727,600
Butwal Power Company Ltd <i>14,943 shares of Rs. 472.26 each</i>	7,057,043	4,632,330	7,057,043	4,938,662
Chilime Hydropower Company Ltd <i>1,380 shares of Rs. 510.67 each</i>	704,727	705,870	704,727	740,646
Rasuwegadhi Hydropower Company Ltd <i>2,355 shares of Rs. 425.06 each</i>	1,001,020	694,725	1,001,020	706,500
Sanjen Jalabidhyut Company Ltd <i>2,000 shares of Rs. 341.95 each</i>	683,906	567,400	683,906	593,800
NECO Insurance Company Ltd <i>1,608 shares of Rs. 1,066.16 each</i>	1,714,388	1,344,288	1,714,388	1,432,889
NLG Insurance Company Ltd <i>1,331 shares of Rs. 936.67 each</i>	1,246,708	1,116,040	1,246,708	1,118,040
Sagarmatha Lumbini Insurance Co. Limited <i>1,146 shares of Rs. 1,090.44 each</i>	1,249,639	833,142	1,249,639	857,208
Siddhartha Premier Insurance Limited <i>1,292 shares of Rs. 968.26 each</i>	1,250,986	1,110,991	1,250,986	1,005,822
Asian Life Insurance Company Ltd. <i>1,382 shares of Rs. 905.41 each</i>	1,251,279	927,647	1,251,279	1,029,728
Suryajyoti Life Insurance Company Limited <i>1,436 shares of Rs. 869.6 each</i>	1,248,752	680,962	1,248,752	875,960
Himalayan Life Insurance <i>1,768 shares of Rs. 705.65 each</i>	1,247,596	691,288	1,247,596	896,376
National Life Insurance Company Ltd. <i>1,368 shares of Rs. 921.89 each</i>	1,261,149	878,815	1,261,149	882,360
Shivam Cements Limited <i>2,000 shares of Rs. 1,580.93 each</i> SARBOTTAM CEMENT	3,161,865	1,147,756	3,161,865	1,303,000
	226,565	455,673	-	-
NIC Asia Dynamic Debt Fund <i>1,910,465 units of Rs. 10.73 each</i>	20,499,999	21,187,057	20,499,999	21,225,266
Citizen Mutual Fund-2 <i>331,305 units of Rs. 13.98 each</i>	4,630,647	3,419,068	4,630,647	3,442,259
Citizen Mutual Fund-1 <i>558,090 units of Rs. 13.16 each</i>	7,342,798	5,379,988	7,342,798	5,234,884
Prabhu Select Fund <i>300,000 units of Rs. 10 each</i>	3,000,000	2,937,000	3,000,000	2,655,000

Samridhhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Information relating to investment in equities

Note 4.8.3

	Ashad End 2081		Ashad End 2080	
	Cost	Fair Value	Cost	Fair Value
NIC Asia Select 30 <i>200,000 units of Rs. 10 each</i>	2,000,000	1,920,000	2,000,000	1,798,000
Sunrise First Mutual Fund <i>188,000 units of Rs. 14.61 each</i>	2,747,321	1,945,800	-	-
Sanima Equity Fund <i>150,000 units of Rs. 14.24 each</i>	2,135,359	1,636,500	2,135,359	1,770,000
RBB Mutual Fund 1 <i>200,000 units of Rs. 10 each</i>	2,000,000	1,632,000	2,000,000	1,616,000
Mega Mutual Fund 1 <i>300,000 units of Rs. 10 each</i>	3,000,000	2,316,000	3,000,000	2,397,000
Nabil Balance Fund 3 <i>16,680 units of Rs. 10 each</i>	166,800	130,104	166,800	126,268
NIBL Sahabhagita Fund <i>267,618 units of Rs. 12.11 each</i>	3,240,883	2,820,694	3,240,883	2,858,160
Kumari Dhanabridhhi Yojana <i>100,000 units of Rs. 10 each</i>	1,000,000	967,000	1,000,000	1,004,000
NIC Asia Flexi Cap Fund <i>100,000 units of Rs. 10 each</i>	1,000,000	925,000	1,000,000	1,017,000
Global IME Balanced Fund-I <i>2,000,000 units of Rs. 10 each</i>	20,000,000	18,200,000	20,000,000	18,680,000
Kumari Sunaulo Lagani Yojana <i>100,000 units of Rs. 10 each</i>	1,000,000	1,184,000	1,000,000	1,065,000
Himalayan 80-20	3,000,000	2,997,000	-	-
NIC Asia Growth Fund- 2	3,000,000	2,460,000	-	-
Total Investment In Quoted Equity	105,535,502	90,572,330	101,499,106	87,458,882
Investment In Unquoted Equity Measured at Fair Value through OCI				
Nepal Clearing House Ltd. <i>5,222 shares of Rs. 19.15 each</i>	100,000	1,550,451	100,000	1,330,336
Credit Information Bureau Ltd. <i>11,813 shares of Rs. 8 each</i>	94,500	4,656,713	94,500	4,656,713
Total Investment In Unquoted Equity	194,500	6,207,164	194,500	5,987,049
Total Investment In Equities	105,730,002	96,779,494	101,693,606	93,445,931

Samriddhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Current tax assets Note 4.9

Particulars	Ashad End 2081	Ashad End 2080
Current tax assets		
Current Year income tax assets	2,216,348	248,314
Tax assets of prior periods	5,851,415	5,428,552
Current tax liabilities		
Current year income tax liabilities	-	-
Tax liabilities of prior periods	-	-
Total	8,067,763	5,676,865

Investment in subsidiaries Note 4.10

Particulars	Ashad End 2081	Ashad End 2080
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	-	-
Total investment	-	-
Less: Impairment allowances	-	-
Net Carrying Amount	-	-

Investment in associates Note 4.11

Particulars	Ashad End 2081	Ashad End 2080
Investment in quoted associates	-	-
Investment in unquoted associates	-	-
Total investment	-	-
Less: Impairment allowances	-	-
Net Carrying Amount	-	-

Investment properties Note 4.12

Particulars	Ashad End 2081	Ashad End 2080
Investment properties measured at fair value		
Balance as on Shrawan 1	-	-
Addition/disposal during the year	-	-
Net changes in fair value during the year	-	-
Adjustment/transfer	-	-
Net Amount	-	-
Investment properties measured at cost		
Balance as on Shrawan 1	113,576,768	49,633,027
Addition during the year	63,437,522.36	71,593,741
Disposal during the year	(46,802,460)	(7,650,000)
Adjustment/transfer	-	-
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
Net amount	130,211,831	113,576,768
Total	130,211,831	113,576,768

Samridhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Property and Equipment

