

NEPAL SHARE MARKETS AND FINANCE LIMITED

PUTALISADAK, KATHMANDU

AUDIT REPORT

FY 2080/81

22nd Poush, 2081 (6th Jan, 2025)



NSM

Nepal Share Markets & Finance Ltd.

नेपाल शेयर मार्केट्स एण्ड फाइनेन्स लिमिटेड

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NEPAL SHARE MARKET AND FINANCE LIMITED**

Qualified Opinion on the Financial Statements

We have audited the accompanying financial statements of Nepal Share Market and Finance Limited. ("the Company") which comprise the Statement of Financial Position as at 31st Ashadh 2081 corresponding to 15th July 2024, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the company as of 31 Ashadh 2081 (15 July, 2024), and its financial performances, changes in equity and its cash flows for the year ended on that date in accordance with Nepal Financial Reporting Standards (NFRS) as mentioned under section (b) of Report on Other Legal and Regulatory Requirements (Bank & Financial Institution Act and Company Act)

Basis of Qualified Opinion

Other Assets:

Other assets include accounts receivable (NRs. 470,232,904) and prepayments & accrued income (NRs. 855,753) on balance date amounting to NRs. 477,161,297 in the name of company. Out of total account receivable amounting NRs. 470,232,904, Other debtors representing NRs. 93,663,284 (which is equivalent to 20.12% of balance sheet amount) are subject to confirmation from concerned debtor to ensure their existence and value on balance date. Also, the receivable booked in the name of Yogendra Pd. Shrestha is subject to decision from the Supreme Court against which no provision has been booked.

Other Liabilities:

Other liabilities depict total amount of NRs. 482,407,347 on balance date. Out of these balance other liabilities includes creditors and accrual amounting NRs. 173,556,325 and other payable amounting NRs. 271,956,380 which combinedly hold 38.16% of balance sheet amount are subject to confirmation from concerned vendor and suppliers to ensure their existence and value on balance date.

Capital WIP:

NSMFL has Capital WPI amounting NPR 14,971,734 which has been shown under heading Property and equipment which has already been sold prior to the reporting date. Hence the existence & value as of date could not be ascertained as reported by the management.

Bank reconciliation

The entity's financial statements report cash and bank balances as per the books of accounts, which have not been updated to reflect the necessary adjustments identified through bank reconciliation statements. This results in a discrepancy between the reported cash and bank balances in the financial statements and the actual balances confirmed by the bank statements.

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirement that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.



Key Audit Matters

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

SN.	Key Audit Matters	Auditors' Response
1.	<u>Interest Income Recognition</u> Interest income of the Finance Company is recognized on accrual basis subject to the Interest Income Recognition Guidelines 2019 issued by NRB. The guidelines requires suspension of interest income recognition on accrual basis for loans and advances which are more than 3 months in arrears and where the "net realizable value" of security is insufficient to cover payment of principal and accrued interest and for loans and advances where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral; In absence of system capability to suspend recognition of income on the basis of overdue status of loans and net realizable value of collateral, manual calculations is required to suspend interest income recognition. This creates risk of improper application of the guidelines and determination of the Net Realizable Value of the collateral. This may, in turn, have effect on recognition of interest income of The Finance Company. Thus, we have considered it as a key audit matter.	Our audit approach included: a. Obtaining clear understanding of the process of accrual calculations of interest income on loans and advances in the Core Banking Software (CBS) of the Finance Company. b. For net realizable value of collateral on the sample loan files, we relied on the latest available engineer's valuation of the collateral. c. Test check of the interest income accrued in the CBS and booked in the financial statements in line with the Guidelines issued by NRB. Our Results: We considered the interest income recognition to be acceptable
2.	<u>Information Technology (IT) systems and control over financial reporting</u> The entire preparation of financial statements is highly dependent on CBS and supporting software and hardware control. Adequate and appropriate IT control are required to ensure that IT application process data are as expected, appropriate user access and changes are made in an appropriate manner. Such controls ensure mitigating the expected risk of erroneous output data. Audit outcome is dependent on the extent IT controls and systems, and accordingly the above areas are determined to be as key audit matter.	Our audit approach included: We have carried out our audit procedures with Nepal Standards on Auditing guidelines towards implementation of IT policies and procedures followed by the Finance in order to effectively monitor, control, and evaluate the IT applications and controls to ensure effective implementation of such policies and procedures. Also, our approach for Information Technology (IT) systems and controls over financial reporting was based on NRB Information Technology. Guidelines 2012 and includes following: a. Reviewed report generated by CBS



		b. Verified few loans and deposits interest calculations on test basis c. Verified the loan loss provision of loans and advances based on ageing for 15.07.2024.
3.	Investment Valuation, Identification, and Impairment The Company's investment portfolio includes Treasury Bills, Development Bonds, and quoted and unquoted equity instruments. These instruments were valued in accordance with NAS 39 read with NFRS 9 and NRB Directive 8. Development bond, Treasury bill are measured at amortized cost. Investment in an equity instrument that is not held for trading are measured at fair value through Other Comprehensive Income (FVOCI). Given there are different methods recommended for the treatment of investments based on the nature of cash flow, the business model adopted, complexity of calculation and the significance of amount involved in such investments, same has been considered as Key Audit matter.	Our audit approach included: Our audit approach regarding verification of process of investment valuation, identification and impairment included: a. Review of the Company's investment and its valuation having reference to NFRS and NRB Directive. b. For investment valued at amortized cost, on test check basis, we checked the effective interest rate (EIR) and amortization schedule c. For the investments measured at Fair Value through Other Comprehensive Income (FVTOCI) for quoted investment, we ensured that fair valuation done at the closing transaction rate in NEPSE as on 15th July 2024. d. Income and Bonus received have been verified through DEMAT statement maintained by the Company wherever applicable. Also, party confirmation has been taken regarding number of equity shares held.

Other information

The Company's Management is responsible for the preparation of the other information. The other information comprises the information included in the Management Report, Report of the Board of Directors and Chairman's statement but does not include the financial statement and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations



or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

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

We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements (Bank & Financial Institution Act and Companies Act)

We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our examination.



In our opinion, the statement of financial position as at 31st Ashadh, 2081 (15 July, 2024), statement of the comprehensive income, statement of changes in equity and statement of cash flow for the year then ended have been prepared in accordance with the provisions of Companies Act, 2063 and conform to the books of accounts and records are properly maintained in accordance with the prevailing laws, except the matter highlighted under point "d".

On examination of the financial statements as aforesaid, we report that:

- a. We have obtained all information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our examination.
- b. In our opinion, proper books of account as required by law have been kept by the company, in so far as appears from our examination of those books of account and the financial statements deal with by this report are prepared in conformity with the NFRS based format prescribed by Nepal Rastra Bank.
- c. In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of account of the company, we have not come across the cases where the Management Committee or any member thereof or any employee of the company has acted contrary to the provisions of the law relating to accounts.
- d. The Finance Company shall transfer unclaimed dividend which is not claimed up to 5 years from the date of approval from AGM to investor protection fund as per section 182 (9) of company 2063 whereas dividend that are payable for more than 5 years are lying in the account as under depositing it to the "Investor protection fund"
- e. The company shall settle its sundry creditor accounts which is mainly constituted by the amount deposited by borrowers as part of partial payment of their borrowings.
- f. In our opinion, the loans and advances are charged off as per the write off policy and with the approval of the authority concern.
- g. In our opinion, the business of the company has been conducted within its authority.


CA. Raja Ram Kadel
Managing Partner
A.K.G. Associates
Chartered Accountants
COP No : 719
UDIN: 250108CA0096963C9Z
Date: 24th Poush 2081
Place : Kuponhole, Lalitpur, Nepal




Nepal Share Market & Finance Limited
Statement of Financial Position
As at Ashad 31, 2081

Amount in NRs.

Particulars	Note	As at 31.03.2081	As at 31.03.2080
Assets			
Cash and cash equivalent	4.1	354,590,557	320,749,259
Due from Nepal Rastra Bank	4.2	67,424	67,424
Placement with Bank and Financial Institutions	4.3	-	-
Derivative financial instruments	4.4	-	-
Other trading assets	4.5	-	-
Loan and advances to B/FIs	4.6	-	-
Loans and advances to customers	4.7	38,773,457	38,773,457
Investment securities	4.8	196,538,376	186,757,461
Current tax assets	4.9	9,257,061	7,452,142
Investment in subsidiaries	4.10	70,000,000	70,000,000
Investment in associates	4.11	-	-
Investment property	4.12	-	-
Property and equipment	4.13	21,428,712	21,593,472
Goodwill and Intangible assets		-	-
Deferred tax assets	4.15	-	-
Other assets	4.16	477,161,297	484,203,124
Total Assets		1,167,816,884	1,129,596,340
Liabilities			
Due to Bank and Financial Institutions	4.17	-	-
Due to Nepal Rastra Bank	4.18	-	-
Derivative financial instruments	4.19	-	-
Deposits from customers	4.20	246,096,769	244,535,717
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	-	-
Deferred tax liabilities	4.15	39,209,242	36,320,799
Other liabilities	4.23	482,407,347	471,073,012
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
Total liabilities		767,713,357	751,929,528
Equity			
Share capital	4.26	233,332,834	233,332,834
Share premium		2,477,335	2,477,335
Retained earnings		(2,001,305,334)	(2,013,419,870)
Reserves	4.27	2,165,598,692	2,155,276,513
Total equity attributable to equity holders		400,103,527	377,666,812
Non-controlling interest		-	-
Total equity		400,103,527	377,666,812
Total liabilities and equity		1,167,816,884	1,129,596,340
Contingent liabilities and commitment	4.28		
Net assets value per share		171.47	161.86

This is the same report referred in our attached report


Roshan Kumar Adhikari
Coordinator
Management Committee

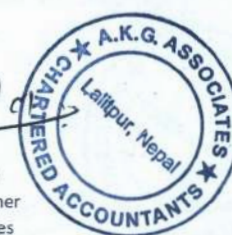

Rabin Bhakta Shyaula
Senior Officer

Date: 22nd poush 2081
Place: Kathmandu



Govinda Prasad Sharma
Member
Management Committee

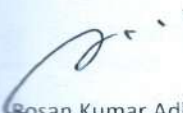

Raja Ram Kadel
Managing Partner
A.K.G. Associates
Chartered Accountants




Nepal Share Market & Finance Limited
Statement of Profit or Loss
For the year ended on Ashadh 31, 2081

