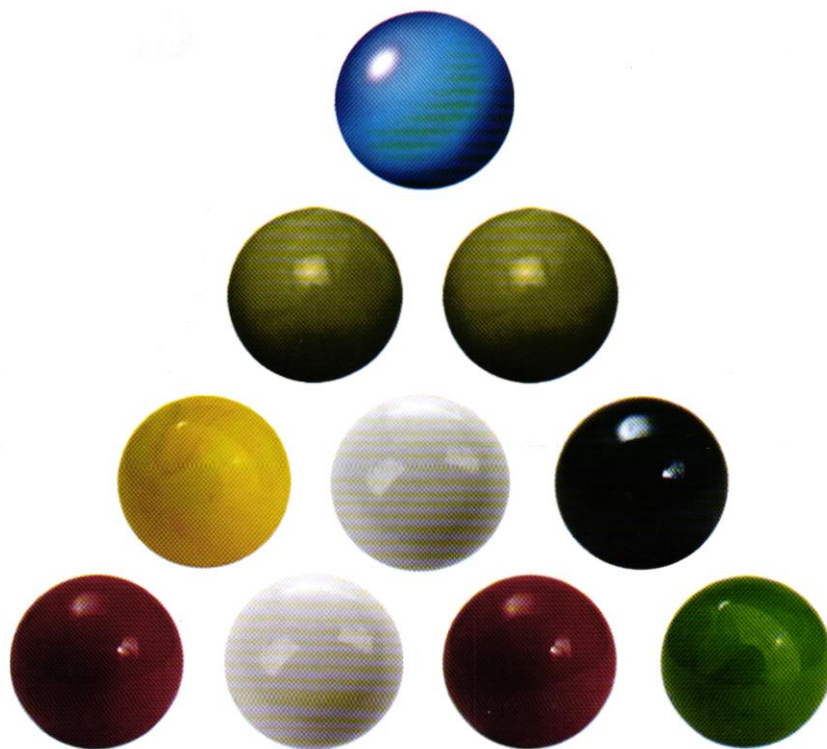


तपाईंको सजिलो वित्तीय साभेदार

१० औं वार्षिक प्रतिवेदन

आ.व. २०७७/०७८

10th AGM



सालपा विकास बैंक लि.
SALAPA BIKAS BANK LTD.

“नेपाल राष्ट्र बैंकबाट इजाजतपत्र प्राप्त “स्व” वर्गको वित्तीय संस्था”

सञ्चालक समिति



श्री टंक राई
अध्यक्ष



श्री शरण कुमार राई
सञ्चालक



श्री हरिन्द्र प्रसाद राई
सञ्चालक



श्री लव कुमार राई
सञ्चालक



श्री चन्द्र बहादुर खड्का
सञ्चालक



श्री लता के. सी.
स्वतन्त्र सञ्चालक



श्री ईश्वरमान राई
प्रमुख कार्यकारी अधिकृत/कम्पनी सचिव

अनुसूची २७

दफा ७१ को उपदफा (३) सँग सम्बन्धित

(प्रोक्सी फारम)

श्री सञ्चालक समिति

सालपा विकास बैंक लिमिटेड

दिक्तेल, खोटाङ ।

विषय: प्रतिनिधि नियुक्ती गरेको बारे ।

महाशय,

..... जिल्ला न.पा./गा.पा. वडा नं. बस्ने म/हामी ले त्यस कम्पनीको शेयरधनीको हैसियतले मिति: २०७९ पुस २२ गते हुने १० औं वार्षिक साधारण सभामा म/ हामी स्वयम् उपस्थित भई छलफल तथा निर्णयमा सहभागी हुन नसक्ने भएकोले उक्त सभामा मेरो/हाम्रो तर्फबाट भाग लिन तथा मतदान गर्नका लागि जिल्ला न.पा./गा.पा वडा नं. बस्ने श्री लाई मेरो /हाम्रो प्रतिनिधि नियुक्ती गरी पठाएको छु/छौं ।

प्रतिनिधि नियुक्त भएको व्यक्तिको

हस्ताक्षर नमूना:

शेयर प्रमाणपत्र नं.

मिति : २०७९/०९/

निवेदकको

दस्तखत :

नाम:

ठेगाना :

शेयर प्रमाण पत्र नं.:

शेयर संख्या :

मिति : २०७९/०९/.....