Note 4.13

Particulars	Land	Building/ROU Assets	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others	Ashad End 2081
Cost									
As on Shrawan 1, 2078	11,269,936	-	12,883,613	7,939,058	5,331,877	2,230,822	-	2,589,395	42,244,702
Addition during the Year									
Acquisition	-	22,527,482	-	1,664,280	-	406,457	-	462,153	25,060,372
Capitalization	-	-	2,744,176	-	-	-	-	-	2,744,176
Disposal during the year	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	7,270,064	-	-	-	-	-	-	-	7,270,064
Balance as on Ashad end 2079	18,540,000	22,527,482	15,627,789	9,603,338	5,331,877	2,637,279	-	3,051,548	77,319,314
Addition during the Year									
Acquisition	-	58,432,390	18,211,545	4,038,388	8,681,700	485,185	-	3,005,578	92,854,786
Capitalization	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-110,740	(110,740)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-
Balance as on Ashad end 2080	18,540,000	80,959,872	33,839,335	13,641,726	14,013,577	3,122,465	-	5,946,386	170,063,360
Addition during the Year									
Acquisition	-	-	3,898,300	4,286,056	3,582,000	180,673	-	318,696	12,265,724
Capitalization	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	277,363	308,909	2,500,000	118,909	-	965,839	4,171,020
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-
Balance as on Ashad end 2081	18,540,000	80,959,872	37,460,272	17,618,873	15,095,577	3,184,228	-	5,299,243	178,158,065
Depreciation and Impairment									
As on Shrawan 1, 2078	-	-	868,415	1,502,624	1,563,051	438,770	-	902,944	5,275,803
Impairment for the year	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	1,339,048	1,805,288	753,765	495,893	-	430,915	4,824,910
Disposals	-	-	-	-	-	-	-	-	-
Adjustment	-	4,096,018	-	-	-	-	-	-	4,096,018
As on Ashad end 2079	-	4,096,018	2,207,463	3,307,912	2,316,816	934,663	-	1,333,859	14,196,731
Impairment for the year	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	1,480,126	1,855,969	1,072,830	457,622	-	746,909	5,613,457
Disposals	-	-	-	-	-	-	-	-	-
Adjustment(ROU Assets)	-	7,549,252	-	-	-	-	-	-	7,549,252
As on Ashad end 2080	-	11,645,270	3,687,590	5,163,880	3,389,646	1,392,285	-	2,080,768	27,359,440
Impairment for the year	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	3,460,430	2,188,685	2,319,090	448,255	-	826,670	9,243,130
Disposals	-	-	-	-	-	-	-	-	-
Adjustment(ROU Assets)	-	8,453,508	-	-	-	-	-	-	8,453,508
As on Ashad end 2081	-	20,098,778	7,148,019	7,352,565	5,708,737	1,840,540	-	2,907,438	45,056,078
Capital Work in Progress Net Book Value									
As on Ashad end 2078	11,269,936	-	12,015,199	6,436,434	3,768,827	1,792,053	-	1,686,451	36,968,899
As on Ashad end 2079	18,540,000	18,431,464	13,420,326	6,295,426	3,015,061	1,702,616	-	1,717,689	63,122,583
As on Ashad end 2080	18,540,000	69,314,602	30,151,745	8,477,846	10,623,931	1,730,179	-	3,865,618	142,703,921
As on Ashad end 2081	18,540,000	60,861,094	30,312,252	10,266,307	9,386,841	1,343,688	-	2,391,805	133,101,987

Samriddhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Goodwill and Intangible Assets

Note 4.14

Particulars	Software				Ashad End 2081
	Goodwill	Purchased	Developed	Other	
Cost					
As on Shrawan 1, 2078	-	3,467,838	-	-	3,467,838
Addition during the Year					-
Acquisition	-	233,910	-	-	233,910
Capitalization	-	-	-	-	-
Disposal during the year	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-
Balance as on Ashad end 2079	-	3,701,748	-	-	3,701,748
Addition during the Year					
Acquisition	-	796,650	-	-	796,650
Capitalization	-	-	-	-	-
Disposal during the year	-	-	-	-	-
Adjustment/Revaluation	-	12,026	-	-	12,026
Balance as on Ashad end 2080	-	4,510,424	-	-	4,510,424
Addition during the Year					
Acquisition	-	941,850	-	-	941,850
Capitalization	-	-	-	-	-
Disposal during the year	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-
Balance as on Ashad end 2081	-	5,452,274	-	-	5,452,274
Amortization and Impairment					
As on Shrawan 1, 2078	-	536,149	-	-	536,149
Amortization charge for the Year	-	615,046	-	-	615,046
Impairment for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Adjustment	-	-	-	-	-
As on Ashad end 2079	-	1,151,195	-	-	1,151,195
Amortization charge for the Year	-	629,420	-	-	629,420
Impairment for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Adjustment	-	-	-	-	-
As on Ashad end 2080	-	1,780,615	-	-	1,780,615
Amortization charge for the Year	-	-	-	-	-
Impairment for the year	-	672,856	-	-	672,856
Disposals	-	-	-	-	-
Adjustment	-	-	-	-	-
As on Ashad end 2081	-	2,453,471	-	-	2,453,471
Capital Work in Progress Net Book Value	-	-	-	-	-
As on Ashad end 2078	-	2,931,689	-	-	2,931,689
As on Ashad end 2079	-	2,550,553	-	-	2,550,553
As on Ashad end 2080	-	2,729,809	-	-	2,729,809
As on Ashad end 2081	-	2,998,803	-	-	2,998,803

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Deferred Tax

Note 4.15

Particulars	Current Year		
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	-	-	-
Loans and advances to customers	-	-	-
Interest Receivable on Loans and advances	-	-	-
Investment properties	-	-	-
Investment securities	2,684,974	-	2,684,974.09
Property & equipment	-	21,805,517	(21,805,516.52)
Employees' defined benefit plan	2,296,970	-	2,296,969.83
Lease liabilities	20,295,488	-	20,295,487.72
Provisions	-	-	-
Other temporary differences	-	-	-
Deferred tax on temporary differences	25,277,432	21,805,517	3,471,915.12
Deferred tax on carry forward of unused tax losses	33,631,426		33,631,426.09
Deferred tax due to changes in tax rate			-
Net Deferred tax asset/(liabilities) as on year end of 2081			37,103,341.21
Deferred tax asset/(liabilities) as on Shrawan 1, 2080			25,767,797.43
Origination/(Reversal) during the year			(11,335,543.78)
Deferred tax expense/(income) recognised in profit or loss			(11,124,693.78)
Deferred tax expense/(income) recognised in other comprehensive income			(210,850.00)
Deferred tax expense/(income) recognised in directly in equity			-

Particulars	Previous Year		
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	-	-	-
Loans and advances to customers	-	-	-
Interest Receivable on Loans and advances	-	-	-
Investment properties	-	-	-
Investment securities	2,474,302	-	2,474,302.50
Property & equipment	-	24,235,405	(24,235,404.92)
Employees' defined benefit plan	2,340,518	-	2,340,518.40
Lease liabilities	21,840,368	-	21,840,368.13
Provisions	-	-	-
Other temporary differences	-	2,181,019	(2,181,019.20)
Deferred tax on temporary differences	26,655,189	26,416,424	238,764.91
Deferred tax on carry forward of unused tax losses	25,529,033		25,529,032.53
Deferred tax due to changes in tax rate			-
Net Deferred tax asset/(liabilities) as on year end of 2080			25,767,797.43
Deferred tax asset/(liabilities) as on Shrawan 1, 2079 (Restated)			20,003,615.21
Origination/(Reversal) during the year			(5,764,182.22)

Deferred tax expense/(income) recognised in profit or loss	(8,848,050.22)
Deferred tax expense/(income) recognised in other comprehensive income	3,083,868.00
Deferred tax expense/(income) recognised in directly in equity	-

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Other assets

Note 4.16

Particulars	Ashad End 2081	Ashad End 2080
Assets held for sale	-	-
Other non banking assets	-	-
Bills receivable	-	-
Accounts receivable	163,052	8,845,639
Accrued income	-	-
Prepayments and deposit	9,624,101	8,729,842
Income tax deposit	-	-
Deferred employee expenditure	5,380,846	5,268,032
Other	24,594,768	12,983,893
Total	39,762,766	35,827,406

Due to Bank and Financial Institutions

Note 4.17

Particulars	Ashad End 2081	Ashad End 2080
Money market deposits	-	-
Interbank borrowing	-	-
Other deposits from BFIs	-	-
Settlement and clearing accounts	-	-
Other deposits from BFIs	153,969,560	354,755,041
Total	153,969,560	354,755,041

Due to Nepal Rastra Bank

Note 4.18

Particulars	Ashad End 2081	Ashad End 2080
Refinance from NRB	-	-
Standing Liquidity Facility	-	-
Lender of last report facility from NRB	-	-
Securities sold under repurchase agreements	-	-
Other payable to NRB	-	-
Total	-	-

Samriddhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Derivative financial instruments

Note 4.19

Particulars	Ashad End 2081	Ashad End 2080
Held for trading		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Held for risk management		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Other	-	-
Total	-	-

Deposits from customers

Note 4.20

Particulars	Ashad End 2081	Ashad End 2080
Institutions customers:		
Term deposits	541,558,000	329,620,000
Call deposits	215,462,270	163,696,966
Current deposits	24,356,800	65,952,310
Other	-	-
Individual customers:		
Term deposits	997,937,240	683,849,356
Call deposits	-	-
Current deposits	18,703,470	55,452,705
Other	507,528,590	312,072,649
Total	2,305,546,370	1,610,643,985