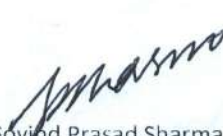
Particulars	Note	Current Year	Previous Year
Interest income	4.29	12,670,867	15,775,887
Interest expense	4.30	1,960,617	1,941,859
Net interest income		10,710,251	13,834,028
Fee and commission income	4.31	-	-
Fee and commission expense	4.32	-	-
Net fee and commission income		-	-
Net interest, fee and commission income		10,710,251	13,834,028
Net trading income	4.33	-	-
Other operating income	4.34	42,296,432	52,616,809
Total operating income		53,006,683	66,450,837
Impairment charge/(reversal) for loans and other losses	4.35	(100,252)	(2,202,583)
Net operating income		53,106,934	68,653,420
Operating expense			
Personnel expenses	4.36	8,393,524	8,248,483
Other operating expenses	4.37	22,189,789	18,595,613
Depreciation & Amortisation	4.38	317,560	6,093,794
Prior Period Operating Expenses		-	2,125,163
Operating Profit		22,206,062	33,590,366
Non operating income	4.39	-	-
Non operating expense	4.40	-	-
Profit before income tax		22,206,062	33,590,366
Income tax expense	4.41		
Current Tax		6,661,818	10,714,659
Deferred Tax Expense/(income)		(45,832)	14,130,707
Profit for the period		15,590,075	8,745,000
Profit attributable to:			
Equity holders of the Bank		15,590,075	8,745,000
Non-controlling interest			
Profit for the period		15,590,075	8,745,000
Earnings per share			
Basic earnings per share		6.68	3.75
Diluted earnings per share		6.68	3.75

This is the same report referred in our attached report


Rosan Kumar Adhikari
Coordinator
Management Committee




Rabin Bhakta Shyaula
Senior Officer


Govind Prasad Sharma
Member
Management Committee


Raja Ram Kadel
Managing Partner
A.K.G. Associates
Chartered Accountants




Date: 22nd poush 2081
Place: Kathmandu


Nepal Share Market & Finance Limited
Statement of Comprehensive Income
For the year ended on Ashadh 31, 2081

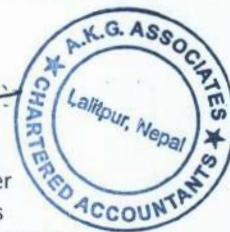
Particulars	Note	Current Year	Previous Year
Profit for the year		15,590,075	8,745,000
Other comprehensive income, net of income tax			
a) Items that will not be reclassified to profit or loss			
Gain/(loss) from investments in equity instruments measured at fair value	-	9,780,915	69,287,359
Gain/(loss) on revaluation			
Actuarial gains/(losses) on defined benefit plans			
Income tax relating to above items	-	(2,334,274)	(20,786,208)
Net other comprehensive income that will not be reclassified to profit or loss	-	6,846,640	48,501,151
b) Items that are or may be reclassified to profit or loss			
Gains/(losses) on cash flow hedge			
Exchange gain/(losses) arising from translating financial assets of foreign operation			
Income tax relating to above items			
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 period, net of income tax	-	6,846,640	48,501,151
Total comprehensive income for the period	-	22,436,715	
Total comprehensive income attributable to:			
Equity holders of the Bank	-	22,436,715	57,246,151
Non-controlling interest			
Total comprehensive income for the period	-	22,436,715	57,246,151


This is the same report referred in our attached report


Rosan Kumar Adhikari
Coordinator
Management Committee


Gouind Prasad Sharma
Member
Management Committee


Raja Ram Kadel
Managing Partner
A.K.G. Associates
Chartered Accountants




Rabin Bhakta Shyaula
Senior Officer


Date: 22nd poush 2081
Place: Kathmandu




Nepal Share Market & Finance Limited
Statement of Cash Flow
For the year ended on Ashadh 31, 2081

Particulars	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	12,670,867	15,775,887
Fees and other income received		
Dividend received		
Receipts from other operating activities	41,978,913	52,498,679
Interest paid	(1,960,617)	(1,941,859)
Commission and fees paid		
Cash payment to employees	(8,393,524)	(6,635,105)
Other expense paid	(22,189,789)	(18,595,613)
Operating cash flows before changes in operating assets and liabilities	22,105,851	41,101,989
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions		
Loans and advances to customers	(100,252)	(2,202,583)
Non Banking Assets		
Other assets	5,236,909	(994,910)
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposit from customers	1,561,052	1,790,870
Borrowings		
Other liabilities	14,222,777	3,780,764
Net cash flow from operating activities before tax paid	43,026,337	43,476,129
Income taxes paid	(9,257,662)	(8,076,924)
Net cash flow from operating activities	33,768,675	35,399,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	-
Receipts from sale of investment securities		
Purchase of property and equipment	(152,800.00)	
Receipt from the sale of property and equipment		
Purchase of intangible assets		
Receipt from the sale of intangible assets		
Purchase of investment properties		
Receipt from the sale of investment properties		
Interest received		
Dividend received	225,423	118,130
Net cash used in investing activities	72,623	118,130
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities		
Repayment of debt securities		
Receipt from issue of subordinated liabilities		
Repayment of subordinated liabilities		
Receipt from issue of shares		
Dividends paid		
Interest paid		
Other receipt/payment		
Net cash from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	33,841,299	35,517,335
Cash and cash equivalent as at Shrawan 1	320,749,259	285,231,924
Effect of exchange rate fluctuations on cash and cash equivalents held		
Cash and cash equivalent as at Ashad end	354,590,557	320,749,259

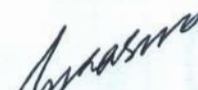
This is the same report referred in our attached report



Rosan Kumar Adhikari
Coordinator
Management Committee


Rabin Bhakta Shyaula
Senior Officer

Date: 22nd poush 2081
Place: Kathmandu




Gopind Prasad Sharma
Member
Management Committee


Raja Ram Kadel
Managing Partner
A.K.G. Associates
Chartered Accountants



Nepal Share Market & Finance Limited
Notes to Financial Statements
For the year ended on Ashadh 31, 2081

1 Reporting entity

Nepal Share Market & Finance Limited (hereinafter referred to as "Finance") is a national level class "C" licensed financial institution licensed by Nepal Rastra Bank. The company has head office located at Putalisadak, Kathmandu and has not any branches. The Finance was declared problematic on 2068/01/28 by Nepal Rastra Bank which is still in effect. The Board of Directors of the company has been suspended by Nepal Rastra Bank and 2 Member Management Committee is in effect to function as replacement of Board of Directors.

Finance was incorporated under Companies Act 2063 on as public limited company. The Finance is listed with Nepal Stock Exchange. However, Transaction in NEPSE has been suspended.

Finance offers comprehensive banking services within the scope of provisions of Banking and Financial Institutions Act 2074. Due to the application of PCA by the NRB, financial activity of the finance has been limited to the recovery of loan and refund of deposits.

2 Basis of Preparation

These financial statements, which comprise the statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity, statement of cashflow and notes thereto has been prepared in all material aspect in accordance with requirement of applicable Nepal Financial Reporting Standards (NFRSs) issued by the Institute of Chartered Accountants of Nepal and in the format issued by Nepal Rastra Bank. These are prepared under accrual basis of accounting in accordance with the historical cost convention, except for certain items as follows:

a. Investment in equity instruments and units of mutual fund are measured at fair value.

b. Liability for defined benefit obligation is recognized at present value of defined benefit obligation as determined by actuary.

The significant accounting policies applied in the preparation of financial statements are set out below in Note 3. These policies are applied consistently to the all years presented, except for the changes in accounting policies disclosed specifically.

2.1 Statement of Compliance

The financial statements have been prepared and approved by the Management committee in accordance with Nepal Financial Reporting Standards (NFRSs) as published by the Accounting Standards Board, Nepal (ASB) and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) 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.

2.2 Reporting Period and Approval of Financial Statements

2.2.1 Reporting Period

The reporting period for this financial statements is fiscal year 2080-81, starting from 1 Shrawan 2080 and ending on 31 Ashad 2081. Financial information of following period/dates are provided on the financial statements.

1. Comparative NFRS financial statements (financial statements as on and for the period ended on 31 Ashad 2080)

2. NFRS financial statements for current period (financial statements as on and for the period ended on 31 Ashad 2081)

2.2.2 Approval of Financial Statements

The financial statements are authorised for issue by the Management Committee on May 03, 2023 meeting no. 456. The financial statements will be sent to the Nepal Rastra Bank for approval. The finance will not have Annual General meeting for

2.3 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee, which is also the functional currency of Finance. Figures are rounded off to nearest Rupee, accordingly, minor rounding off error may exist.

2.4 Use of Estimates, Assumptions and Judgments

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards (NFRS) requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the company's accounting policies. The company makes certain estimates and assumptions regarding the future events. Estimates and judgements are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual result may differ from these estimates and assumptions. The estimates and assumptions that might result in adjustment to the carrying amount of assets and liabilities within the next financial year are on the following components:



[Handwritten signature]

[Handwritten signature]

[Handwritten signature]



1. Classification of financial assets

Classification of financial assets into amortized cost or at fair value (either through profit or loss or through other comprehensive income) depends upon the intention of management whether to hold or trade the assets. At the reporting dates, the classification has been based on the intention of management on particular group of financial assets. The classification of financial assets may change based on the economic circumstances and intention of management.

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 Finance 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 is provided on the higher of loan loss provision as per NRB Directive 2080 and para 63 of NAS 39. On calculating loss as per para 63, estimates are made on amount of loans that are considered to require individual assessment, grouping of loans for collective assessment, parameters for assessing impairment, future cash flow estimates, historical data on similar types of loan or group of loans.

4. Useful life and salvage value of property, plant and equipment

Management reconsiders the economic useful life and salvage value of property, plant and equipment on each reporting date based on the information available on such dates.

5. Impairment loss of non financial assets

Impairment loss is calculated if carrying amount exceeds the recoverable amount. For recoverable amount, value in use is estimated and an estimated discount rate is used to derive the present value of value in use.

6. Current Tax and Deferred tax

Significant management judgement is required to derive the figure of current tax and deferred tax, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Finance based its assumptions and estimates on parameters available when the financial statements were prepared.

7. Employee benefit obligations

Judgement is required to determine the estimated liability that shall arise on part of accumulated leave of staff which is generally paid out on retirement or termination of employment. Valuation of such is done by qualified actuary using assumption like interest rate, rate of increase in annual compensation, remaining service period etc. Factors considered may change depending on market changes or legal changes which are beyond the control of the company. Considering the cost benefit analysis, Finance has not done actuarial valuation and carried the liability at book value.