प्रवेश पत्र

शेयरधनीको नाम :

शेयर प्रमाणपत्र नं. :

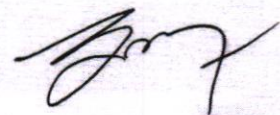
शेयरसंख्या :

शेयरधनीको दस्तखत :

सालपा विकास बैंक लिमिटेडको मिति २०७९/०९/२२ गतेका दिन हुने १०औं वार्षिक साधारण सभामा उपस्थित हुन जारी गरिएको प्रवेशपत्र ।

नोट : क) शेयरधनी आफैले खाली कोष्ठहरु भर्नु होला ।

ख) सभा कक्षमा प्रवेश गर्न यो प्रवेशपत्र प्रस्तुत गर्न अनिवार्य छ ।



ईश्वरमान राई
कम्पनी सचिव



विषयक्रम

क्र.सं.	विषय	पेज नं.
१.	१० औं वार्षिक साधारण सभाको बैठक बस्ने बारे सूचना	४
२.	सञ्चालक समितिको वार्षिक प्रतिवेदन	५
३.	आ.व. २०७७/०७८ को लेखापरीक्षकको प्रतिवेदन	१०
४.	आ.व. २०७७/०७८ को वित्तीय विवरण	१४-२२
५.	नेपाल राष्ट्र बैंकको निर्देशन	२३
६.	नोट	२५

सालपा विकास बैंक लिमिटेड
SALAPA BIKASH BANK LIMITED

दिक्तेल, खोटाङको

१० औं वार्षिक साधारण सभा बस्ने बारे सूचना

प्रथम पटक प्रकाशित मिति: २०७९ मंसिर २९ गते सौर्य राष्ट्रिय दैनिक

दोस्रो पटक प्रकाशित मिति: २०७९ पुस ०२ गते सौर्य राष्ट्रिय दैनिक

यस बैंकको मिति: २०७९ साल मंसिर २६ गते बसेको सञ्चालक समितिको २८० औं बैठकको निर्णय अनुसार यस संस्थाको १० औं वार्षिक साधारण सभा देहायमा उल्लेखित मिति, स्थान र समयमा देहायका विषयहरू उपर छलफल तथा निर्णय गर्न बस्ने भएकोले शेयरधनी महानुभावहरूको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।

मिति : २०७९ साल पुस २२ गते शुक्रबार तदनुसार डिसेम्बर ६, २०२३

स्थान : जिल्ला समन्वय समितिको सभा कक्ष दिक्तेल ।

समय : बिहान ११ बजे

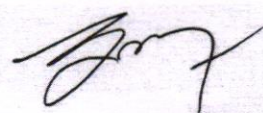
छलफलका विषयहरू :

क. सामान्य प्रस्तावहरू

१. सञ्चालक समितिको वार्षिक प्रतिवेदन छलफल गरी पारित गर्ने ।
२. लेखापरीक्षकको प्रतिवेदन सहितको २०७८ असार मसान्तको वासलात तथा आर्थिक वर्ष २०७७/०७८ को नाफा/नोक्सान हिसाव तथा नगद प्रवाह विवरण सहितका अनुसूचीहरू उपर छलफल गरी पारित गर्ने ।
३. आर्थिक वर्ष २०७८/०७९ को लागि लेखापरीक्षक नियुक्ति गर्ने र निजको पारिश्रमिक तोक्ने ।

ख. विशेष प्रस्तावहरू

ग. विविध



आज्ञाले
ईश्वरमान राई
कम्पनी सचिव

दशौं वार्षिक साधारण सभामा सञ्चालक समितिको तर्फबाट अध्यक्षज्यूद्वारा प्रस्तुत प्रतिवेदन

शेयरधनी महानुभावहरू,

सालपा विकास बैंकको दशौं वार्षिक साधारण सभामा उपस्थित सम्पूर्ण अतिथिगण तथा शेयरधनीज्यूहरूलाई सञ्चालक समिति तथा मेरो आफ्नो तर्फबाट हार्दिक स्वागत गर्दछु। यस अवसरमा यहाँहरू समक्ष मिति २०७८ असार मसान्तको वासलात, आर्थिक वर्ष २०७७/०७८ को नाफा नोक्सान हिसाब तथा नगद प्रवाह विवरण सहितको लेखापरीक्षण प्रतिवेदन लगायत बैंकको वर्तमान अवस्था तथा भविष्यमा कार्यान्वयन गरिने कार्य योजनाहरू स्वीकृतिका लागि पेश गर्ने अनुमति चाहन्छु।

१. विश्वको आर्थिक अवस्था

विश्वव्यापी रूपमा फैलिएको कोभिड-१९ महामारीका कारण सन् २०२० मा प्रायः सबै मुलुकहरूको अर्थतन्त्र सङ्कुचित हुन पुग्यो।