Currency wise analysis of deposit from customers

Note 4.20.1

Particulars	Ashad End 2081	Ashad End 2080
Nepalese rupee	2,305,546,370	1,610,643,985
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese yuan	-	-
Other	-	-
Total	2,305,546,370	1,610,643,985

Samriddhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Borrowing

Note 4.21

Particulars	Ashad End 2081	Ashad End 2080
Domestic Borrowing		
Nepal Government	-	-
Other Institutions	-	-
Other	-	-
Sub total	-	-
Foreign Borrowing		
Foreign Bank and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub total	-	-
Total	-	-

Provisions

Note 4.22

Particulars	Ashad End 2081	Ashad End 2080
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contracts	-	-
Other	-	-
Total	-	-

Provisions

Note 4.22.1

Particulars	Ashad End 2081	Ashad End 2080
Balance at Shrawan 1	-	-
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Unwind of discount	-	-
Total	-	-

Other liabilities

Note 4.23

Particulars	Ashad End 2081	Ashad End 2080
Employees defined benefit obligations/(assets)*	70,044	2,599,659
Liability for long-service leave**	7,586,522	5,202,069
Short-term employee benefits	506,126	158,364
Bills payable	-	-
Creditors and accruals	8,769,534	8,243,921
Interest payable on deposit	12,995	7,427
Interest payable on borrowing	-	-
Liabilities on deferred grant income	-	-
Unpaid Dividend	137,082	137,082
Liabilities under Finance Lease	-	-
Employee bonus payable	-	-
Other	30,330,192	16,700,183
Lease Liabilities	67,651,626	72,801,227
Total	115,064,121	105,849,931

*Liability for employees defined benefit obligation represents gratuity liability. Please refer Note 2.4.7 for measurement basis.

**Please refer Note 2.4.7 for measurement basis.

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Defined benefit obligations

NOTE 4.23.1

The amounts recognised in the statement of financial position are as follows:

Particulars	Ashad End 2081	Ashad End 2080
Present value of unfunded obligations	6,252,506	5,844,338
Present value of funded obligations	-	-
Total present value of obligations	6,252,506	5,844,338
Fair value of plan assets	-	-
Present value of net obligations	6,252,506	5,844,338
Recognised liability for defined benefit obligations	6,252,506	5,844,338

Plan assets

Note 4.23.2

Particulars	Ashad End 2081	Ashad End 2080
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other (in Gratuity Scheme with Citizen Investment Trust)	-	-

Movement in the present value of defined benefit obligations

Note 4.23.3

Particulars	Ashad End 2081	Ashad End 2080
Defined benefit obligations at Shrawan 1	5,844,338.00	3,758,919.00
Actuarial losses/(gains)	(935,747.00)	313,571.00
Benefits paid by the plan	(601,956.00)	(72,808.00)
Current service costs and interest	1,945,871.00	1,844,656.00
Defined benefit obligations at Ashad end	6,252,506.00	5,844,338.00

Movement in the fair value of plan assets

Note 4.23.4

Particulars	Ashad End 2081	Ashad End 2080
Fair value of plan assets at Shrawan 1	-	-
Contributions paid into the plan	-	-
Benefits paid during the year	-	-
Actuarial (losses)/gains	-	-
Expected return on plan assets	-	-
Fair value of plan assets at Ashad end	-	-

Samriddhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Amount recognised in profit or loss

Note 4.23.5

Particulars	Ashad End 2081	Ashad End 2080
Current service costs	1,447,914	1,534,386
Interest on obligation	497,957	310,270
Remeasurement on Obligation and Plan Assets	(935,747)	313,571
Total	1,010,124	2,158,227

Amount recognised in other comprehensive income

Note 4.23.6

Particulars	Ashad End 2081	Ashad End 2080
Actuarial (gain)/loss	-	-
TOTAL	-	-

Actuarial assumptions

Note 4.23.7

Particulars	Ashad End 2081	Ashad End 2080
Discount rate	9%	9%
Expected return on plan asset	-	-
Future salary increase	8%	8%
Withdrawal rate	15%	15%

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Debt securities issued

Note 4.24

Particulars	Ashad End 2081	Ashad End 2080
Debt securities issued designated as at fair value through profit or loss	-	-
Debt securities issued at amortised cost	-	-
Total	-	-

Subordinated Liabilities

Note 4.25

Particulars	Ashad End 2081	Ashad End 2080
Redeemable preference shares	-	-
Irredeemable cumulative preference shares	-	-
Other	-	-
Total	-	-

Share capital

Note 4.26

Particulars	Ashad End 2081	Ashad End 2080
Ordinary shares	818,911,400	818,911,400
Convertible preference shares (equity component)	-	-
Irredeemable preference shares (equity component)	-	-
Perpetual debt (equity component only)	-	-
Total	818,911,400	818,911,400

Ordinary shares

Note 4.26.1

Particulars	Ashad End 2081	Ashad End 2080
Authorized Capital		
<i>82,00,000 Ordinary share of Rs. 100 each</i>	820,000,000	820,000,000
Issued capital		
<i>81,89,114 Ordinary share of Rs. 100 each</i>	818,911,400	818,911,400
Subscribed and paid up capital		
<i>81,89,114 Ordinary share of Rs. 100 each</i>	818,911,400	818,911,400
Total	818,911,400	818,911,400

Ordinary share ownership

Note 4.26.2

Particulars	Ashad End 2081		Ashad End 2080	
	Percent	Amount	Percent	Amount
Domestic ownership				
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed institutions	-	-	-	-
Other Institutions	-	-	-	-
Public	40.63%	332,753,000	40.63%	332,753,000
Other (Promotor)	59.37%	486,158,400	59.37%	486,158,400
Foreign ownership				
Total	100.00%	818,911,400	100.00%	818,911,400

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Shareholders holding 0.5% shares and above

S.N.	Name of Shareholder	No. of Shares	Holding %
1	Shiva Prasad Ghimire	720,882	8.80%
2	Indra Bahadur Thapa	549,055	6.70%
3	Bhesh Raj Lohani	477,652	5.83%
4	Suchitra Sijapati	410,441	5.01%
5	Gopini Sanjel	299,077	3.65%
6	Bidusha Ojha	153,340	1.87%
7	Diwakar Kucheria	153,000	1.87%
8	Phadendra Prasad Acharya	134,000	1.64%
9	Nepa Petroleum Trade Links Pvt Ltd	120,147	1.47%
10	Binod Pokhrel	120,147	1.47%
11	Uma Lamichhane	111,813	1.37%
12	Hema Kumari Lohani	91,119	1.11%
13	Sudip Ghimire	72,050	0.88%
14	Bhagwan Das Manandhar	67,731	0.83%
15	Rays Capital And Investment Company Ltd	60,000	0.73%
16	Dhan Kumari Prasai	54,000	0.66%
17	Nava Raj Raut	49,914	0.61%
18	Rajnish Kumar Singh	46,500	0.57%
19	Bhaskar Neuphane	46,180	0.56%
20	Dilip Poudyal	46,180	0.56%

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Reserves **Note 4.27**

Particulars	Ashad End 2081	Ashad End 2080
Statutory general reserve	97,164,622	97,164,622
Exchange equalisation reserve	-	-
Corporate social responsibility reserve	-	-
Capital redemption reserve	-	-
Regulatory reserve	153,377,594	137,591,593
Investment adjustment reserve	-	-
Capital reserve	-	-
Assets revaluation reserve	5,089,045	5,089,045
Fair value reserve	(6,265,357)	(5,773,373)
Dividend equalisation reserve	-	-
Actuarial gain / (loss)	-	-
Special reserve	-	-
Other reserve	1,062,739	440,317
Total	250,428,643	234,512,204

Movement of Specific Reserve **Note 4.27.1**

Particulars	Ashad End 2081	Ashad End 2080
Corporate social responsibility reserve		
Opening	-	2,278
Addition for the year	-	-
Utilization during the year	-	2,278
Closing	-	-
Training reserve		
Opening	440,316	67,801
Addition for the year	1,413,343	1,053,691
Utilization during the year	1,231,238	681,175
Closing	622,422	440,316

Composition and Movement of Regulatory Reserve **Note 4.27.2**

Particulars	Ashad End 2081	Ashad End 2080
Provision for NBA		
Deferred Tax Assets		
AIR transferred		
Earlier year deferred tax liability		
TOTAL	-	-