2.5 Changes in Accounting Policies

The Bank is required to adopt and apply the accounting policies in conformity with NFRSs. The accounting policies are applied consistently; changes, if any, are disclosed with the financial impact to the extent possible.

The Company, under NFRS, is required to apply accounting policies that most appropriately suits its circumstances and operating environment. Further, the Company is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate. The 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.

During the current year, there is no change in accounting policies.

2.6 Discounting

Discounting has been applied whenever the assets and liabilities are of non-current in nature and the impact of discounting is

2.7 Going Concern

The financial statements are prepared on the assumption that Finance is going concern entity.

2.8 Standalone Financial Statements

The presented financial statements is the standalone financial statements of Finance. The finance has investment on N.S.M. Merchant Banking & Finance Limited but it has accounted it as the investment. Since the company is in liquidation process, it has been classified as held for sale.



Handwritten signature or initials.

Handwritten signature or initials.



3.0 Significant Accounting Policies

The significant accounting policies adopted by Finance while preparing financial statements are as follows:

Note No.	Accounting Policy	Information Note No.
3.1	Basis of Measurement	
3.2	Basis of Consolidation	
3.3	Cash and Cash Equivalent	4.1
3.4	Financial Assets and Financial Liabilities	
3.5	Trading Assets	4.5
3.6	Derivative Assets and Liabilities	4.4
3.7	Property, Plant and Equipment	4.13
3.8	Goodwill Intangible assets	4.14
3.9	Investment Property	4.12
3.10	Current tax Assets	4.9
3.11	Deposits, Debt securities issued and	4.20, 4.24, 4.25
3.12	Provisions	4.22
3.13	Revenue Recognition	4.29, 4.31, 4.33, 4.34, 4.39
3.14	Interest expense	4.30
3.15	Employees Benefits	4.23
3.16	Leases	4.28.4
3.17	Foreign Currency Translation	
3.18	Financial guarantee and loan commitment	4.28.2, 4.28.3
3.19	Share capital and Reserves	4.26, 4.27
3.20	Earning per share including Diluted Earning per	
3.21	Segment reporting	5.4

3.1 Basis of Measurement

Financial statements are prepared on historical cost convention except for the following material items:

Particulars	Measurement Basis
Investment in shares and mutual fund schemes	Fair value
Non-banking assets	Lower of Market Value or Outstanding Receivable at the date of
Loans and Advances to employees	Amortized cost
Property, plant and equipment, investment property and intangible assets	Deemed cost as fair value

3.2 Basis of Consolidation

The company has not prepared the consolidated financial statement. The investment in only subsidiary has been reported as investment in subsidiary despite being in the process of liquidation.

3.3 Cash and Cash Equivalent

Cash and cash equivalent comprises of cash, demand deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In general, short term investments with original maturity of up to three months are considered as cash equivalent. Cash and cash equivalent are presented at amortized cost on the financial statements.

3.4 Financial Assets and Financial Liabilities

Financial asset is any asset that is cash, equity instrument of another entity or any contractual right to receive cash or financial assets of another entity.

Financial liability is any liability with contractual obligation to deliver cash or other financial assets to another entity.

3.4.1 Recognition

The Finance initially recognises financial assets or financial liabilities on the date of which the Finance becomes party to the contractual arrangement.

3.4.2 Classification and Measurement

Financial Assets: The classification and measurement of financial assets depend on how these are managed i.e. the Finance's business model and their contractual cash-flow characteristics. Based on these factors, financial assets are classified on following three categories:

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



i) **At amortized cost:** Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments for which the Finance has intent and ability to hold till maturity. They are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

ii) **At fair value through profit or loss:** Financial assets are classified at fair value through profit or loss if the Finance manages such instruments and makes purchases and sales decisions based on its fair value. Attributable transaction costs and changes in fair value are taken to profit or loss.

iii) **At fair value through other comprehensive income:** Financial assets at FVOCI are non-derivative financial assets that are not classified in any of the above category. Financial assets at FVOCI are measured at fair value. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein are recognized in other comprehensive income and presented in the fair value reserve in equity. Finance has opted to classify the investment made in shares and mutual fund schemes as financial assets at FVOCI on initial recognition.

Financial Liabilities: Finance classifies its financial liabilities, other than financial guarantee and loan commitments, as measured at amortised cost or fair value through profit or loss. Financial liability is measured initially at fair value, or an item not at fair value through profit or loss, at transaction costs that are directly attributable to its acquisition or issue.

3.4.3 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 de-recognition of 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.

3.4.4 Determination of fair value

Fair value 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 finance 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 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: 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: Fair value is determined using other method as the inputs for valuation are unobservable inputs for the asset or liability.

3.4.5 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.

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

Trading assets are those assets that the Finance acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

3.6 Derivatives assets and liabilities

The finance company does not have any derivatives assets and liabilities.

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, Plant 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.

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.



Handwritten signature or mark.

Handwritten signature or mark.

Handwritten signature or mark.



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, plant and equipment so as to write-off their carrying value over the expected useful economic lives.

Items of property, plant and equipment are depreciated on WDV method using the rates and method prescribed by Income Tax

3.8 Goodwill and Intangible Assets

Goodwill

Goodwill arises on the acquisition of 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.

3.9 Investment Property

Investment property is land and building held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the supply of services or for administrative purpose.

Land or building or both acquired by the Finance as part of Non-Banking Assets are carried at the cost.

Investment property of Finance company is depreciated over the period of lease term as defined in Note 4.12.

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% (previous year rate was 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

The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity period.

Debentures are recognized at amortized cost using effective interest rates. The coupon rates of these instruments represent the effective interest rates. Effective interest rate is expected to cover for the credit risk and time value of money on these instruments as these are solely for the purpose of principal and interest.



3.12 Provisions

Provisions are recognized when the finance company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the finance company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in statement of profit or loss net of any reimbursement in other operating expenses.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

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

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 only when it is probable that the economic benefits associated with the transaction will flow to the entity. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed.

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

3.13.1 Interest income

According to the Nepal Rastra Bank Guidelines on recognition of Interest Income, 2019 point Number 2.2, Bank and Financial Institution shall accrue the interest on loan although it has been decided to suspend the recognition of income. However, BFIs shall cease to accrue interest on loan, in case where contractual payment of principal and /or interest of the loan are due for more than 12 months and the "net realisable value" of the security is insufficient to cover the payment of principal and accrued interest. Cessation of accrual of interest for accounting purpose shall not preclude an entity to continue to accrue interest on a memorandum basis for legal enforcement purpose unless loan is written off. So the interest on loan is recognized on cash basis. Finance, in general, generates interest income from loan to customers and on investment in debt securities.

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 liabilities are included in the measurement of the effective interest rate.

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 Other Operating Income

Income other than interest, fees & commission and trading income are accounted as other operating income. This primarily comprises of changes in foreign exchange rate, dividend income, gain on disposal of non-financial assets etc.

3.14 Interest expense

Interest on deposit accepted from customer and borrowings of the Finance are accounted on accrual basis.

3.15 Employees Benefits

Employee expenses includes the amount paid to employees of finance in respect of their service. Payment in respect of services are for the current service and long term benefits. Long term benefits are in the form of defined contribution plan and defined benefit plan. Expenses under defined contribution plan are accounted as they incur.

Employee benefits are accounted using normal calculation method. Actuarial valuation has not been done considering the cost benefit and materiality impact.

Short term employee benefits include salary, allowance, encashment of unused leave, provident fund, annual bonus based on profit of the Finance, subsidized loans etc. These are provided as the services are rendered by the employees and measured on Long term employee benefits include accumulated leave not encashed during service period. These are generally paid on retirement or termination of service of the employee.

Employee benefits are provided as per Employee Service Regulation of the Finance.



Handwritten signature or mark.

Handwritten signature or mark.

Handwritten signature or mark.



3.15.A Gratuity Calculation

Nepal Share Market and Finance Limited has calculated the gratuity as per old Labor Act, however for the period after 19th bhadra 2074 (4th september 2017) the employer shall deposit 8.33% of basic remuneration for every month of service.

3.16 Leases

A lease is classified at the inception date as a finance lease or an operating lease. For arrangements entered into prior to 1 Shrawan 2074 the Finance has determined whether the arrangement contains lease on the basis of facts and circumstances. Finance has not entered into finance lease.

Finance has recognized receipt & payment made under operating leases in profit or loss as per contractual rates with periodic adjustment on inflation. This method is more representative to the nature of expenses than the straight line method. And all the leases are cancellable lease.

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 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.

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 instrument issued by the company only to the extent that they do not meet the definition of All the issued shares are paid up and are listed with Nepal Stock Exchange for the purpose of trading by shareholders. All shareholders have right to vote on the basis of no. of shares hold. 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 transferred 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.

b) Exchange Equalization Reserve

Exchange equalization reserve is a statutory reserve. A bank/finance 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 Institutions 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.

c) Corporate Social Responsibility (CSR) Reserve

In line with clause 16 of Directive 6/080, 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.

d) Regulatory Reserve

This is specific reserve created in line with NRB Directives 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.

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 de-recognized. The cumulative amount of changes in fair value of those financial assets shall be presented under this account head.

g) Actuarial Gain Reserve

This reserve is for presenting the OCI component of defined benefit obligations. This is not an actual reserve.



Handwritten signature.

Handwritten signature.



h) **Assets Revaluation Reserve**

Any reserve created from revaluation of assets (such as Property, Plant & 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

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.

l) **Capital Reduction Reserve**

Capital reduction reserve has been created by the finance to cater the previous managements' decision to increase capital by creating fake loans. This action is taken after the directives from 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.

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 earning per share

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. EPS for prior year have been restated because of issue of bonus share during the year as per NAS 33.

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.