विश्व व्यापार र आर्थिक गतिविधिमा आएको शिथिलताले रोजगारीका अवसरहरू न्यून हुनु पुगे। जसका कारण कम आय वर्गका मानिसको दैनिक जीवन यापन समेत कष्टकर हुन पुग्यो। रोजगारी र आयमा आएको कमीसँगै गरिबी र असमानता पनि बढेर गयो। रसिया-युक्रेन युद्ध लम्बिन सक्ने, रसिया माथि थप प्रतिबन्ध लाग्न सक्ने र पेट्रोलियम पदार्थको मुल्यमा थप वृद्धि हुन सक्ने अनुमानका आधारमा सन् २०२२ मा विश्व अर्थतन्त्र ३.६ प्रतिशतले मात्र विस्तार हुने प्रक्षेपण अन्तर्राष्ट्रिय मुद्रा कोषले गरेको छ।

२. देशको आर्थिक अवस्था

उर्जा क्षेत्रमा भएको उत्साहप्रद विस्तारका कारणले आर्थिक वर्ष २०७८/७९ मा नेपालको अर्थतन्त्र ५.८४ प्रतिशतले वृद्धि हुने अनुमान रहेको छ। गत आर्थिक वर्षमा यस्तो विस्तार ४.२५ प्रतिशत रहेको थियो।

क) कुल गार्हस्थ उत्पादन

आर्थिक वर्ष २०७८/०७९ को कुल गार्हस्थ उत्पादन (उपभोक्ताको मूल्यमा) रु. ४८ खर्ब ५१ अर्ब ६२ करोडमा बागमती प्रदेशको अंश सबैभन्दा बढि ३६.९ प्रतिशत र कर्णाली प्रदेशको सबैभन्दा कम ४.१ प्रतिशत रहने अनुमान छ। आर्थिक वर्ष २०७८/७९ मा प्रदेशगत कुल गार्हस्थ उत्पादनको वृद्धिदर प्रदेश नं. १ मा ५.४१ प्रतिशत, मधेश प्रदेशमा ४.८२ प्रतिशत, बागमती प्रदेशमा ६.७४ प्रतिशत, गण्डकी प्रदेशमा ६.१७ प्रतिशत, लुम्बिनी प्रदेशमा ५.३६ प्रतिशत, कर्णाली प्रदेशमा ५.४७ प्रतिशत र सुदूरपश्चिम प्रदेशमा ४.९२ प्रतिशत हुने अनुमान रहेको छ।

ख) वैदेशिक व्यापारको स्थिति

आ. व. २०७८/०७९ को फागुनसम्मको कुल वस्तु आयात घाटा ३८.६ प्रतिशतले वृद्धि भई रु. ११ खर्ब ६० अर्ब ९९ करोड पुगेको छ। आ. व. २०७७/०७८ को सोही अवधिमा यस्तो घाटा १.६ प्रतिशतले बढेर रु. ८ खर्ब ६३ अर्ब २१ करोड पुगेको थियो।

बैंकले हासिल गरेका उपलब्धिहरू

१. पुँजी संकलन तथा प्रमाणिकरण

नवौं साधारण सभामा प्रतिवद्धता जनाइए बमोजिम नयाँ लगानीकर्ताहरूको फीट एण्ड प्रोपर टेष्ट गराउने काम सम्पन्न भई शेयर लगत खडा गरी कम्पनी रजिष्ट्रारको कार्यालयमा पेश भई सकेको छ। उक्त शेयर लगत यो साधारण सभा सम्पन्न हुना साथ साधारण सभाले गरेको निर्णयका आवश्यक कागजातहरू कम्पनी रजिष्ट्रारको कार्यालयमा पेश गर्ना साथ थप पुँजी रु.३२ करोड २० लाखको शेयर लगत कायम गरेर प्रबन्ध पत्र र नियमावलीमा कायम रहेको संस्थापकहरूबाट चुक्ता गर्नु पर्ने

पूँजी पुर्ने व्यहोरा यस सम्मानित सभालाई अवगत गराउन चाहन्छु । यस घडीमा बैंकले एउटा कोशेदुङ्गासम्मको यात्रा तय गरी स्तरोन्नति तर्फ उन्मुख भएको तथ्य यहाँहरूलाई अवगत गराउन पाउँदा सञ्चालक समितिले खुशी महशुस गरेको छ । साविकका १२० जना शेयरधनीका अतिरिक्त ३ हजार ३ शय ७५ जनाको अनुसूची, स्थायी लेखा नम्बर, कर चुक्ता प्रमाणपत्र तथा कर्जा सूचना केन्द्रबाट कालो सूचीमा समावेश भए नभएको फीट एण्ड प्रोपर टेष्ट गराउने काममा अधिकतम समय व्यतित गर्नु परेकोले विगतमा यहाँहरू माझ जाहेर गरिएको समय सीमा भित्र सबै कार्यहरू सम्पन्न गर्न नसकिएको यथार्थलाई यहाँहरूले काबु बाहिरको परिस्थिति भन्ने बुझि दिनु हुनेमा सञ्चालक समिति अपेक्षा राख्दछ ।