- i. Loan Loss Provision on NBA which was booked as per NRB directives has been shown under Regulatory Reserve.
- ii. Deferred Tax Asset includes temporary differences on Fair Value Changes on Investment, Provision for Leave and PPE booked as per NFRS and for tax purpose.
- iii. Accrued interest receivable net of tax and employee bonus has been transferred to regulatory reserve after deducting amount of interest recovered within Bhadra 15 2078.
- iv. Deferred tax liability of Fair value gain on Investment has been transferred to Regulatory reserve from retained earning by prior period adjustment (in previous year it was only transferred on Retained earning)

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Contingent liabilities and commitments

Note 4.28

Particulars	Ashad End 2081	Ashad End 2080
Contingent liabilities	-	-
Undrawn and undisbursed facilities	-	-
Capital commitment	-	-
Lease Commitment	-	-
Litigation	-	-
Total	-	-

Contingent liabilities

Note 4.28.1

Particulars	Ashad End 2081	Ashad End 2080
Acceptance and documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	-	-
Underwriting commitment	-	-
Other commitments	-	-
Total	-	-

Undrawn and undisbursed facilities

Note 4.28.2

Particulars	Ashad End 2081	Ashad End 2080
Undisbursed amount of loans	-	-
Undrawn limits of overdrafts	-	-
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
Total	-	-

Capital commitments

Note 4.28.3

Capital expenditure approved by relevant authority of the bank but provision has not been made in financial statements.

Particulars	Ashad End 2081	Ashad End 2080
Capital commitments in relation to Property and Equipment		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
Capital commitments in relation to Intangible assets		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
Total	-	-

Samriddhi Finance Company Limited

Notes Forming Part Of Financial Statements
For the year ended Ashad 2081

Lease commitments

Note 4.28.4

Particulars	Ashad End 2081	Ashad End 2080
Operating lease commitments		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee	-	-
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Sub total	-	-
Finance lease commitments		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee	-	-
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Sub total	-	-
Total	-	-

Litigation

Note 4.28.5

The finance company's litigations are generally related to its ordinary course of business pending on various jurisdictions. There is no legal claim with financial impact to the Company.

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Interest income

Note 4.29

Particulars	Ashad End 2081	Ashad End 2080
Cash and cash equivalent	-	-
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	5,118,788	13,372,436
Loan and advances to bank and financial institutions	-	2,610,524
Loans and advances to customers	224,089,289	217,567,339
Investment securities	18,003,064	19,406,873
Loan and advances to staff	4,350,909	4,503,501
Other	-	-
Total interest income	251,562,050	257,460,673

Interest expense

Note 4.30

Particulars	Ashad End 2081	Ashad End 2080
Due to bank and financial institutions	119,959	17,639,735
Due to Nepal Rastra Bank	299,712	7,264,749
Deposits from customers	165,126,924	157,477,570
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other(Finance Cost on lease liability)	4,935,029	4,463,154
Total interest expense	170,481,624	186,845,208

Fees and Commission Income

Note 4.31

Particulars	Ashad End 2081	Ashad End 2080
Loan administration fees	6,253,803	4,686,098
Service fees	35,017	4,177
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	-	-
Prepayment and swap fees	45,399	172,433
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	364,381	38,643
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	-	-
Other fees and commission income	409,284	1,207,983
Total fees and commission income	7,107,883	6,109,334

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Fees and commission expense

Note 4.32

Particulars	Ashad End 2081	Ashad End 2080
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other fees and commission expense	-	-
Total fees and commission expense	-	-

Net trading income

Note 4.33

Particulars	Ashad End 2081	Ashad End 2080
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	-	-
Net trading income	-	-

Other operating income

Note 4.34

Particulars	Ashad End 2081	Ashad End 2080
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	(837,009.22)	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	4,667,589.26	1,102,773.63
Gain/loss on sale of property and equipment	1,407,163.00	(35,345.28)
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	-	-
Total	5,237,743.04	1,067,428.35

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Impairment charge/(reversal) for loan and other losses

Note 4.35

Particulars	Ashad End 2081	Ashad End 2080
Impairment charge/(reversal) on loan and advances to B/FIs	-	-
Impairment charge/(reversal) on loan and advances to customer	133,445,106.69	43,045,792.52
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on Other Assets	226,333.26	1,110,945.22
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Total	133,671,439.95	44,156,737.74

Personnel Expense

Note 4.36

Particulars	Ashad End 2081	Ashad End 2080
Salary	30,690,831.75	28,363,532.35
Allowances	22,461,650.40	18,747,912.57
Gratuity expense	506,125.90	-
Provident fund/SSF Contribution	5,990,212.49	5,272,005.72
Uniform	698,100.05	959,499.98
Training and development expense	1,231,237.88	613,374.67
Leave encashment	4,519,015.66	3,523,120.00
Medical	2,988,572.83	3,243,740.55
Insurance	-	-
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	1,759,875.45	1,452,013.16
Other expenses related to staff	92,008.61	709,076.96
Subtotal	70,937,631.02	62,884,275.96
Employees bonus	-	-
Total	70,937,631.02	62,884,275.96

Other operating expense

Note 4.37

Particulars	Ashad End 2081	Ashad End 2080
Directors' fee	671,000.00	1,079,000.00
Directors' expense	517,735.51	542,288.06
Auditors' remuneration	858,800.04	717,550.04
Other audit related expense	936,543.00	918,191.80
Professional and legal expense	1,130,434.32	1,351,962.24
Office administration expense (Refer 4.37.1)	34,980,653.00	30,405,756.00
Operating lease expense	162,348.05	2,940,000.07
Operating expense of investment properties	-	-
Corporate social responsibility expense	166,966.89	281,693.21
Onerous lease provisions	-	-
Other	-	-
TOTAL	39,424,480.81	38,236,441.42

Samridhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Office administration expense

Note 4.37.1

Particulars	Ashad End 2081	Ashad End 2080
Water and electricity	3,013,272	2,714,953
Valuation fees	25,610	
Repair and maintenance		
(a) Building	-	-
(b) Vehicle	456,828	340,063
(c) Computer and accessories	253,799	241,744
(d) Office equipment and furniture	701,324	856,355
(e) Other	41,641	58,605
Insurance	1,897,408	1,515,287
Postage, telex, telephone, fax	3,379,403	2,357,430
Printing and stationery	1,774,750	1,599,137
News paper, books and journals	16,580	15,575
Advertisement	2,634,941	2,573,288
Donation	-	-
Security expense	4,731,962	5,424,376
Deposit and loan guarantee premium	-	-
Travel allowance and expense	1,677,211	2,102,182
Entertainment	-	17,720
Annual / Special general meeting expense	230,316	340,666
Other		
(a) Office expense	1,043,867	1,010,732
(b) Business Promotion expense	1,791,953	1,954,107
(c) Fuel expense	3,268,906	2,853,181
(d) Registration and Renewal expense	3,484,715	2,250,428
(e) Cleaning expense	154,061	103,985
(f) Bank charges	187,964	174,681
(g) Festival expense	192,957	203,283
(h) Incentives	51,645	171,900
(i) Other expenses	3,969,540	1,526,080
TOTAL	34,980,653	30,405,756

Depreciation & Amortization

Note 4.38

Particulars	Ashad End 2081	Ashad End 2080
Depreciation on property and equipment	17,696,638	14,088,953
Depreciation on investment property	-	-
Amortization of intangible assets	672,856	629,420
Total	18,369,495	14,718,374

Non operating income

Note 4.39

Particulars	Ashad End 2081	Ashad End 2080
Recovery of loan written off	21,661,632	5,037,903
Other income	251,469	1,783,220
Total	21,913,101	6,821,124

Samriddhi Finance Company Limited

**Notes Forming Part Of Financial Statements
For the year ended Ashad 2081**

Non operating expense

Note 4.40

Particulars	Ashad End 2081	Ashad End 2080
Loan written off	183,911	3,597,689
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
Total	183,911	3,597,689

Income tax expense

Note 4.41

Particulars	Ashad End 2081	Ashad End 2080
Current tax expense		
Current year	-	-
Adjustment for previous years	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(11,124,693.78)	(8,848,050)
Changes in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Total income tax expense	(11,124,694)	(8,848,050)