3.22 Legal Cases

Nepal Share Market & Finance Limited after being declared problematic by Nepal Rastra Bank, number of legal cases are pending in the court, followings are the legal cases and their status till date of signing:

S.N.	Party	Remarks
1	Shareholders Association	Case Ongoing
2	Yogendra Prasad Shrestha	Case Ongoing
3	Himal Hydro & General Construction	2080.02.25 faisala dabi pugney
4	Haribhakta Parajuli	2080.02.09 Dabi napugney faisala
5	Uma KC	2080.12.19 Dabi napugney faisala
6	Siddarthaman Maskey (Case No:-072-0276)	Punarabedan Jikir napuhney
7	Siddartha man Maskey (case no: 072-0278)	Punarabedan Jikir napuhney
8	Bitu Tuladhar (Case no: 072-0279)	Punarabedan Jikir Napugney
9	Bitu Tuladhara (Case No:072-0280)	Kehi Ulti
10	Yogendra Prasad Shrestha (Case no: 072-0427)	Rit Kharej
11	Bitu Tuadhar (Case no: 072-0281)	Punarabedan Jikir Napugney
12	Yogendra Prasad Shrestha (Case no: 072-0412)	Punarabedan Jikir Napugney
13	Yogendra Prasad Shrestha (Case no: 072-0413)	Punarabedan Jikir Napugney
14	Yogendra Prasad Shrestha (Case no: 073-0069)	Sadar
15	Keshav Das Amatya/ Usha Baidya (case no: 073-0286)	Sadar
16	Chiranjibi Nepal (Case no: 073-0424)	Rit Kharej
17	Dipesh Parajuli	2080.02.09 Dabi napugney faisala



Handwritten signature.



Nepal Share Market & Finance Limited
Notes to Financial Statements

Cash and cash equivalent

4.1

Particulars	As at 31.03.2081	As at 31.03.2080
Cash in hand	4,447	4,447
Balances with B/FIs	354,586,111	320,744,812
Money at call and short notice		
Other		
Total	354,590,557	320,749,259

Due from Nepal Rastra Bank

4.2

Particulars	As at 31.03.2081	As at 31.03.2080
Statutory balances with NRB	67,424	67,424
Securities purchased under resale agreement		
Other deposit and receivable from NRB		
Total	67,424	67,424

Placements with Bank and Financial Institutions

4.3

Particulars	As at 31.03.2081	As at 31.03.2080
Placement with domestic B/FIs		
Placement with foreign B/FIs		
Less: Allowances for impairment		
Total		

Derivative financial instruments

4.4

Particulars	As at 31.03.2081	As at 31.03.2080
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		

Other trading assets

4.5

Particulars	As at 31.03.2081	As at 31.03.2080
Treasury bills		
Government bonds		
NRB Bonds		
Domestic Corporate bonds		
Equities		
Other		
Total		
Pledged		
Non-pledged		



[Handwritten signatures and initials]



Nepal Share Market & Finance Limited
Notes to Financial Statements

Loan and advances to B/FIs

4.6

Particulars	As at 31.03.2081	As at 31.03.2080
Loans to microfinance institutions		
Other		
Less: Allowances for impairment		
Total		

4.6.1: Allowances for impairment

Balance at Shrawan 1	As at 31.03.2081	As at 31.03.2080
Impairment loss for the year:		
Charge for the year		
Recoveries/reversal		
Amount written off		
Balance at Asar end		

Loans and advances to customers

4.7

Particulars	As at 31.03.2081	As at 31.03.2080
Loan and advances measured at amortized cost	2,244,877,978	2,244,978,230
Less: Impairment allowances		
Collective impairment	(2,206,104,521)	(2,206,204,772)
Individual impairment		
Net amount	38,773,457	38,773,457
Loan and advances measured at FVTPL		
Total	38,773,457	38,773,457

Loans and advances includes net amount of accrued interest receivable and interest suspense on loan.

As majority of loans are under bad category and Finance was under "problematic" at Ashad end, impairment test on loans as per NAS 39 has not been done. The impairment allowance as per NRB is certainly higher than calculated as per NAS 39.

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

Particulars	As at 31.03.2081	As at 31.03.2080
Performing loan	33,183,290	33,183,290
Good	33,183,290	33,183,290
Watchlist		
Non-performing loan	2,211,694,688	2,211,794,940
Substandard		
Doubtful		
Loss	2,211,694,688	2,211,794,940
Total	2,244,877,978	2,244,978,230
Add: loan to employees and Net AIR		
Total loan	2,244,877,978	2,244,978,230
Impairment allowance		
Performing loan	414,791	414,791
Good	414,791	414,791
Watchlist		
Non-performing loan	2,205,689,730	2,205,789,981
Substandard		
Doubtful		
Loss	2,205,689,730	2,205,789,981
Additional		
Total	2,206,104,521	2,206,204,772



Handwritten signatures and initials at the bottom of the page.

Nepal Share Market & Finance Limited
Notes to Financial Statements

4.7.1: Analysis of loan and advances - By Product

Product	As at 31.03.2081	As at 31.03.2080
Term loans	124,273,870	124,273,870
Overdraft		
Trust receipt/Import loans		
Demand and other working capital loans	147,823,584	147,823,584
Personal residential loans	16,833,115	16,833,115
Real estate loans	1,765,877,877	1,765,877,877
Margin lending loans	26,189,848	26,189,848
Hire purchase loans	121,563,496	121,663,747
Deprived sector loans	33,183,290	33,183,290
Bills purchased		
Staff loans		
Other	9,132,899	9,132,899
Sub total	2,244,877,978	2,244,978,230
Net Interest receivable		
Grand total	2,244,877,978	2,244,978,230

4.7.2: Analysis of loan and advances - By Currency

Currency	As at 31.03.2081	As at 31.03.2080
Nepalese Rupee	2,244,877,978	2,244,978,230
Indian Rupee		
United State dollar		
Great Britain pound		
Euro		
Japanese yen		
Chinese yuan		
Other		
Total	2,244,877,978	2,244,978,230

4.7.3: Analysis of loan and advances - By Collateral

Collateral	As at 31.03.2081	As at 31.03.2080
Secured		
Movable/immovable assets	397,194,402	397,294,654
Gold and silver		
Guarantee of domestic B/FIs		
Non-Government Securities	26,189,848	26,189,848
Guarantee of international rated bank		
Collateral of export document		
Collateral of fixed deposit receipt	47,312	47,312
Collateral of Government securities		
Counter guarantee		
Against Guarantee	83,272,244	83,272,244
Other collateral	1,738,174,171	1,738,174,171
Subtotal	2,244,877,978	2,244,978,230
Unsecured		
Grant Total	2,244,877,978	2,244,978,230



Nepal Share Market & Finance Limited
Notes to Financial Statements

4.7.4: Allowances for impairment

Particulars	As at 31.03.2081	As at 31.03.2080
<u>Specific allowances for impairment</u>		
Balance at Shrawan 1		
Impairment loss for the year:		
Charge for the year		
Recoveries/reversal during the year		
Write-offs		
Exchange rate variance on foreign currency		
Other movement		
Balance at Asar end		
<u>Collective allowances for impairment</u>		
Balance at Shrawan 1	2,212,126,773	2,214,329,356
Impairment loss for the year:		
Charge/(reversal) for the year	(100,252)	(2,202,583)
Exchange rate variance on foreign currency		
Other movement		
Balance at Asar end	2,212,026,521	2,212,126,773
Total allowances for impairment	2,212,026,521	2,212,126,773

Investment securities

4.8

Particulars	As at 31.03.2081	As at 31.03.2080
Investment securities measured at amortized cost	43,092,000	43,092,000
Investment in equity measured at FVTOCI	153,446,376	143,665,461
Total	196,538,376	186,757,461

4.8.1: Investment securities measured at amortized cost

Particulars	As at 31.03.2081	As at 31.03.2080
Debt securities	43,092,000	43,092,000
Government bonds	1,000,000	1,000,000
Government treasury bills		
Nepal Rastra Bank bonds		
Nepal Rastra Bank deposits instruments		
Other		
Less: specific allowances for impairment	(1,000,000)	(1,000,000)
Total	43,092,000	43,092,000

4.8.2: Investment in equity measured at fair value through other comprehensive income

Particulars	As at 31.03.2081	As at 31.03.2080
<u>Equity instruments</u>		
Quoted equity securities	153,246,876	143,465,961
Unquoted equity securities	199,500	199,500
Total	153,446,376	143,665,461



Nepal Share Market & Finance Limited
Notes to Financial Statements

4.8.3: Information relating to investment in equities

Particulars	As at 31.03.2081		As at 31.03.2080	
	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity	9,756,005	153,246,876	9,756,005	143,465,961
N.L.G. Insurance Company Ltd.	-	1,982,322	-	1,955,640
Himalayan General Insurance Company Limited	8,400	110,466	8,400	94,200
Neco Insurance Company Limited (Promoter Share)	8,193,739	76,349,704	8,193,739	71,271,398
Neco Insurance Company Limited	1,444,866	25,926,778	1,444,866	27,536,772
Citizen Investment Trust (CIT)	-	48,119,129	-	41,861,471
IME General Insurance Limited	109,000	758,477	109,000	746,480
Investment in unquoted equity	199,500	199,500	199,500	199,500
Nepal Stock Exchange Ltd.	5,000	5,000	5,000	5,000
Kajia Suchana Kendra	94,500	94,500	94,500	94,500
Nepal Clearing House Ltd.	100,000	100,000	100,000	100,000
Total	9,955,505	153,446,376	9,955,505	143,665,461

The cost of shares of NLG Insurance Company Limited & Citizen Investment Trust couldnot be stated due to lack of documents for verification of cost.



Nepal Share Market & Finance Limited
Notes to Financial Statements

Current tax assets

4.9

Particulars	As at 31.03.2081	As at 31.03.2080
Current tax assets		
Current year income tax assets	15,918,879.11	18,166,801.12
Tax assets of prior periods		
Current tax liabilities		
Current year income tax liabilities	6,661,818.45	10,714,658.79
Tax liabilities of prior periods		
Total	9,257,061	7,452,142

Investment in subsidiaries

4.10

Particulars	As at 31.03.2081	As at 31.03.2080
Investment in quoted subsidiaries		
Investment in unquoted subsidiaries	70,000,000	70,000,000
Total investment	70,000,000	70,000,000
Less: Impairment allowances		
Net carrying amount	70,000,000	70,000,000

Note: NSMFL has 100% investment in NSM Merchant Banking & Investment Limited amounting to NPR 70,000,000. NSM Merchant Banking & Investment Limited is in process of liquidation & hasn't finalized its annual financial statements since FY 2070-71. Since, NSM hold more deposit than this investment amount, we have not made any provisions for this investment.