२. सफ्टवेयरको स्तरोन्नति

बैंकको प्रमुख सफ्टवेयर पुमोरी प्लस-४, लघुवित्तको सफ्टवेयर एम. फीन र ए.एम.एल./सी. एफ. टीको सफ्टवेयरहरूको प्रणालीगत अडिट गराई सुधारका क्षेत्रहरू पत्ता लगाइएको छ । सफ्टवेयरहरूको अडिट पश्चात आवश्यक नीतिको तर्जुमा पनि गरिएको छ । समस्याको पहिचान नै सुधारको शुरुवात हो भन्ने भनाई भै सिस्टम अडिटले औल्याएका क्षेत्रहरूमा सुधार गर्न सूचना प्रविधि विभागबाट प्रस्ताव पनि आई सकेकाले यथाशीघ्र थप सुधारको कार्य अगाडि बढाइने छ । सम्पत्ति शुद्धिकरण तथा आतङ्ककारी कार्यबाट आर्जित रकमलाई लगानी गर्न रोक्ने प्रयोजनका लागि बैंकले कायम गर्नु पर्ने तथ्याङ्कहरूको अभिलेखीकरण कार्यमा बैंकले उत्साहप्रद नतिजा हासिल गरि सकेको छ ।

बैंकका हालका गतिविधिहरू

१ लघुवित्त कार्यक्रमको सबलिकरण

बैंकले ऐसेलुखर्क, बाक्सिला, सिम्पानी र चिसापानी शाखाहरूबाट लघुवित्त कार्यक्रम अन्तर्गत सेवा प्रदान गरिरहेकोमा हाल हलेसी शाखामा पनि लघुवित्त कार्यक्रम सञ्चालन गरिरहेको छ । यस कार्यक्रममा ऐसेलुखर्क शाखामा ५७१ जना, हलेसी शाखामा ६५ जना, बाक्सिला शाखामा ४७० जना, चिसापानी शाखामा ५४९ जना र सिमपानी शाखामा ४९६ जना गरी जम्मा २ हजार १ शय ५१ जना सदस्यहरू कार्यक्रममा आवद्ध हुनु भएको छ । २०७९ पुस १४ सम्मको तथ्याङ्क अनुसार सबै शाखाहरूका विभिन्न २२९ वटा केन्द्रहरूमा २ हजार १ सय ५१ जना सदस्यहरूलाई कार्यक्रममा आवद्ध गर्दै रु.२ करोड ९६ लाख ७ हजार २ सय १ रूपैया निक्षेप परिचालन गर्दै रु.१५ करोड ४० लाख १६ हजार ७ सय ८६ रूपैया कर्जा प्रवाह गरेको छ । उक्त कर्जा रकम कुल कर्जाको १७.६१ प्रतिशत हुन आउँछ । साथै यस कार्यक्रम मार्फत प्रवाह भएका कर्जाहरू सन्तोषजनक रहेको पनि यहाँहरूलाई अवगत गराउन चाहन्छु ।

गत आर्थिक वर्ष देखि लघुवित्त कार्यक्रमलाई अझ सशक्त एवं सबल बनाउन विस्तारित रूपमा गोष्टिहरू सञ्चालन गर्न शुरु गरिएको छ । सो अनुरूप ऐसेलुखर्क शाखा अन्तर्गत मिति २०७९/०९/१२ गते महेश्वरी, बाकाचोल, ऐसेलुखर्क बजार र ज्यामिरे गरी विभिन्न ४ स्थानमा, हलेसी शाखामा मिति २०७९/०९/१३ गते हलेसी बजारमा, बाक्सिला शाखा अन्तर्गत मिति २०७९/०९/१४ बाक्सिला बजार र बासपानी गरी २ स्थानमा, चिसापानी शाखा अन्तर्गत मिति २०७९/०९/१० गते बोपुडमा, मिति २०७९/०९/१५ बंशिलामा, मिति २०७९/०९/१६ भञ्ज्याङखर्क र चिसापानी बजारमा र मिति २०७९/०९/१७ गते फाक्टाङ गरी ५ स्थानमा एवं सिमपानी शाखा अन्तर्गत मिति २०७९/०९/१७ गते चिप्रिङ, सिमपानी बजार र बडका दियाले गरी ३ स्थानमा गरेर विभिन्न १५ स्थानहरूमा कार्यक्रममा आवद्ध सदस्यहरूसँग विस्तारित गोष्टि भरखरै सम्पन्न गरिएको छ ।