Reconciliation of tax expense and accounting profit

Note 4.41.1

Particulars	Ashad End 2081	Ashad End 2080
Profit before tax	(147,247,803)	(78,915,172)
Tax amount at tax rate of 30%	-	-
Add: Tax effect of expense that are not deductible for tax purpose	-	-
Less: Tax effect on exempt income	-	-
Add/Less: Tax effect on other items	(11,124,693.78)	-8848050.222
Total income tax expense	(11,124,694)	(8,848,050)
Effective tax rate	7.56%	11.21%

Samridhi Finance Company Limited
Notes to Financial Statements

5 Disclosure and Additional Information

5.1 Risk Management

The Finance's business activities expose to a variety of risks, namely primarily to fluctuations in foreign currency exchange rates, liquidity risk, operational risk and credit risk, which may adversely impact the value of its financial instruments and in overall, impact the financial performance and position of Finance. The Finance's Board and senior management has overall responsibility for the establishment and oversight of the Finance's risk management. The Finance's risk management policies are established to identify and analyse the risks faced by the Finance, to set appropriate risk limits (tolerance limit) and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Board Level Risk Management Committee

The Board is the one who set policy, strategy and objectives, and oversee the executive function. It sets risk appetite and ensures that it is reflected in business strategy and cascaded throughout the organization.

For the effective risk management, Board has formed a board level committee called Risk Management Committee (RMC) which assists the board in setting risk strategy policies, including risk tolerance and appetite levels, as stipulated by Nepal Rastra Bank. It devises the risk management policy of the bank including credit, market and operational risk, risk integration, implementation of best risk management practices and setting up various risk limits of the bank. The Committee receives reports from management and after discussion and deliberations reaches to a conclusion that existing action taken by the management are appropriate or elevate the situations to the Board where further action is required with its recommendation.

Risk Governance

Bank has prepared and implemented policies and procedures to mitigate the risk at enterprises level arising to the bank and has inculcated risk culture among the employees by establishing ownership mentality, capacity building programs, well defined job responsibilities and inhabiting good ethical culture. Through Risk Management Framework, the finance seeks to efficiently manage credit, market and liquidity risks which arise directly through the finance commercial activities as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking.

The risk management committee is responsible for the establishment of, and compliance with, policies relating to management risk, supply risk, production risk, demand risk and collection risk. The finance risk governance structure is such that the responsibility for maintaining risk within the finance risk blanket is cascaded down from the Board to the appropriate functional, client business, senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business, functional, senior management and committees.

Credit Risk

Credit risk refers to the probability of loss due to a borrower's failure to make payments on the loan provided by the Finance. This directly impacts the financial performance of Finance. Motive of credit risk management is to gain a complete understanding of a Finance's overall credit risk by viewing risk at the individual, customer and portfolio levels so that mitigating measures could be applied at desired levels.

Credit policy, product papers are the primary documented matters that are directly linked to credit risk management. The policies and procedures to be followed are in documented form defining roles and responsibilities of the personnel involved that provides a degree to autonomy on the evaluation and analysis of individual borrower. Credit Administration Department, Risk Management Department function to supervise risk on overall level.

Each prospective borrower is thoroughly analysed on his/her past, current status and future endeavours in order to ensure that borrower has capacity of repayment, before a credit is approved. Sufficient adequate collateral is obtained for all approved credit. Depending on the risk assigned to borrower, subsequent monitoring is being done. For similar group of borrowers, credit portfolio is prepared based on sector of loan.

The tools being used by Finance to assess overall credit risk is the ratio of non-performing loan to total loan on each loan sector.

Market Risk

Market risk is the risk of happening of potential loss on assets of the Finance due to market factors. Market factors mainly comprise of interest rate, foreign exchange and collateral price. This risk is not entirely manageable as it encompasses factors that are not wholly within the control of Finance and arises on transaction with customers. In general, management of this type of risk is by diversification.

Finance has the objective of effective risk management by way of risk identification, measurement, monitoring, management and analysis.

Interest Rate Risk: Interest rate risk is the risk of increased volatility due to changes in interest rate. Our nation has seen frequent and high changes in interest rate on deposit in the recent years with interest rate skyrocketing on few months time. Managing this risk is itself a huge challenge because fund diversion from one to Finance to another Finance is of high probability. Finance has been focusing on raising fixed term deposits with fixed interest rate in order to lock the available liquidity/deposit for specified period.

Foreign Exchange Risk: Foreign exchange risk is the risk of changes in exchange rates of convertible foreign currencies. This risk mainly arises from changes in exchange rate of US Dollars. Finance does not have any transaction in foreign currency.

Equity Price Risk: Finance has secured its loan by way of obtaining lien over the collateral of borrower.

Liquidity Risk

Liquidity risk is the risk that either Finance does not have financial resource to meet its obligations when due or could access to those resources at excessively high cost. Liquidity risk is managed by complying with the Directives and circulars issued by regulatory authority on time to time basis. CRR and SLR are now maintained after release of the status of Problematic Financial Institution as per regulatory requirement and periodic status of liquidity profile are prepared to analyse liquidity status. Assets Liability Management Committee is formed at Finance.

Samriddhi Finance Company Limited
Notes to Financial Statements

5 Disclosure and Additional Information

Operational Risk

Operational risk is potential for loss resulting from inadequate or failed internal processes, people and systems or external events. Risk Management Department is in place to monitor and mitigate operational risk. Standard operating procedures are prepared and implemented in order to define the process, people and system involved in each operational matters with existence of four eyes on each transaction (maker and cheker function). Finance has formed the Audit Committee for internal audit.

Information Technology Risk

Information technology risk refers to the risk arising from use of information technology. It includes hardware and software failure, human error on using IT, spam, virus, malicious attacks and also includes natural disaster. IT is integral part of operation of Finance and Finance has to rely heavily on IT. In order to minimize the risk related to IT, Finance has in place Business Continuity Plan.

Other Risk

The ever-changing environment gives rise to various new risks. Some of this include reputational risk, human resource risk, compliance risk etc. The risks are being evaluated and managed on daily/periodic basis by way of implementing mitigating measures. Nevertheless, the Risk Management Committee/Compliance Department remains vigilant towards each risk.

Internal Control

The Board is responsible for ensuring the finance has appropriate internal framework in place that supports the achievement of the strategies and objectives. The various functions of the finance should be looked upon with a view to establish a proper control mechanism is in place during expansion and growth which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The Board has set policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, in line with the NRB Directives and ensure that has been effectively implemented in the finance.

5.2 Capital Management

5.2.1 Capital Structure and Capital Adequacy

A. Capital Structure and Capital Adequacy of Finance is as follows

Core Capital		<i>(Rs. in '000)</i>	
S.N.	Description	Current Year	Previous Year
1	Paid up Capital (ordinary shares)	818,911	818,911
2	Proposed bonus share	-	-
3	Share premium	19,703	19,703
4	Irredeemable preferential share	-	-
5	General Reserve Fund	97,165	97,165
6	Accumulated profit/loss (Retained earnings)	(618,321)	(439,270)
7	Profit & loss a/c as per		
8	Capital Redemption Reserve Fund	-	-
9	Capital Adjustment Fund	-	-
10	Other Free Reserves	-	-
Deductions:			
a	Goodwill	-	-
b	Deferred tax assets	-	-
c	Investment on shares and securities in excess of limits	-	-
d	Investment to the company having financial interests	-	-
e	Fictitious Asset	-	-
f	Investment on land and building for self use not complying the Directives of NRB	18,540	18,540.00
g	Investment on land development and housing construction in excess of limits	-	-
h	Underwriting share not sold within the stipulated time	-	-
i	Credit and other facilities banned by the prevailing laws	-	-
Total Core Capital (i)		298,919	477,970

Samridhi Finance Company Limited
Notes to Financial Statements

5 Disclosure and Additional Information

Supplementary capital			<i>(Rs. in '000)</i>	
S.N.	Description	Current Year	Previous Year	
1	Provisions of loan loss made for pass loan	35,427	36,692	
2	Additional loan loss provision			
3	Hybrid capital instruments	-	0.00	
4	Unsecured Subordinated Term Debt	-	0.00	
5	Exchange Equalization Fund	-	0.00	
6	Assets revaluation Fund (max. 2% of Supplementary capital is added automatically)	-	0.00	
7	Investment adjustment Fund	-	0.00	
Total Supplementary Capital (ii)		35,427	36,692	
Total Capital Fund (i+ii)		334,346	514,662	

Capital Adequacy Ratio

1	Capital Fund maintained (in %)	14.98%	22.25%
2	Core Capital maintained (in %)	13.39%	20.67%

Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable:

SFCL has adopted sound risk management framework taking into account of guidelines prescribed by Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guidelines of SFCL ensuring soundness of capital position and sustainability of the business.