[Handwritten signature]



[Handwritten signature]



Nepal Share Market & Finance Limited
Notes to Financial Statements

4.10.1: Investment in quoted subsidiaries

Particulars	As at 31.03.2081		As at 31.03.2080	
	Cost	Fair Value	Cost	Fair Value
Total				

4.10.2: Investment in unquoted subsidiaries

Particulars	As at 31.03.2081		As at 31.03.2080	
	Cost	Fair Value	Cost	Fair Value
Total				

4.10.3: Information relating to subsidiaries of the Bank

Particulars	Percentage of ownership held by the Bank		Percentage of ownership held by the Bank	
	As at 31.03.2081	As at 31.03.2080	As at 31.03.2081	As at 31.03.2080
Total				



2.1.9



Nepal Share Market & Finance Limited
Notes to Financial Statements

4.10.4: Non controlling interest of the subsidiaries

Particulars	As at 31.03.2081	As at 31.03.2080
Equity interest held by NCI (%)		
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		

Particulars	As at 31.03.2081	As at 31.03.2080
Equity interest held by NCI (%)		
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		

Particulars	As at 31.03.2081	As at 31.03.2080
Equity interest held by NCI (%)		
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		

Investment in associates

4.11

Particulars	As at 31.03.2081	As at 31.03.2080
Investment in quoted associates		-
Investment in unquoted associates		-
Total investment		-
Less: Impairment allowances		-
Net carrying amount		-

Handwritten signature



Handwritten signature

Handwritten signature



Nepal Share Market & Finance Limited
Notes to Financial Statements

4.11.1: Investment in quoted associates

Particulars	As at 31.03.2081		As at 31.03.2080	
	Cost	Fair Value	Cost	Fair Value
	-	-	-	-
Total	-	-	-	-

4.11.2: Investment in unquoted associates

Particulars	As at 31.03.2081		As at 31.03.2080	
	Cost	Fair Value	Cost	Fair Value
	-	-	-	-
Total	-	-	-	-

4.11.3: Information relating to associates of the Bank

Particulars	Percentage of ownership held by the Bank	
	As at 31.03.2081	As at 31.03.2080
	-	-
Total	-	-

4.11.4: Equity value of associates

Particulars	As at 31.03.2081	As at 31.03.2080
	-	-
Total	-	-






Nepal Share Market & Finance Limited
Notes to Financial Statements

Investment properties

4.12

Particulars	As at 31.03.2081	As at 31.03.2080
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	-	119,989,827
Addition/disposal during the year		
Adjustment/transfer		
Accumulated depreciation	-	119,989,827
Accumulated impairment loss		
Net amount	-	-
Total	-	-

Investment Properties Details

Particulars	As at 31.03.2081	As at 31.03.2080
Leasehold building	-	119,989,827
Non Banking Assets		
Total	-	119,989,827

Additional information regarding investment property.

Finance company has entered into a lease arrangement with Guthi Sansthan, Dillibazzar, Kathmandu on 2053/02/17 to construct a building in the land of Guthi Sansthan. As per the leasing arrangement company is required to pay lease rental as specified on the arrangement and at the end of lease period, transfer the building and facilities to Guthi Sansthan. The period of lease is for 27 years including 2 years construction period. Finance company has provided most of the building on lease rental to other parties after construction of building. The cost of building is depreciated over the lease period using straight line method.



Nepal Share Market & Finance Limited
Notes to Financial Statements

Property and Equipment

4.13

Particulars	Land	Building	Leasehold Improvement	Computer & Accessories	Vehicle	Furniture & Fixture	Machinery	Equipment & Others	Others	Total
As on Ashadh end 2080	-	-	1,022,449	-	3,088,536	-	672,023	1,695,922	142,807	6,621,738
Addition during the Year										
Acquisition										
Capitalization										
Disposal during the year										
Adjustment/Revaluation										
Impairment for the year										
Depreciation charge for the Year					31,557		81,442	129,241	75,320	317,560
Capital Work in Progress					3,056,979		590,581	1,566,681	220,287	14,971,734
As on Ashadh end 2081	-	-	1,022,449	-	3,056,979	-	590,581	1,566,681	220,287	21,428,712

Note: Depreciation on Property & Equipment has not been charged on the assets that are not in the custody of the management. The Leasehold Improvement assets amounting NPR 1,022,449.10 & Office Equipment amounting NPR 1,293,720.70 which are not recorded in the Fixed Assets register have not been depreciated. Further there has been reduction of assets Computer Hardware amounting NPR 140725.02, Furniture & Fixture NPR 276,862.15, Computer Software NPR 72,266.55, Flooring & Furnishing NPR 113,621.92, Furniture & Fixture - Wood NPR 143,672.70 which have not been adjusted in the depreciation.

(Handwritten signatures and initials)



Goodwill and Intangible Assets



Nepal Share Market & Finance Limited
Notes to Financial Statements

Deferred Tax

4.15

Particulars	As at 31.03.2081		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs			-
Loans and advances to customers			-
Investment properties			-
Investment securities		43,047,261	(43,047,261)
Property & equipment		1,412,974	(1,412,974)
Employees' defined benefit plan	4,950,993		4,950,993
Lease liabilities			-
Provisions	300,000		300,000
Other temporary differences			-
Deferred tax on temporary differences	5,250,993	44,460,235	(39,209,242)
Deferred tax on carry forward of unused tax losses			-
Deferred tax due to changes in tax rate			-
Net Deferred tax asset/(liabilities) as on year end of 2081	5,250,993	44,460,235	(39,209,242)
Deferred tax asset/(liabilities) as on Shrawan 1, 2080			(36,320,799)
Deferred tax expenses/(income) during the year			2,888,443
Deferred tax expense/(income) recognized in profit or loss			(45,832)
Deferred tax expense/(income) recognized in other comprehensive income			2,934,274
Deferred tax expense/(income) recognized in directly in equity			

Note: There has been a change in tax base of Property & equipment in FY 2079-80 as the tax base that had been carried forward had been erroneously reported. The difference in the erroneous tax base & now corrected tax base is decreased by NPR 49,278,910.89 due to which there has been a change in deferred tax expense. The deferred tax expenses have now increased by NPR 14,783,673.27 which has impacted the profitability of the company by the same amount.

[Handwritten signature]

[Handwritten signature]



Nepal Share Market & Finance Limited
Notes to Financial Statements

Other Assets

Particulars	As at 31.03.2081	As at 31.03.2080
Assets held for sale	-	-
Other non banking assets	-	-
Bills receivable	-	-
Accounts receivable*	470,232,904	477,197,932
Accrued income	16,817	16,817
Prepayments and deposit	838,935	941,696
Income tax deposit	-	-
Deferred employee expenditure	-	-
Other	6,072,639	6,046,679
Total	477,161,297	484,203,124

Account Receivables

Particulars	As at 31.03.2081	As at 31.03.2080
Other Debtors	93,663,284	100,628,311
Yogendra Prasad Shrestha	381,681,654	381,681,654
Less : Provision	(5,112,033)	(5,112,033)
Total	470,232,904	477,197,932

Due to Bank and Financial Institutions

4.17

Particulars	As at 31.03.2081	As at 31.03.2080
Money market deposits	-	-
Interbank borrowing	-	-
Settlement and clearing accounts	-	-
Other deposits from BFIs	-	-
Total	-	-

Due to Nepal Rastra Bank

4.18

Particulars	As at 31.03.2081	As at 31.03.2080
Refinance from NRB	-	-
Standing Liquidity Facility	-	-
Lender of last resort facility from NRB	-	-
Securities sold under repurchase agreements	-	-
Other payable to NRB	-	-
Total	-	-

Derivative financial instruments

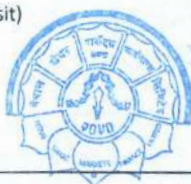
4.19

Particulars	As at 31.03.2081	As at 31.03.2080
Held for trading		-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Held for risk management		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Total	-	-

Deposits from customers

4.20

Particulars	As at 31.03.2081	As at 31.03.2080
Institutions customers:		-
Term deposits	-	-
Call deposits	-	-
Current deposits	-	-
Other (Provident fund deposit)	-	-
Individual customers:		
Term deposits	-	-
Saving deposits	-	-
Current deposits	-	-
Other	-	-
Total	246,096,769	244,535,717



Handwritten signatures and initials.

Nepal Share Market & Finance Limited
Notes to Financial Statements

4.20.1: Currency wise analysis of deposit from customers

Particulars	As at 31.03.2081	As at 31.03.2080
Nepalese rupee	246,096,769	244,535,717
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese yuan	-	-
Other	-	-
Total	246,096,769	244,535,717

Borrowing

4.21

Particulars	As at 31.03.2081	As at 31.03.2080
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

4.22

Particulars	As at 31.03.2081	As at 31.03.2080
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contracts	-	-
Other	-	-
Total	-	-

4.22.1: Movement in provision

Particulars	As at 31.03.2081	As at 31.03.2080
Balance at Shrawan 1	-	-
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Unwind of discount	-	-
Balance at Asar end	-	-

Other liabilities

4.23

Particulars	As at 31.03.2081	As at 31.03.2080
Liability for employees defined benefit obligation*	16,503,312	16,182,111
Liability for long-service leave**	-	-
Short-term employee benefits	1,038	1,038
Bills payable	-	-
Creditors and accruals	173,556,325	161,374,806
Interest payable on deposit	18,354,470	18,354,470
Interest payable on borrowing	-	-
Liabilities on deferred grant income	-	-
Unpaid Dividend	2,035,822	2,035,822
Liabilities under Finance Lease	-	-
Employee bonus payable	-	-
Other	271,956,380	273,124,764
Total	482,407,347	471,073,012

*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.



[Handwritten signatures and initials]

Nepal Share Market & Finance Limited
Notes to Financial Statements

Other

Particulars	As at 31.03.2081	As at 31.03.2080
FD overdue	235,477,906	235,477,906
Loan Nominee Account	2,280,002	2,290,002
Guthi Rent Deposit	2,774,070	3,773,394
Insurance Premium Payable	42,918	42,918
Other Tax Payables	4,322	4,322
CIT Payables	-	-
Audit Fee Payables	300,075	132,825
Provision for other Expenses	10,374,865	10,771,908
TDS Payables	675,814	605,082
SCR-Loan	970,414	970,414
SCR- Other Deposit	18,833,909	18,833,909
SCR-Star Mall	172,480	172,480
Suspense IBT	49,604	49,604
Inter Branch Account	-	-
Total	271,956,380	273,124,764

4.23.2: Defined benefit obligations

As actuarial valuation has not been done, the following notes (note 4.23.1 to 4.23.7) are not required to be filled up.