गोष्टिमा कार्यक्रमको प्रभावकारिताको अवस्थाको मापनका लागि विभागबाट तयार गरिएको विभिन्न २६ वटा प्रश्नहरू समावेश गरिएको प्रश्नावली मार्फत सहभागीहरूको मत सर्वेक्षण गरिएको छ । प्रश्नावलीमा आर्थिक, सामाजिक तथा साँस्कृतिक पक्षका सूचकहरू समावेश गरिएको छ । यसरी संकलित तथ्याङ्कलाई वर्णनात्मक अनुसन्धान विधिको प्रयोग गरी विश्लेषण गरिने छ । यस लघु अनुसन्धानद्वारा प्राप्त नतिजा आगामी दिनमा योजना तर्जुमा गर्ने कार्यमा उपयोगी हुने विश्वास गरिएको छ ।

गोष्टिमा सहभागीहरूलाई विभिन्न समुहमा विभाजन गरी बचतको महत्व, सामुहिक भावनाको विकासले हुने फाइदा, सामुहिक जमानीको अर्थ, तयारी खानाले वाल बालिकाको स्वास्थ्यमा पार्न सक्ने असर, कर्जा सदुपयोगिता तथा कर्जा परिचालन गर्न सक्ने क्षमता एवं क्षमता भन्दा बढी कर्जा लिएमा पर्न सक्ने आर्थिक बोझका बारेमा सामुहिक छलफल गराई निष्कर्ष निकाल्ने कार्य पनि गरियो । लघुवित्त कार्यक्रमको नीतिले सफल उद्यमी बन्न निर्दिष्ट गरेका परिश्रमी, इमानदार, लगनशील र धैर्यता जस्ता गुणहरूको अर्थ र महत्वका बारेमा गोष्टिमा घनिभुत छलफल गराउने गरिएको छ । त्यसैले कार्यक्रममा आवद्ध सदस्यहरूको

यस प्रकारको गुणको क्रमशः विकास हुँदै जाने विश्वास गरिएको छ । गोष्ठीमा सदस्यहरूको उल्लेख्य उपस्थिति तथा उत्साहप्रद सहभागिताले दिनानुदिन सदस्यहरूको आर्थिक, सामाजिक तथा साँस्कृतिक उन्नयनमा टेवा पुग्नै गरेको आभाष मिल्न थालेको छ ।

२. सामाजिक उत्तरदायित्वमा निरन्तरता

यस बैंकले सामाजिक उत्तरदायित्वलाई निरन्तरता दिँदै स्थानीय सरकार मार्फत वितरण हुने सामाजिक सुरक्षा भत्ता वितरणमा सहयोग गर्दै आएको छ । जिल्लाका १० पालिकाहरू मध्ये यस बैंकबाट ५ पालिकाहरूका २७ वटा वडाहरूमा सामाजिक सुरक्षा भत्ता वितरण गर्ने कार्य भइरहेको छ ।

३. वित्तीय साक्षरताको निरन्तरता

बैंकले युवा वर्गलाई लक्षित गर्दै वित्तीय साक्षरता कार्यक्रमलाई निरन्तरता दिँदै आइरहेको छ । फजुल खर्च नगरी बैंक खातामा रकम जम्मा गरी चेक मार्फत कारोबार गर्दा केन्द्रिय बैंकको साल बसाली नयाँ नोट छपाई खर्च कटौति हुने, बैंकिङ कारोबार गर्ने बानीको विकास हुँदा छरिएर रहेको साना साना रकमलाई निक्षेपका रूपमा परिचालन हुने तथा यस्ता रकमलाई कर्जा योग्य कोषको निर्माणका बारेमा सूचना सम्प्रेषण गर्ने कार्य गर्दै आइरहेको छ ।

४. कर्मचारी तालिमको निरन्तरता

विगतमा जस्तै बैंकका कर्मचारीहरूलाई वृत्ति विकासमा सहयोग पुग्ने तालिम, गोष्ठी, सेमिनार आदिको निरन्तरतालाई कायमै राखिएको व्यहोरा यस सम्मानित सभामा पेश गर्न चाहन्छु । सोही बमोजिम मिति २०७९ साउन २७ गते काठमाडौँबाट २ जना स्रोत व्यक्तिहरू भिकाई संस्था सञ्चालनमा आइपर्नसक्ने जोखिम तथा सो को न्यूनिकरण गर्ने सम्बन्धमा सबै शाखाका व्यवस्थापक तथा सम्बन्धित कर्मचारीहरूलाई तालिम दिइएको थियो । त्यसै गरी मिति २०७९ पुस ९ गते सुपरिवेक्षकीय सूचना प्रणालीसँग सम्बन्धित कर्मचारीहरूलाई बीच अनुभव आदान प्रदान गर्ने कार्यक्रम सम्पन्न गरिएको छ । आगामी दिनमा पनि कर्मचारीहरूलाई समयले ल्याउने चुनौतिको सामना गर्न सक्षम बनाउन आवश्यक उत्प्रेरणात्मक तालिम तथा गोष्ठी नियमित रूपमा सञ्चालन गरिने छ ।