Considering the requirements to promulgate policies and procedures to safeguard the assets and liability of company, SFCL Board of Directors has approved different policies which provides guidance on independent identification, measurement and management of risks across various businesses. Finance's different committees like Audit Committee, Risk Management Committee review the business and risks periodically and take account of stress test results, scenario analysis so as to align risk, return and capital in sustainable manner. Basel II disclosures have been complied with, addressing the risks and adopting measures to minimize their impact. Increasing complexities in risks, vulnerabilities of businesses and fast changing world with intense competition pose a threat to sustainability. In order to address the varieties of risk that keeps coming out of business operations, company has identified different risks and adopted different measures to minimize them. Capital planning is an integral part of the finance's medium term strategic planning and annual budget formulation process. Total risk weighted exposures for the projected level of business operations is calculated, the required capital level is projected and a plan is formulated to retain the required capital. Ever since its establishment, the company has been able to generate and retain substantial earnings in order to ensure adequate capital formation, as required for its business growth. The company is well capitalized and able to maintain the required capital through internal generation, and equally through capital markets if needed.

Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments:

Not Applicable

B Risk Exposure

Risk Weighted Exposure for Credit, Market and Operational Risk			<i>(Rs. in '000)</i>	
S.N.	Description	Current Year	Previous Year	
1	Risk Weighted Exposure for Credit Risk	2,150,521	2,138,944	
2	Risk Weighted Exposure for Operational Risk	108,124	84,806	
3	Risk Weighted Exposure for Market Risk	-	-	
Total Risk Weighted Exposure for Credit, Market and Operational Risk		2,258,645	2,223,750	

Risk weighted Exposure under each categories of Credit Risk			<i>(Rs. in '000)</i>	
S.N.	Description	Current Year	Previous Year	
1	Claims on domestic banks that meet capital adequacy requirements	117,653	73,890	
2	Claims on Domestic Corporates	62,107	392,675	
3	Regulatory Retail Portfolio (Not Overdue)	55,739	42,338	
4	Claims fulfilling all criterion of regularity retail except granularity	191,280	183,125	
5	Claims secured by residential properties	38,401	95,589	
6	Claims secured by residential properties (Overdue)	-	17,831	
7	Past due claims (except for claims secured by residential properties)	1,039,603	268,833	
8	High Risk claims	190,837	613,343	
9	Lending Against Securities (Bonds & Shares)	132,639	32,400	
10	Investments in equity and other capital instruments of institutions listed in stock exchange	99,326	89,065	
11	Investments in equity and other capital instruments of institutions not listed in the stock exchange	14,410	8,507	
12	Staff loan secured by residential property	4,356	9,157	
13	Other Assets (as per attachment)	200,048	296,839	
14	Off Balance sheet Exposure	4,122	15,351	
Total Risk Weight Exposure for Credit Risk		2,150,521	2,138,944	

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Notes to Financial Statements

5 Disclosure and Additional Information

Risk weighted Exposure Calculation Table

(Rs. in '000)

S.N.	Description	Current Year	Previous Year
1	Risk Weighted Exposure for Credit Risk	2,150,521	2,138,944
2	Risk Weighted Exposure for Operational Risk	108,124	84,806
3	Risk Weighted Exposure for Market Risk	-	-
Total Risk Weight Exposure (before adjustment of Pillar II)		2,258,645	2,223,750
Adjustment under Pillar II			
1	SRP 6.4a (5) ALM policies & practices are not satisfactory, add ...% of net interest income to RWE	-	-
2	SRP 6.4a (6) Add ...% of the total deposit due to insufficient Liquid Assets	-	-
3	SRP 6.4a (7) Add RWE equivalent to reciprocal of capital charge of ...% of gross income.	-	-
4	SRP 6.4a (9) If overall risk management policies and procedures are not satisfactory. Add 4% of RWE	-	88,950
5	SRP 6.4a (10) Desired level of disclosure requirement has not been achieved. Add% of RWE	-	-
Total Risk Weight Exposure (after adjustment of Pillar II)		2,258,645	2,312,700

Amount of NPA's (Both Gross and Net)

(Rs. in '000)

Category	Gross	Provision	Net
Substandard Loan	133,470	64,297	69,173
Doubtful Loan	197,112	105,859	91,253
Loss Loan	17,462	8,526	8,936
Total	348,045	178,683	169,362

NPA Ratios

Particulars	%
Gross NPA to Gross Loan and Advances	19.93%
Net NPA to Net Loan and Advances	11.10%

Movement of Non Performing Assets

(Rs. in '000)

Particulars	Current Year	Previous Year	Net
Substandard Loan	133,470	4,289	129,182
Doubtful Loan	197,112	64,159	132,953
Loss Loan	17,462	3,066	14,396
Total	348,045	71,514	276,531

Samridhi Finance Company Limited
Notes to Financial Statements

5 Disclosure and Additional Information

5.3 Classification of financial assets and financial liabilities

The method of determination of fair value of financial assets and financial liabilities of the Finance at three levels (level one, level two and level three) has been disclosed in Note 3.4.5. Classification of financial assets and financial liabilities is done as mentioned in Note 3.4.2.

Fair value measurement is done for investment in shares. Fair value hierarchy of financial assets and liabilities at each reporting dates for the financial instruments presented in statement of financial position is as follows:

As at Ashad end 2081

Particulars	Classification	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalent	AC			480,708,517
Due from Nepal Rastra Bank	AC			124,330,689
Loans and advances to customers	AC			145,308,364
Investment securities				
Quoted shares	FVOCI			90,572,330
Unquoted shares	FVOCI			6,207,164
Other Investment	AC			405,029,688
Other Assets- Account Receivable	AC			163,052
Total Financial Assets		-	-	1,252,319,803
Financial Liabilities				
Due to Bank and Financial Institutions	AC			153,969,560
Deposits from customers	AC			2,305,546,370
Other Liabilities	AC			115,064,121
Total Financial Liabilities		-	-	2,574,580,051

As at Ashad end 2081

Particulars	Classification	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalent	AC			409,276,934
Due from Nepal Rastra Bank	AC			126,039,696
Loans and advances to customers	AC			15,554,506
Investment securities				
Quoted shares	FVOCI	-		87,458,882
Unquoted shares	FVOCI			5,987,049
Other Investment	AC			222,291,681
Other Assets- Account Receivable				8,845,639
Total Financial Assets		-	-	875,454,387
Financial Liabilities				
Due to Bank and Financial Institutions	AC			354,755,041
Deposits from customers	AC			1,610,643,985
Other Liabilities	AC			105,849,931
Total Financial Liabilities		-	-	2,071,248,957

Note: AC = Amortized Cost, FVOCI = Fair Value Through OCI

Samridhhi Finance Company Limited
Notes to Financial Statements

5.4 Operating Segment Information

5.4.1 General Information

Finance's management has identified its operating segments based on the management of its branches and offices. In line with this, 3 different segments are identified based on 7 Provinces of Nepal on geographical separation basis. The operation, risk, transactions, etc. are more inclined on similar manner on a particular state. All the related income and expenses of such segments are presented in the segment information. Equity, staff bonus, NFRS adjustments and income tax are not segregated and are included in central account. Intra-segment transactions are eliminated. Finance company has presence in five provinces namely; Province 1, Madhesh Province, Bagmati Province, Gandaki Province and Lumbini Province. The company has not carried out its operation in Province 1 and Madhesh Province in current fiscal year, thus is not included as reportable segment.

In general, the products that derive revenue is classified in the following manner.