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

Particulars	As at 31.03.2081	As at 31.03.2080
Present value of unfunded obligations	-	-
Present value of funded obligations	-	-
Total present value of obligations	-	-
Fair value of plan assets	-	-
Present value of net obligations	-	-
Recognized liability for defined benefit obligations	-	-

4.23.3: Plan assets

Plan assets comprise

Particulars	As at 31.03.2081	As at 31.03.2080
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other	-	-
Total	-	-

4.23.4: Movement in the present value of defined benefit obligations

Particulars	As at 31.03.2081	As at 31.03.2080
Defined benefit obligations at Sawan 1	-	-
Actuarial losses	-	-
Benefits paid by the plan	-	-
Current service costs and interest	-	-
Defined benefit obligations at Asar end	-	-

4.23.5: Movement in the fair value of plan assets

Particulars	As at 31.03.2081	As at 31.03.2080
Fair value of plan assets at Sawan 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 Asar end	-	-

4.23.6: Amount recognized in profit or loss

Particulars	As at 31.03.2081	As at 31.03.2080
Current service costs	-	-
Interest on obligation	-	-
Expected return on plan assets	-	-
Total	-	-



Nepal Share Market & Finance Limited
Notes to Financial Statements

4.23.7: Amount recognized in other comprehensive income

Particulars	As at 31.03.2081	As at 31.03.2080
Actuarial (gain)/loss	-	-
Total	-	-

4.23.8: Actuarial assumptions

Particulars	As at 31.03.2081	As at 31.03.2080
Discount rate	-	-
Expected return on plan asset	-	-
Future salary increase	-	-
Withdrawal rate	-	-

Debt securities issued

4.24

Particulars	As at 31.03.2081	As at 31.03.2080
Debt securities issued designated as at fair value through profit or loss	-	-
Debt securities issued at amortized cost	-	-
Total	-	-

Subordinated Liabilities

4.25

Particulars	As at 31.03.2081	As at 31.03.2080
Redeemable preference shares	-	-
Irredeemable cumulative preference shares	-	-
Other	-	-
Total	-	-

Share capital

4.26

Particulars	As at 31.03.2081	As at 31.03.2080
Ordinary shares	233,332,834	233,332,834
Advance Towards Share Capital	-	-
Convertible preference shares (equity component)	-	-
Irredeemable preference shares (equity component)	-	-
Perpetual debt (equity component only)	-	-
Total	233,332,834	233,332,834

4.26.1: Ordinary shares

Particulars	As at 31.03.2081	As at 31.03.2080
Authorized Capital	4,000,000,000	4,000,000,000
4,000,000 Ordinary share of Rs. 100 each	-	-
Issued capital	233,332,834	233,332,834
2,333,328 Ordinary share of Rs. 100 each	-	-
Subscribed and paid up capital	233,332,834	233,332,834
2,333,328 Ordinary share of Rs. 100 each	233,332,834	233,332,834
Total	233,332,834	233,332,834

Reconciliation of no. of equity shares

	As at 31.03.2081	As at 31.03.2080
Opening	2,333,328	2,333,328
Add: issued during the year	-	-
Closing	2,333,328	2,333,328

4.26.2: Ordinary share ownership

Particulars	As at 31.03.2081		As at 31.03.2080		As at 32.03.2079
	Percent	Amount	Percent	Amount	Percent
Domestic ownership					
Nepal Government					
"A" class licensed institutions					
Other licensed institutions					
Other Institutions	21.96	51,250,600	21.96	51,250,600	22
Public	18.04	42,082,834	18.04	42,082,834	18
Other	60.00	139,999,400	60.00	139,999,400	60
Total	100.00	233,332,834	100.00	233,332,834	100



Nepal Share Market & Finance Limited
Notes to Financial Statements

The shareholders holding 0.5% or more of total paid up capital as at 31.03.2081 are as follows:

Name of shareholder	% of holding
Star Saving & Credit Cooperative Ltd	8.71
Saurav Shrestha	8.27
Rita Joshi	8.27
Utsav Shrestha	8.24
Gaurav Shrestha	8.23
Star Holdings Ltd	5.71
Karya Binayak Investment Pvt Ltd	4.96
Gita Shrestha	4.53
SMCC Café Pvt Ltd	4.11
Machhapuchhre Investment Company Pvt Ltd	3.82
Arjun Kumar Shrestha	3.35
Prakash Bahadur Shrestha	2.52
Shesh Krishna Shrestha	2.50
Irej Pradhan	2.50
Shova Shrestha Pradhan	1.75
Sindhu Ratna Tuladhar	1.69
Yogendra Pd Shrestha	1.57
Star Investment Co. Pvt Ltd	1.01
Narash Bahadur Malla	0.83
Kedar Narayan Manandhar	0.53
Ramesh Manandhar	0.52
Total	83.62

Reserves

4.27

Particulars	As at 31.03.2081	As at 31.03.2080	As at 32.03.2079
Statutory general reserve	258,008,151	254,890,137	253,141,137
Exchange equalization reserve	-	-	-
Corporate social responsibility reserve	3,201,988	3,046,087	2,958,637
Capital redemption reserve	-	-	-
Regulatory reserve	1,687,295	1,733,127	15,863,835
Capital reserve	-	-	-
Assets revaluation reserve	-	-	-
Fair value reserve	100,443,610	93,596,969	45,095,818
Dividend equalization reserve	-	-	-
Actuarial gain	-	-	-
Special reserve	-	-	-
Deferred tax reserve	-	-	-
Investment adjustment reserve	-	-	-
Other reserve	-	-	-
Capital reduction reserve	1,800,955,332	1,800,955,332	1,800,955,332
Capital Adjustment Reserve	57,683	57,683	57,683
Staff training fund	1,244,633	997,178	749,724
Total	2,165,598,692	2,155,276,513	2,118,822,165

4.27.1: Movement of specific reserves for the year 2080-81 is as follows:

Particulars	Corporate Social Responsibility	Staff Training Reserve
Opening	3,046,087	997,178
Addition for the year	155,901	251,806
Utilization during the year	-	-
Closing	3,201,988	1,248,984

4.27.2: The composition and movement of regulatory reserve is as follows:

Particulars	As at 31.03.2081	As at 31.03.2080
Deferred tax assets	1,687,295	1,733,127
Total	1,687,295	1,733,127

Amount equal to deferred tax assets (except for deferred tax on fair valuation of equity investments, which is netted with fair value reserve, itself non reserve), has been transferred from retained earning to regulatory reserve.



Nepal Share Market & Finance Limited
Notes to Financial Statements

Contingent liabilities and commitments

4.28

Particulars	As at 31.03.2081	As at 31.03.2080
Contingent liabilities	-	-
Undrawn and undisbursed facilities	-	-
Capital commitment	-	-
Lease Commitment	-	-
Litigation	-	-
Total	-	-

4.28.1: Contingent liabilities

Particulars	As at 31.03.2081	As at 31.03.2080
Acceptance and documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	-	-
Underwriting commitment	-	-
Other commitments	-	-
Total	-	-

4.28.2: Undrawn and undisbursed facilities

Particulars	As at 31.03.2081	As at 31.03.2080
Undisbursed amount of loans	-	-
Undrawn limits of overdrafts	-	-
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
Total	-	-

4.28.3: Capital commitments

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

Particulars	As at 31.03.2081	As at 31.03.2080
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	-	-

4.28.4: Lease commitments

Finance company does not have non-cancellable lease, hence the following disclosures are not required.

Particulars	As at 31.03.2081	As at 31.03.2080
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	-	-
Grand total	-	-

4.28.5: Litigation

There is no legal claim with financial impact to the Company.



[Handwritten signature]

[Handwritten signature]



Nepal Share Market & Finance Limited
Notes to Financial Statements

Interest income

4.29

Particulars	Current Year	Previous Year
From BFI	12,642,308	15,013,217
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	-	-
Loans and advances to customers	28,559	762,670
Investment securities	-	-
Loan and advances to staff	-	-
Other	-	-
Total interest income	12,670,867	15,775,887

Interest expense

4.30

Particulars	Current Year	Previous Year
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposits from customers	1,960,617	1,941,859
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
Total interest expense	1,960,617	1,941,859

Fees and Commission Income

4.31

Particulars	Current Year	Previous Year
Loan administration fees	-	-
Service fees	-	-
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	-	-
Prepayment and swap fees	-	-
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	-	-
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	-	-
Other fees and commission income	-	-
Total fees and Commission Income	-	-



Nepal Share Market & Finance Limited
Notes to Financial Statements

Fees and commission expense

4.32

Particulars	Current Year	Previous Year
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

4.33

Particulars	Current Year	Previous Year
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

4.34

Particulars	Current Year	Previous Year
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	-	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	225,423	118,130
Gain/loss on sale of property and equipment	-	-
Gain/loss on sale of investment property	-	-
Operating lease income	42,032,508	52,498,585
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	38,501	94
Total	42,296,432	52,616,809



Nepal Share Market & Finance Limited

Notes to Financial Statements

Operating lease income is from investment property. For additional information please refer to note 4.12

Impairment charge/(reversal) for loan and other losses

4.35

Particulars	Current Year	Previous Year
Impairment charge/(reversal) on loan and advances to B/Fls	-	-
Impairment charge/(reversal) on loan and advances to customer	100,252	2,202,583
Impairment charge/(reversal) on financial Investment	-	-
Impairment Charge/(reversal) on Other Assets	-	-
Impairment Charge/(reversal) on Non Banking Assets	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Total	100,252	2,202,583

Personnel Expense

4.36

Particulars	Current Year	Previous Year
Salary	5,053,554	3,707,834
Allowances	2,317,865	2,087,966
Gratuity expense	310,419	1,613,378
Provident fund	192,781	191,144
Uniform	111,000	111,000
Training & development expense	29,160	-
Leave encashment	201,145	355,562
Medical	-	-
Insurance	-	-
Provision for Employee Leave	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	-	-
Other expenses related to staff	177,600	181,600
Subtotal	8,393,524	8,248,483
Employees bonus	-	-
Grand total	8,393,524	8,248,483

Other operating expense

4.37

Particulars	Current Year	Previous Year
Directors' fee	-	749,600
Directors' expense	-	66,000
Auditors' remuneration	169,500	169,500
Other audit related expense	-	282,500
Professional and legal expense	481,926	46,176
Office administration expense*	21,494,457	17,256,837
Operating lease expense(Rent rebate expenses)	-	-
Operating expense of investment properties	-	-
Corporate social responsibility expense	-	-
Write off of Leasehold Assets	-	-



Nepal Share Market & Finance Limited
Notes to Financial Statements

Onerous lease provisions	-	-
Registration Expenses	25,000	25,000
Other	18,906	-
Total	22,189,789	18,595,613