बैंकका अवसर तथा चुनौतीहरू

बैंकले निम्नानुसारका बुँदाहरू अवसर तथा चुनौतीका रूपमा विश्लेषण गरेको छ ।

अवसरहरू

१. विस्तारित कार्यक्षेत्र

एक जिल्लामा संस्थापित यस बैंकले प्रदेश स्तरको इजाजत पाउनु स्वतः महत्वपूर्ण उपलब्धि हो । नेपाल राष्ट्र बैंकको अहिलेको नीतिगत व्यवस्थामा विकास बैंकहरू प्रदेश र राष्ट्रिय स्तर दुई प्रकारको मात्र हुनुले यस बैंकको तोकिएको पुँजी जुटाउँदा प्रदेश स्तरमा स्तरोन्नति हुनेछ । बैंकको कार्यक्षेत्र प्रदेश भरी विस्तार हुँदा स्वभाविक रूपमा बैंकलाई अवसर सिर्जना हुनेछ । यसका अतिरिक्त बैंकको कार्य क्षेत्र विस्तार हुँदा भौतिक पूर्वाधारको विकास भएको तथा आर्थिक कारोबारका हिसाबले ठुला शहरहरूमा हुने भएकाले बैंकलाई सेवा प्रवाहमा सकारात्मक प्रभाव पर्नेछ ।

२. प्रभावकारी व्यवस्थापन

विगतमा पुँजी अभावका कारणले कतिपय जानकारीमा आएका अवसरहरू पनि गुमाउनु परेको थियो । अबका दिनमा स्रोत तथा साधनका सिमितताले कार्यक्रमहरू साँढे खुम्चाएर बस्नु पर्ने अवस्था क्रमशः हट्दै जानेछन् । बैंकलाई आवश्यक पर्ने मानवीय तथा भौतिक साधनहरू जुटाउँदै गुणात्मक प्रतिफल हासिल गर्न सहयोग हुने वातावरण सिर्जना भएको छ ।

३. देशव्यापी लगानीकर्ताहरूको सञ्जाल

पुँजी जुटाउने क्रममा देशका विभिन्न भौगोलिक क्षेत्रमा बसोबास गर्ने ३ हजार ३ शाय ७५ जना नयाँ लगानीकर्ताहरू आवद्ध हुनु आफैमा अवसर हो । यस बैंकले लगानीकर्ताहरूको विस्तारित सञ्जाललाई सर्वपक्षीय उन्नतिका लागि उपयोग गर्न अधिकतम प्रयत्न गर्नेछ । नियमित सम्वादहरूमा लगानीकर्ताहरूबाट व्यक्त विचारलाई यथोचित व्यवस्थापन गर्न सकेको अवस्था बैंकको आर्थिक लगायत अन्य विविध आयमका दृष्टिले स्तर अभिवृद्धि गर्नमा टेवा पुग्नेमा सञ्चालक समिति विश्वस्त छ ।

चुनौतीहरू

१. बढ्दो प्रतिस्पर्धा:

बैंकिङ व्यवसायमा विगतका समय भन्दा प्रतिस्पर्धा उच्च हुने प्रवृत्ति बढ्दो छ। कर्जा सेवा लिने पक्षले नियामक निकायलाई समेत आफु अनुकूलको नीतिगत व्यवस्था गरि दिन लबिङ गर्ने काम बारबार हुने गरेको छ। यस प्रकारको चुनौतीलाई सम्बोधन गर्ने गरी व्यवस्थापनलाई चुस्त बनाइनेछ।

२. थप कानूनी प्रावधान

बैंक सञ्चालन गर्दा बैंक तथा वित्तीय संस्था सम्बन्धि ऐनका अतिरिक्त विभिन्न ऐनका प्रावधानहरू आकर्षित हुने हुँदा सो ऐनहरूको परिपालना गर्दा सञ्चालन लागत बढ्न गई लगानीकर्ताहरूको मुनाफालाई असर पर्न जानेछ।