- i) Consumer Financing: Revenue generated by serving individual consumer is categorized under this product. This includes loans and deposit from individual customer.
- ii) Corporate Financing: Revenue generated from customer other than consumer is categorized under this product. This includes loan and deposit.
- iii) Treasury: Revenue generated by way of making investment in government securities, corporate bonds, mutual fund units, shares etc. are grouped under this product.
- iv) Others: Other revenue are included in this product and includes operational service fees, locker, guarantee commission, etc.

							<i>In '000'</i>
Particulars	Bagmati	Province 1	Madhesh	Gandaki	Lumbini	Unallocated	Total
Revenue from external customers	33,275	189	261	178	356	-	34,259
Intersegment revenues	-	-	-	-	-	-	-
Net revenue	33,275	189	261	178	356	-	34,259
Interest income	2,304	3,229	211,596	12,773	21,660	-	251,562
Interest expenses	4,194	25,088	104,589	10,545	26,066	-	170,482
Net interest revenue	(1,890)	(21,859)	107,007	2,228	(4,406)	-	81,080
Staff expenses	4,390	7,992	50,749	2,676	5,131	-	70,938
Operating expenses	3,007	5,486	27,097	1,498	2,336	-	39,424
Depreciation and amortization	896	1,719	14,465	397	894	-	18,369
Other expenses	392	1,175	67,322	14,990	49,977	-	133,855
Total segment expenses	8,685	16,372	159,633	19,560	58,338	-	262,587
Segment profit/(loss)	22,700	(38,042)	(52,364)	(17,155)	(62,387)	-	(147,248)
Entity's interest in the profit or loss of associate accounted for using equity method							
Other material non-cash items:							
Loans:							
Consumer							1,101,067
Corporate							642,572
Deposit							
Consumer							1,524,169
Corporate							935,347
Impairment of Assets							220,929
Segment Assets	56,879	149,034	2,346,036	106,631	280,305	106,418	3,045,303
Segment Liabilities	73,343	186,706	1,723,431	150,640	372,808	67,652	2,574,580

Samriddhi Finance Company Limited
Notes to Financial Statements

5.4.3 Measurement of operating segment profit or loss, assets and liabilities

i) Basis of accounting for any transactions between reportable segments:

All revenue generated including intra-segment revenue and expenses incurred in particular segment are presented under segment revenue and expenses. Intra-segment revenue/cost is netted off at Head Office.

ii) Nature of any differences between the measurements of the reportable segment's profits or losses and the entity's profit or loss before income tax

There does not exist such difference.

iii) Nature of any differences between the measurements of the reportable segment's assets and the entity's assets.

There does not exist such difference.

iv) Nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any,

Previously, segment reporting was not done. In current scenario, segment reporting based on geographical segment is presented.

v) Nature and effect of any asymmetrical allocations to reportable segments

There is no such allocation.

5.4.4 Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

a) Revenue	<i>In '000'</i>
Total revenue for reportable segments	285,821
Other revenue	-
Elimination of intersegment revenues	-
Entity's revenue	285,821
b) Profit or loss	<i>In '000'</i>
Total profit or loss for reportable segments	(147,248)
Other profit or loss	
Elimination of intersegment profit	
Unallocated amounts:	
Staff bonus	-
Income tax	-
NFRS adjustments	-
Profit before income tax	(147,248)
c) Assets	<i>In '000'</i>
Total assets for reportable segments	2,938,885
Other assets	
Unallocated assets	106,418
Entity's assets	3,045,303
d) Liabilities	<i>In '000'</i>
Total liabilities for reportable segments	2,506,928
Other liabilities	-
Unallocated liabilities	67,652
Entity's liabilities	2,574,580

5.4.5 Information about product and services

Particulars	Amount	<i>In '000'</i>
Consumer banking		-
Corporate banking		-
Treasury		-
Others		-

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Notes to Financial Statements

5.4.6 Information about geographical areas

Revenue from geographical areas are as follows:

	<i>In '000'</i>
Domestic:	Amount
Koshi Province	35,579
Madesh Province	3,418
Bagmati Province	211,857
Gandaki Province	12,951
Lumbini Province	22,017
Foreign:	
Total	285,821

5.4.6 Information about major customers

None of the customer have contribution of 10% of more revenue on total revenue of Bank.

5.5 Share options and share based payment

Not applicable

5.6 Contingent liabilities and capital commitment

Contingent liabilities are:

- 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 recognised 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.

Capital commitment are projected capital expenditure a company commits to spend on long-term assets over a period of time.

Quantitative information on contingent liabilities and capital commitments are presented in Note 4.28.

5.7 Related parties 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

A. Board of Directors of the Financial Institution

B. Key Management Personnal

Board of Directors and Key Management Personnel of the Bank comprise the following:

SN	Name	Position
1	Thakur Prasad Bhattarai	Chairperson
2	Binod Kumar Subedi	Director
3	Sujan Adhikari	Director
4	Sudip Ghimire	Director
5	Durga Thapa	Director
6	Dinesh Kumar Bartaula	Director
7	Janga Bahadur Hamal	Independent Director
8	TikaNidhi Lohani	Chief Executive Officer
9	Gokarna Prasad Duwadi	Deputy Chief Executive Officer
10	Binod Raj Paudel	Deputy General Manager

Mr. Binod Raj Paudel serves as the company secretary.

5.7.1 Board Member Allowance and Facilities

All members of the Board of Directors are non-executive directors. The directors are paid Meeting Fees for their attendances in meeting of the Board of Directors and other Board Level Committees. The Chairman of the Board of Directors is paid NPR 5,000 per meeting attended while other members of the board receive NPR 4,000 per meeting attended.

In addition, all board members are provided Rs. 4,000 per month in order to cover expenses related to newspaper and telephone expenses.

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Apart from the stated allowance and facilities, other allowance and facilities are not provided to board members and there has been no any commercial transaction of the Finance with the board member.

Details of compensation paid to the directors are:

Particulars	Amount (Rs)
Board Meeting Fees	423,000
Board Member Allowance	268,000
Risk Management	52,000
AML Committee Fees	40,000
Audit Committee Fees	108,000
Investigation Committee	-
Employee Service	48,000
Budget Committee Fees	-
Other Board expenses	66,700

5.7.2 Loans and Advances extended to Promoters:

The Company has not extended any loans to promoters during the year.

5.7.3 Key Management Personnel

Compensations paid to Key Management Personnel (which includes CEO and other executive officials) during the fiscal year is presented below. In addition, other non-monetary perquisites are provided to the Key Management Personnel as per the Company's Human Resource Policy and employment terms and conditions.

Particulars	Amount (Rs)
Salary and Allowances	
CEO	4,716,000
Other Key Management Personnel	5,113,267
Total	9,829,267
Other Benefits*	
CEO	-
Other Key Management Personnel	-
Total	-

*Other Benefits include Staff Bonus paid out of profit for previous year.

5.8 Merger and acquisition

During the current fiscal year, there has not been any completed merger or acquisition.

5.9 Events after reporting date

The events after reporting date are all those events, whether favourable or unfavourable, which occurs between the reporting date and the date approval of the financial statements by the board of directors. During this period, there are no such events that require adjustments or additional disclosures in the financial statement.

5.10 Proposed Distributions (Dividend or Bonus Shares)

The company is not in a position to declare dividend or bonus shares this year.

5.11 Departure from NFRS

The management of the finance company concluded that the financial statements fairly present the company's financial position, performance and cash flows. The Institute of Chartered Accountants of Nepal (ICAN) issued 'Notice regarding decision on Carve-outs in NFRS with alternative treatments' on 18 July 2022 and alternative treatments as per carve outs published on various dates has been adopted while preparing the financial statements.

5.12 Limitations of NFRS

During NFRS implementation, whenever the information is not adequately available and the cost to develop the same would exceed the benefit derived, if any, has been noted and disclosed in the respective sections.

Samriddhi Finance Company Limited
Notes to Financial Statements

5.13 Reclassifications, regrouping and rounding off

Previous year figure has been reclassified and regrouped wherever necessary to make the same comparable with the current year's figure. Figures in financial statements are rounded off to nearest rupee.