Other Administration Expenses*

4.37.1

Particulars	Current Year	Previous Year
House Rent Expenses	4,693,548	5,342,000
Water & electricity Expenses	4,825,226	4,790,766
Postage & Telephone Expenses	18,200	16,500
Printing & Stationery Expenses	51,357	41,317
Newspapers & Magazines	8,500	9,550
Repair & Maintenance expenses		
Leasehold Developments	518,350	39,260
Vehicles	164,069	161,083
Others	293,793	439,757
Insurance Expenses	457,941	189,437
Travelling Expenses	513,092	336,050
Advertisement Expenses	35,595	97,181
Guest & Staff Refreshment Expenses	89,084	292,244
Security Guard Expenses	1,755,749	2,194,686
Commission & Discount	-	-
Other Fees	3,620,687	1,146,618
Bank Charges	1,605	3,139
Fines And Penalties	-	237,518
Miscellaneous Expenses	2,799,535	608,803
Fuel Expenses	721,768	658,356
Cleaning Expenses	926,357	652,572
Total	21,494,457	17,256,837

Depreciation & Amortisation

4.38

Particulars	Current Year	Previous Year
Depreciation on property and equipment	317,560	379,993
Depreciation on investment property	-	5,713,801
Amortisation of intangible assets	-	-
Total	317,560	6,093,794

Non operating income

4.39

Particulars	Current Year	Previous Year
Recovery of loan written off	-	-
Other income	-	-
Total	-	-



Nepal Share Market & Finance Limited
Notes to Financial Statements

Non operating expense

4.40

Particulars	Current Year	Previous Year
Loan written off	-	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
Total	-	-

Income tax expense

4.41

Particulars	Current Year	Previous Year
Current tax expense		-
Current year	-	-
Adjustments for prior years	-	-
Deferred tax expense (Income)		-
Origination and reversal of temporary differences	-	-
Changes in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Total income tax expense	-	-

4.41.1: Reconciliation of tax expense and accounting profit

Current Year	Current Year	Previous Year
Profit before tax	22,206,062	33,590,366
Tax amount at tax rate of 30%	6,661,818	10,077,110
Add: Tax effect of expenses that are not deductible for tax purpose	-	-
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	(6,661,818)	(10,077,110)
Total income tax expense	6,661,818	10,077,110
Effective tax rate	0.30	0.30



Nepal Share Market & Finance Limited
Notes to Financial Statements

Statement of Distributable Profit or Loss

4.42

Particulars	Current Year	Previous Year
Opening Retained Earning as at Shrawan 1st, 2080	(2,013,419,870)	(2,034,211,673)
Net profit or (loss) as per statement of profit or loss	15,590,075	8,745,000
Appropriations:		
a. General reserve	(3,118,015)	(1,749,000)
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(155,900.75)	(87,450)
e. Employees' training fund	(247,454.50)	(247,455)
f. Other	45,831.72	14,130,707
Profit or (loss) before regulatory adjustment	(2,001,305,334)	(2,013,419,870)
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	-	-
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	-	-
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Distributable profit or (loss)	(2,001,305,334)	(2,013,419,870)

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]



Nepal Share Market & Finance 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 fair 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 analyze 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.

a) 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 analyzed on his/her past, current status and future endeavors 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.

b) 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 Finance to another Finance is of high probability.

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. The finance has not disbursed any loans during the fiscal year 2078.79 as it was not allowed to conduct any banking transactions under Prompt Corrective Action (PCA) taken by Nepal Rastra Bank.

c) 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 analyze liquidity status. Assets Liability Management Committee is yet to be formed at Finance to monitor the liquidity profile. we will soon form a committee and supervise the liquidity risk accordingly.

d) 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 chequer function). Finance has not formed the Audit Committee and soon prepare a team for internal audit.

e) 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.

f) 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 Department/Compliance Department remains vigilant towards each risk.



Nepal Share Market & Finance Limited
Notes to Financial Statements

5 Disclosure and Additional Information

Fair Value of Financial Assets and Liabilities and their Classification

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 3.4.4. 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 31 Ashad 2081

Particulars	Classification	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalent	AC	-	-	354,590,557
Due from Nepal Rastra Bank	AC	-	-	67,424
Loans and advances to customers	AC	-	-	38,773,457
Investment securities				
Quoted shares	FVOCI	-	-	153,246,876
Unquoted shares	FVOCI	-	-	199,500
Other Investment	AC	-	-	-
Other Financial Assets	AC	-	-	43,092,000
Total Financial Assets		-	-	589,969,815
Financial Liabilities				
Due to Bank and Financial Institutions	AC	-	-	-
Deposits from customers	AC	-	-	246,096,769
Other Liabilities	AC	-	-	482,407,347
Total Financial Liabilities		-	-	728,504,115

As at 31 Ashad 2080

Particulars	Classification	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalent	AC	-	-	320,749,259
Due from Nepal Rastra Bank	AC	-	-	67,424
Loans and advances to customers	AC	-	-	38,773,457
Investment securities				
Quoted shares	FVOCI	-	-	143,465,961
Unquoted shares	FVOCI	-	-	199,500
Other Investment	AC	-	-	-
Other Financial Assets	AC	-	-	43,092,000
Total Financial Assets		-	-	546,347,601
Financial Liabilities				
Due to Bank and Financial Institutions	AC	-	-	-
Deposits from customers	AC	-	-	244,535,717
Other Liabilities	AC	-	-	471,073,012
Total Financial Liabilities		-	-	715,608,729

5.3 Capital Management

5.3.1 Principle and Objective

The principle of capital management of the Finance is to maintain strong capital base, meet the regulatory requirements and ensure reasonable return on Finance has not issued preference capital or any other form of hybrid instruments that may be converted into capital.



Handwritten signature.



5.2 Capital Structure and Capital Adequacy

Capital Structure and Capital Adequacy of Finance is as follows

1. 1 RISK WEIGHTED EXPOSURES	Current Period	Previous Period
Risk Weighted Exposure for Credit Risk	899,813,894	776,463,869
Risk Weighted Exposure for Operational Risk	633,679,260	630,435,271
Risk Weighted Exposure for Market Risk		
Total Risk Weighted Exposures (Before adjustments of Pillar II)	1,533,493,154	1,406,899,140
Adjustments under Pillar II		
	-	-
	-	-
	-	-
	-	-
	-	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	1,533,493,154	1,406,899,140

1.2 CAPITAL	Current Period	Previous Period
(A) Core Capital (Tier 1)	298,030,305	282,394,398
Paid up Equity Share Capital	233,332,834	233,332,834
Irredeemable Non-cumulative preference shares		
Share Premium	2,477,335	2,477,335
Proposed Bonus Equity Shares		
Statutory General Reserves	258,008,151	254,890,137
Retained Earnings	(2,001,305,334)	(2,013,419,870)
Un-audited current year cumulative profit/(loss)	-	-
Capital Redemption Reserve	-	-
Capital Adjustment Reserve	57,683	57,683
Dividend Equalization Reserves	-	-
Other Free Reserve	1,805,459,635	1,805,056,280
Less: Goodwill	-	-
Less: Deferred Tax Assets	-	-
Less: Fictitious Assets	-	-
Less: Investment in equity in licensed Financial Institutions	-	-
Less: Investment in equity of institutions with financial interests	-	-
Less: Investment in equity of institutions in excess of limits	-	-
Less: Investments arising out of underwriting commitments	-	-
Less: Reciprocal crossholdings	-	-
Less: Purchase of land & building in excess of limit and unutilized	-	-
Less: Other Deductions	-	-
Adjustments under Pillar II		
SRP 6.4a Less: Shortfall in Provision	-	-
SRP 6.4a Less: Loans & Facilities extended to related parties and restricted lending	-	-

(B) Supplementary Capital (Tier 2)	331,833	331,833
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt	-	-
c Hybrid Capital Instruments	-	-
d General Loan Loss Provision	331,833	331,833
e Exchange Equalization Reserve	-	-
f Investment Adjustment Reserve	-	-
g Asset Revaluation Reserve	-	-
h Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)	298,362,138	282,726,231

1.3 CAPITAL ADEQUACY RATIOS	Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	0.19	0.20
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	0.19	0.20



Nepal Share Market & Finance 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. Since the finance has not any operating branch as on the date of financial statement, no segment reporting has been done for the purpose of preparation of this financial statement.

5.4.2 Segment result and segment position for the year ended on Ashad 2081

Particulars	Segment 1	Segment 2	Unallocated	Total
Revenue from external customers				
Intersegment revenues				
Net revenue				
Interest income				
Interest expenses				
Net interest revenue				
Depreciation and amortization				
Segment profit/(loss)	-	-		-
Entity's interest in the profit or loss of associate accounted for using equity method				
Other material non-cash items:				
Loans:				
Consumer				
Corporate				
Deposit				
Consumer				
Corporate				
Impairment of Assets				
Segment Assets				
Segment Liabilities				



[Handwritten signature]



Nepal Share Market & Finance 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
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
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

Total revenue for reportable segments	Amounts
Other revenue	
Elimination of intersegment revenues	
Entity's revenue	-

b) Profit or loss

Total profit or loss for reportable segments	Amounts
Other profit or loss	
Elimination of intersegment profit	
Unallocated amounts:	
Staff bonus	-
Income tax	-
NFRS adjustments	-
Profit before income tax	

c) Assets

Total assets for reportable segments	Amounts
Other assets	
Unallocated assets	-
Entity's assets	-

d) Liabilities

Total liabilities for reportable segments	Amounts
Other liabilities	
Unallocated liabilities	
Entity's liabilities	-

5.4.5 Information about product and services

Particulars	Amount
Consumer banking	
Corporate banking	
Treasury	
Others	

5.4.6 Information about geographical areas

Revenue from geographical areas are as follows:

Domestic:

Province 3

Province 5

Foreign:

Total

Amounts



h

Q



Nepal Share Market & Finance Limited
Notes to Financial Statements

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 recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

Related parties of the Bank include key management personnel of the Bank.

5.7.1 Key management personnel

Key management personnel include Management Committee of the Bank and acting Chief Executive Officer.

a) Management Committee

The management of the finance was handled by Management Company represented by the representative of Nepal Rastra Bank for FY 2079-80. The details of management committee till 2079/09/24 are as follows :

	Name	Position
1	Mr. Ramesh Acharya	Coordinator
2	Mr. Deepak Pokharel	Member
3	Mr. Ram Sharan Pokharel	Member

From 2079/09/25, new management members were appointed by NRB. The detail is mentioned below:

Name	Designation
Prakash Kumar Shrestha	Coordinator
Govinda Prasad Sharma	Member

Allowance and facilities provided to management committee members

The Coordinator of the Management Committee are provided meeting allowance of Nrs 5,000 per Meeting and monthly telephone allowance of Nrs 5,000. Other members of the management committee meeting allowance of Nrs 4,000 and monthly telephone allowance of Nrs 3,000.