बैंकको आगामी कार्य योजनाहरू

१. पुँजी योजना तथा कार्य क्षेत्र विस्तार

वर्तमान अवस्थामा बैंकको प्रबन्ध पत्र तथा नियमावलीमा उल्लेख भएको सँस्थापक शेयरधनीका तर्फबाट लगानी गर्नु पर्ने रु. ३५ करोड पुँजी जुटि सकेको व्यहोरा अगाडि नै यहाँहरूलाई सूचित भै सकेको छ। यस बैंकलाई प्रादेशिक स्तरमा स्तरोन्नति गराउन तोकिएको चुक्ता पुँजी रु. १२० करोड आवश्यक हुने भएकाले प्रबन्ध पत्र तथा नियमावलीमा आवश्यक संसोधन गर्न चाँडै नै विशेष साधारण सभा आयोजना गरिने छ। नियामक निकायहरूबाट प्रबन्ध पत्र तथा नियमावलीमा संसोधन गर्ने अनुमति प्राप्त भए पश्चात सँस्थापक शेयरधनीहरूबाट आवश्यक पुँजी पुर्‍याएर सर्वसाधारणका लागि छुट्याइएको बाँकी शेयरका लागि आई. पी. ओ. जारी गरिने व्यहोरा यहाँहरूलाई जानकारी गराउन चाहन्छु। तोकिएको प्रक्रिया पुरा गरे पश्चात नेपाल राष्ट्र बैंकसँग थप कार्यक्षेत्र विस्तारका लागि इजाजतको अनुमति लिने काम गरिने छ।

२. उत्तराधिकार योजनाको कार्यान्वयन

बैंकको सिमित पुँजीका कारण हाल मौजुदा कर्मचारीहरूको पद सोपानमा उच्चतम रिक्तता रहेको यहाँहरूलाई जग जाहेर छ। बैंकको कार्यक्षेत्रमा हुने विस्तारलाई मध्यनजर राख्दै उत्तराधिकार योजनालाई कार्यान्वयन गर्दै लगिने छ। बैंकले पुँजी जुटाई रहेको समयमा बढ्ने कार्यक्षेत्रलाई सुहाउँदो रणनीतिक योजना तर्जुमा गरिने छ। बदलिँदो परिस्थितिलाई उपयुक्त ढंगले सम्बोधन गर्न उच्च व्यवस्थापकीय तहमा पदपूर्ति गर्दै बैंक व्यवस्थापनलाई अभि सक्षम एवं सबल गर्ने नीति अवलम्बन गरिने छ।

३. शाखा सञ्जालको विस्तार

बैंकको कार्यक्षेत्रमा विस्तार गर्ने योजना अनुसार सम्भाव्यताका आधारमा शाखा सञ्जालमा विस्तार गर्दै लगिने छ। शाखाहरूको विस्तार गर्दा व्यावसायिक प्रतिफललाई प्रमुख आधार मानिनेछ। यस सन्दर्भ सञ्चालक समितिका पदाधिकारी तथा प्रमुख कार्यकारी समेतको टोलीले २०७९ असार ८ गते देखि असार १३ गते भित्र भोजपुर, संखुवासभा, तेह्रथुम, ताप्लेजुङ, पाँचथर, इलाम, भूतपा, मोरङ, सुनसरी र उदयपुर जिल्लाका सम्भावित क्षेत्रहरूको प्रारम्भिक अवलोकन भ्रमण गर्ने कार्य सम्पन्न गरेको व्यहोरा जानकारी गराउन चाहन्छु। भ्रमणका क्रममा स्थानीय सरकारका जनप्रतिनिधिहरू तथा उद्योग वाणिज्य संघका पदाधिकारीहरूसँग गरिएका वार्तालापहरू रणनीतिक योजना तर्जुमा तथा कार्यान्वयनमा उपयोगी हुनेमा सञ्चालक समिति विश्वस्त छ।

४. मानव संसाधन विकासमा जोड

बैंकले मानव संसाधन विकासलाई उच्च महत्वका साथ अघि बढाउने नीति अवलम्बन गर्नेछ। शाखा सञ्जालको विस्तार एवं आवश्यक विभागहरूमा पदपूर्ति गर्दै जानका निमित्त उच्च व्यवस्थापकीय क्षमता भएका जनशक्तिलाई योग्यताका आधारमा भर्ना तथा छनौट गर्ने नीति अख्तियार गरिने छ। बैंकले कर्मचारीहरूलाई दायित्व नभई महत्वपूर्ण संसाधन हो भन्ने मर्मलाई मध्यनजर गर्दै सोही बमोजिमको नीति अवलम्बन गर्नेछ।

५ वित्तीय साक्षरतामा जोड

नेपाल राष्ट्र बैंकको एकीकृत निर्देशिकाको भावना तथा मर्म अनुसार नयाँ शेयरधनीहरूलाई लक्षित गर्दै वित्तीय साक्षरता सम्बन्धि कार्यक्रम सञ्चालन गरिनेछ। कार्यक्रममा वित्तीय अनुसासन, सुशासन, पारदर्शिता तथा अन्य समय सान्दर्भिक