5.14 Refinance and Interest Subsidized Loan

Finance has provided facilities as per NRB Directive 2. Details are as follows:

Details of Refinance and Business Continuity Loan as on Ashadh 2081

Particulars	No.of Customers	Amount (NRs.)
Refinance Loan		
Business Continuity Loan		

Details of Subsidized Loan as on Ashadh 2081

Particulars	No.of Customers	Amount (NRs.)
Subsidized Loan	149	102,545,722

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Notes to Financial Statements

5.11 Major Financial Indicators of Last Five Years

S.N.	Particulars	Indicator	2080-81	2079-80	2078-79	2077-78	2076-77	2075-76
1	Net profit/total income	%	(52.62)	(26.58)	0.11	30.22	82.34	57.78
2	Earning per share							
	Basic earning per share	Rs.	(16.62)	(8.56)	0.03	4.87	18.07	3.02
	Diluted earning per share	Rs.	(16.62)	(8.56)	0.03	4.87	18.07	3.02
3	Market price per share	Rs.	460.00	349.00	223.00	469.00	97.00	101.00
4	Price/earning ratio	Times	(27.67)	(40.79)	7,264.08	96.22	5.37	33.45
5	Dividend or bonus per share	Rs.	-	-	-	-	-	-
6	Cash dividend	Rs.	-	-	-	-	-	-
7	Interest income/loan and advances	%	15.83	16.84	12.60	7.41	33.19	5.41
8	Employee expenses/total operating expenses	%	55.11	54.32	56.40	54.54	61.66	36.77
9	Interest expenses/total deposit and borrowing	%	7.39	11.60	9.20	4.71	12.51	7.23
10	Exchange income/total income	%	-	-	-	-	-	-
11	Staff bonus/total employee expenses	%	-	-	0.65	1.10	12.05	6.42
12	Net profit/loans and advances	%	(8.57)	(4.58)	0.01	2.52	27.46	3.13
13	Net profit/total assets	%	(4.47)	(2.59)	0.01	1.65	8.97	2.60
14	Total loans and advances/total deposit	%	71.00	79.32	79.32	117.22	58.22	233.52
15	Total operating expenses/total assets	%	4.23	4.28	3.25	4.82	11.37	6.99
16	Capital adequacy ratio							
	a) Common Equity Tier 1 Capital	%	13.39	20.67	26.82	23.12	43.59	12.37
	b) Core Capital	%	13.39	20.67	26.82	23.12	43.59	12.37
	c) Supplementary Capital	%	1.59	1.59	1.25	1.20	0.12	-
	d) Total Capital Fund	%	14.98	22.25	28.07	24.32	43.72	12.37
17	Cash reserve ratio (CRR)	%	5.23	6.58	5.27	5.02	7.60	0.11
18	NPAs/total loan and advances	%	19.93	4.59	4.58	5.11	86.64	100.00
19	Base rate	%	13.19	15.16	13.84	13.78	20.84	17.60
20	Weighted average interest rate spread	%	4.58	4.41	5.62	3.81	10.52	3.90
21	Book net worth	Rs.	470,722,731	633,857,355	625,743,042	294,751,120	131,973,756	99,101,575
22	Total shares	No.	8,189,114	8,189,114	7,421,748	4,283,851	1,819,803	1,819,803
23	Total employees	No.	102.00	93.00	65.00	59.00	39.00	13.00
24	Others:							
	Per employee business (Rs. In lakh)		162.85	172.09	247.53	148.90	35.50	135.68
	Employee expenses/total income *	%	27.42	23.86	23.07	48.28	64.41	57.22

* Interest and other operational income has been considered as income while calculating this ratio

Samridhi Finance Company Limited
Comparison of Unaudited and Audited Financial Statements as of 2080-81

Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			Amount	In %	
Statement of Financial Position					
Assets					
Cash and cash equivalent	481,589,301	480,708,517	(880,784)	-0.18%	Adjustment on accrued interest on bank deposit
Due from Nepal Rastra Bank	122,212,577	124,330,689	2,118,112	1.73%	Adjustment of subsidy received on NRB
Placement with bank and financial institutions	-	-	-	0.00%	
Derivative financial instruments	-	-	-	0.00%	
Other trading assets	-	-	-	0.00%	
Loans and advances to B/FIs	145,308,364	145,308,364	-	0.00%	
Loans and advances to customers	1,487,620,640	1,441,899,541	(45,721,099)	-3.07%	Adjustment of interest suspense on bad loan and change in impairment on loans and advances
Investment securities	501,809,776	501,809,181	(595.00)	0.00%	Fair value adjustment on investment securities
Current tax assets	7,108,812	8,067,763	958,950.80	13.49%	Prior period adjustment on current tax asset
Investment in subsidiaries	-	-	-	0.00%	
Investment in associates	-	-	-	0.00%	
Investment property	130,211,831	130,211,831	-	0.00%	
Property, plant and equipment	133,860,495	133,101,987	(758,507.86)	-0.57%	Adjustment on ROU asset and accumulated depreciation
Goodwill and intangible assets	5,452,275	2,998,803	(2,453,472)	-45.00%	Adjustment of accumulated depreciation
Deferred tax assets	32,579,026	37,103,341	4,524,315	13.89%	Due to change in value of asset audit and recomputation of deferred tax
Other assets	39,391,581	39,762,765	371,184	0.94%	Adjustment of loan charges due to change in loan loss provision
Total assets	3,087,144,678	3,045,302,782	(41,841,896)	-1.36%	
Capital and liabilities					
Share capital	818,911,400	818,911,400	-	0.00%	
Share premium	19,703,286	19,703,286	-	0.00%	
Retained earnings	(596,655,000)	(618,320,598)	(21,665,598)	3.63%	Effect of change in profit
Reserves	273,221,000	250,428,643	(22,792,357)	-8.34%	Effect of change in profit
Due to bank and financial institutions	153,969,560	153,969,560	-	0.00%	
Due to Nepal Rastra Bank	-	-	-	0.00%	
Derivative financial instruments	-	-	-	0.00%	
Deposits from customers	2,305,546,370	2,305,546,370	-	0.00%	
Other liabilities	112,448,062	115,064,121	2,616,059	2.33%	Adjustment of actuarial valuation
Total capital and liabilities	3,087,144,678	3,045,302,781	(41,841,896)	-1.36%	
Statement of profit or loss					
Interest income	254,892,994	251,562,050	(3,330,944)	-1.31%	Adjustment of interest suspense on bad loan
Interest expense	170,481,624	170,481,624	-	0.00%	
Net interest income	84,411,370	81,080,426	(3,330,944)	-3.95%	
Fee and commission income	7,107,884	7,107,883	(0)	0.00%	
Fee and commission expense	-	-	-	0.00%	
Net fee and commission income	7,107,884	7,107,883	(0)	0.00%	
Net interest, fee and commission income	91,519,254	88,188,309	(3,330,944)	-3.64%	
Net trading income	-	-	-	0.00%	
Other operating income	5,237,743	5,237,743	-	0.00%	
Total operating income	96,756,997	93,426,052	(3,330,944)	-3.44%	
Impairment charge/(reversal) for loans and other losses	91,322,958	133,671,440	42,348,482	46.37%	Adjustment of impairment on loans and advances due to change in loan loss provision
Net operating income	5,434,038	(40,245,388)	(45,679,426)	-840.62%	
Operating expense					
Personnel expenses	70,431,505	70,937,631	506,126	0.72%	Adjustment of actuarial valuation
Other operating expenses	39,424,481	39,424,481	-	0.00%	
Depreciation and amortization	18,644,140	18,369,494	(274,646)	-1.47%	Reversal of excess depreciation
Operating Profit	(123,066,088)	(168,976,993)	(45,910,905)	37.31%	
Non operating income	21,913,101	21,913,101	-	0.00%	
Non operating expense	183,911	183,911	-	0.00%	
Profit before income tax	(101,336,898)	(147,247,803)	(45,910,905)	45.31%	
Income tax expense					
Current tax expenses	-	-	-	0.00%	
Deferred tax expenses/(income)	(6,600,557)	(11,124,694)	(4,524,137)	68.54%	Due to change in carry forward loss
Profit for the period	(94,736,341)	(136,123,110)	(41,386,768)		
Other comprehensive income	(491,984)	(491,984)	-		
Total comprehensive income	(95,228,325)	(136,615,093)	(41,386,768)		