After the appointment of full time management members, no allowance has been provided as meeting allowance.

There has not been any commercial transaction of the Finance with its members of Management Committee.

However the current management committee members are entitled to a monthly remuneration. Mr. Prakash Kumar Shrestha, co-ordinator of the committee draws a monthly remuneration of NPR 126,300 with one month dashain allowance. The total remuneration awarded to Mr. Prakash Kumar Shrestha for FY 2079-80 is NPR 783,060. Mr. Govind Prasad Sharma, member of the committee draws a monthly remuneration of NPR 103,600 with one month dashain allowance. The total remuneration awarded to Mr. Govind Prasad Sharma for FY 2079-80 is NPR 642,320.

b) Chief Executive Officer

The finance Company has no Chief executive officer. However Mr. Rabin Bhakta Shyaula has been delegated all the responsibilities of chief executive officer from Baisakh 01, 2074 as per Management committee minute no 176 dated Chaitra 22, 2073. He has been awarded Special Allowance of NPR 7,500.00 in consideration of being delegated the responsibilities of chief executive officer from Poush 01, 2078 as per minute no 354 dated Mangshir 14, 2078 which was previously NPR 2,800.00. The total remuneration awarded to Mr. Rabin Bhakta Shyaula for FY 2079-80 is NPR 784,921.32

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

Proposed dividend

The finance is not in a position to declare dividend this year.



Handwritten signatures and initials in blue ink.



Nepal Share Market & Finance Limited
Notes to Financial Statements

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	%	123.04	55.43	55.43	362.91	148.86	781.17
2	Earning per share							
	Basic earning per share	Rs.	6.68	3.75	3.75	7.98	9.25	42.97
	Diluted earning per share	Rs.	6.68	3.75	3.75	7.98	9.25	42.97
3	Market price per share	Rs.	-	-	-	-	-	-
4	Price/earning ratio	Times	-	-	-	-	-	-
5	Dividend or bonus per share	Rs.	-	-	-	-	-	-
6	Cash dividend	Rs.	-	-	-	-	-	-
7	Interest income/loan and advances	%	0.01	0.01	0.01	0.23	0.65	0.58
8	Employee expenses/total operating expenses	%	27.44	30.73	30.73	11.75	12.01	14.50
9	Interest expenses/total deposit and borrowing	%	0.80	0.79	0.79	0.97	0.99	0.99
10	Exchange income/total income	%	-	-	-	-	-	-
11	Staff bonus/total employee expenses	%	-	-	-	-	-	-
12	Net profit/loans and advances	%	0.69	0.39	0.39	0.84	0.97	4.52
13	Net profit/total assets	%	1.33	0.77	0.77	1.81	2.24	10.83
14	Total loans and advances/total deposit	%	912.19	918.06	918.06	918.96	928.74	935.85
15	Total operating expenses/total assets	%	2.62	2.38	2.38	2.40	2.57	2.82
16	Capital adequacy ratio							
	a) Common Equity Tier 1 Capital	%	19.43%	20.07%	20.07%	18.75%	17.04%	15.97
	b) Supplementary Capital	%	0.02%	0.02%	0.02%	0.03%	0.02%	0.02
	c) Total Capital Fund	%	19.46%	20.10%	20.10%	18.78%	17.06%	15.99
17	Cash reserve ratio (CRR)	%				4.40	4.46	4.49
18	NPAs/total loan and advances	%	100.00	100.00	100.00	100.00	100.00	100.00
19	Base rate	%	-	-	-	-	-	-
20	Weighted average interest rate spread	%	0.56	0.70	0.70	3.90	3.90	3.90
21	Book net worth per share	Rs.	171.47	146.23	161.86	137.46	113.09	101.91
22	Total shares	No.	2,333,328	2,333,328	2,333,328	2,333,328	2,333,328	2,333,328
23	Total employees	No.	15.00	14.00	14.00	14.00	14.00	14.00
24	Others:							
	Per employee business (Rs. In lakh)		1,496.59	1,603.56	1,603.56	1,605.41	1,607.37	1,608.50
	Employee expenses/total income *	%	66.24	52.29	52.29	56.37	20.45	29.51

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



A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	4,446.80			4,446.80	0%	-
Balance With Nepal Rastra Bank	67,423.58			67,423.58	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities	1,000,000.00	999,999.80		-	0%	-
All Claims on Government of Nepal				-	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
All claims on Nepal Rastra Bank				-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)				-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)			-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)			-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)			-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)			-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework				-	0%	-
Claims on Other Multilateral Development Banks			-	-	100%	-
Claims on Domestic Public Sector Entities			-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)			-	-	20%	-
Claims on Public Sector Entity (ECA 2)			-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)			-	-	100%	-
Claims on Public Sector Entity (ECA 7)			-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	354,586,110.58		-	354,586,110.58	20%	70,917,222.12
Claims on domestic banks that do not meet capital adequacy requirements			-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)			-	-	20%	-
Claims on foreign bank (ECA Rating 2)			-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)			-	-	100%	-
Claims on foreign bank (ECA Rating 7)			-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement			-	-	20%	-
Claims on Domestic Corporates			-	-	100%	-
Claims on Foreign Corporates (ECA 0-1)			-	-	20%	-
Claims on Foreign Corporates (ECA 2)			-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)			-	-	100%	-
Claims on Foreign Corporates (ECA 7)			-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)			-	-	75%	-
Claims fulfilling all criterion of regularity retail except granularity			-	-	100%	-
Claims secured by residential properties	33,183,290.19	414,791.13	-	32,768,499.06	60%	19,661,099.44
Claims not fully secured by residential properties	2,211,694,688.01	2,205,689,729.71	-	6,004,958.30	150%	9,007,437.45
Claims secured by residential properties (Overdue)			-	-	100%	-
Claims secured by Commercial real estate			-	-	100%	-
Past due claims (except for claims secured by residential properties)	-	-	-	-	150%	-
High Risk claims	-	-	-	-	150%	-
Lending Against Securities (Bonds & Shares)	-	-	-	-	100%	-
Investments in equity and other capital instruments of institutions listed in stock exchange	196,338,876.20		-	196,338,876.20	100%	196,338,876.20
Investments in equity and other capital instruments of institutions not listed in the stock exchange	70,199,500.00		-	70,199,500.00	150%	105,299,250.00
Staff loan secured by residential property	-	-	-	-	50%	-
Interest Receivable/claim on government securities			-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	498,590,008.51		-	498,590,008.51	100%	498,590,008.51
TOTAL (A)	3,365,664,343.87	2,207,104,520.64	-	1,158,559,823.03		899,813,893.71

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value		Risk Weighted Exposures
Revocable Commitments				-	0%	-
Bills Under Collection				-	0%	-
Forward Exchange Contract Liabilities			-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty			-	-	20%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty			-	-	50%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty			-	-	50%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Underwriting commitments			-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral			-	-	100%	-
Repurchase Agreements, Assets sale with recourse			-	-	100%	-
Advance Payment Guarantee			-	-	100%	-
Financial Guarantee			-	-	100%	-
Acceptances and Endorsements			-	-	100%	-
Unpaid portion of Partly paid shares and Securities			-	-	100%	-
Irrevocable Credit commitments (short term)			-	-	20%	-
Irrevocable Credit commitments (long term)			-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement			-	-	20%	-
Other Contingent Liabilities			-	-	100%	-
Unpaid Guarantee Claims			-	-	200%	-
TOTAL (B)	-	-	-	-		-
Total RWE for credit Risk Before Adjustment (A) +(B)	3,365,664,344	2,207,104,521	-	1,158,559,823		899,813,894
Adjustments under Pillar II						
SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE						-
SRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recourse to RWE						-
Total RWE for Credit Risk after Bank's adjustments under Pillar II	3,365,664,344	2,207,104,521	-	1,158,559,823		899,813,894



AP

h

Q.11

BA

Nepal Share Markets and Finance Ltd.
Risk Weighted Exposure for Operational Risk
At the end of Ashadh, 2081

S.N.	Particulars	Fiscal Year		
		2078-79	2079-80	2080-81
1	Net Interest Income	8,311,011	13,834,028	10,710,251
2	Commission and Discount Income			
3	Other Operating Income	53,415,443	52,616,809	42,296,432
4	Exchange Fluctuation Income			
5	Addition/Deduction in Interest Suspense during the period	404,232,510	404,591,554	404,086,335
6	Gross Income (a)	465,958,964	471,042,391	457,093,018
7	Alfa (b)	15%	15%	15%
8	Fixed Percentage of Gross Income [c=(a x b)]	69,893,845	70,656,359	68,563,953
9	Capital Requirement for operational risk (d) (average of c)	69,704,719		
10	Risk Weight (reciprocal of capital requirement of 11%) in times (e)	9		
11	Equivalent Risk Weight Exposure [f=(dxe)]	633,679,260		
SRP 6.4a (8) Adjustments under Pillar II (If Gross Income for the last three years is negative)				
1	Total Credit and Investment (net of Specific Provision) of related month			
2	Capital Requirement for Operational Risk (5% of net credit and investment)			
3	Risk Weight (reciprocal of capital requirement of 11%) in times	9.09		
4	Equivalent Risk Weight Exposure (g)			
5	Equivalent Risk Weight Exposure [h=f x g]	633,679,260		

Note: The addition/deduction in Interest suspense during the period for the FY 2080-81 amounts to NPR 404,086,334.80.00 which is from Non performing assets which has been provisioned for 100% as per NRB Directive no 2. The non inclusion of the said amount leads to severe reduction in Risk weighted Exposure for Operational Risk for the current fiscal year & also affects the capital adequacy ratio.



Nepal Share Markets and Finance Ltd.

Other Assets

At the end of Ashadh, 2081

S.N.	Assets	Gross Amount	Specific Provision	Net Balance
1	Cash and Cash Items in Transit			-
2	Miscellaneous Expenditure not written off			-
1	Fixed Assets	21,428,712		21,428,712
2	Interest Receivable on Other Investment			-
3	Interest Receivable on Loan			-
4	Non Banking Assets		-	-
5	Reconciliation Account			-
6	Draft Paid Without Notice			-
7	Sundry Debtors			-
8	Advance payment and Deposits			-
9	Staff Loan and Advance			-
10	Stationery			-
11	Other	477,161,297		477,161,297
	TOTAL	498,590,009	-	498,590,009



Handwritten signature

Handwritten signature