विषयवस्तुमा केन्द्रित रही अभिमुखिकरण तथा अन्तर्क्रियात्मक कार्यक्रम आयोजना गरिनेछ। छलफल तथा अन्तर्क्रियाबाट प्राप्त नयाँ शेरधनीको सान्दर्भिक ज्ञान, सीप र अनुभवलाई सम्पत्तिका रूपमा ग्रहण गर्दै रणनीतिक योजना तर्जुमा तथा कार्यान्वयनमा यथोचित रूपमा उपयोग गरिनेछ।

६. मुनाफा योजना

बैंकको प्रमुख उद्देश्य लगानीकर्ताहरूलाई अपेक्षित प्रतिफलको सुनिश्चित हुने गरी बैंक सञ्चालन गर्नु हुनेछ। तर राष्ट्र बैंकको नयाँ नीतिगत व्यवस्था बमोजिम बैंकको पुँजी कोषको रकमलाई कर्जा प्रवाह गर्न नपाइने भएकाले मुनाफा कम हुन जानेछ। कर्जा प्रवाह योग्य रकम संकलन गर्ने कार्यमा जोडतोडले प्रयत्न गरिनेछ। तर कार्यक्षेत्रको विस्तार तत्काल नभएमा भौगोलिक सिमितताका कारणले विक्षेप परिचालनमा धेरै सकस हुने हुनाले शेरधनीज्यूहरूमा अझ केही वर्ष थप धैर्यधारण गर्न बैंक सञ्चालक समिति अनुरोध गर्दछ।

अन्त्यमा यस सभामा उपस्थित भई सभालाई सफलतापूर्वक सम्पन्न गर्न सहयोग पुर्याउनुहुने शेरधनीज्यूहरू, अतिथिगण, पत्रकारवर्ग तथा सम्पूर्ण बैंकका कर्मचारीहरूलाई धन्यवाद व्यक्त गर्दछु। सभा सञ्चालन गर्न सभा हल उपलब्ध गराउने खोटाङ जिल्ला समन्वय समिति परिवारलाई विशेष धन्यवाद छ।

टंक राई

अध्यक्ष, सञ्चालक समिति

B&A ASSOCIATES

(Chartered Accountants)

Reg. No. : 707

INDEPENDENT AUDITOR'S REPORT

The Shareholders of Salapa Bikas Bank Limited

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of M/s. Salapa Bikas Bank Limited, Diktel, Khotang, Nepal (hereinafter referred to as "the bank"), which comprises the statement of financial position as at Ashad 31, 2078 [July 15, 2021] and statement of profit or loss, statement of cash flow & statement of changes in equity for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory notes (hereinafter referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the bank as at Ashad 31, 2078 (July 15, 2021) and its financial performance and its cash flows for the year then ended on that date in accordance with Nepal Financial Reporting Standards (NFRS).

Basis of Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those 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 bank in accordance with the Institute of Chartered Accountant of Nepal's code of ethics for professional accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Key Audit Matters	Our Audit Approach and Responses
1. Interest Recognition Interest Income of the bank has to be recognised on accrual basis and in line with Interest Income Recognition Guidelines 2019 Issue by NRB. However, in case of bad loans and advances (overdue for more than 12 months), this guidelines requires cessation of interest recognition on accrual basis. This requires careful observation and calculation for interest recognition, hence we have considered it as key audit matter.	Our audit approach regarding verification of process of interest recognition included: Obtaining clear understanding of the process of accrual of interest income on loan and advances in the core banking software of the bank.



B. & A. Associates
 Chartered Accountants
 Registration No. 707
 Kathmandu, Nepal



Kathmandu, Nepal



01-4498347

Key Audit Matters

Our Audit Approach and Responses

2. Impairment of Loan and Advances:

As per NRB Directive 4 read with carve out issued by ASB, bank shall measure impairment loss on loans and advances at the higher of :

- a. Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision; and
- b. Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model

As per the norms prescribed by NRB provision, provision on loan and advances shall be created based on overdue status as well as utilization status of the facility, security status, borrower's whereabouts etc.

As per NAS 39 read with NFRS 9, impairment of loan and advances should be made on collective as well as individual basis. For individually significant loan and advances, individual impairment is measured as the difference between the assets carrying amount and present value of estimated future cash flows.

For homogeneous groups of loans and advances that are not individually significant, collective impairment is done. Under collective impairment, loss is determined after taking into account the historical loss experience in portfolios of similar credit risk and management judgement based on experience as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experiences.

In view of complexity in loan loss provision based on NRB directive and NAS 39, we have considered it as key audit matter for our audit.

- b. Test check of interest recognition with manual computation.

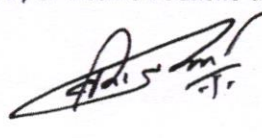
Our audit approach regarding verification of impairment of loan and advances included:

- a. Review of the overdue status of loans and advances by obtaining data from the system and verified manually.
- b. Sample credit files were reviewed among other things from the perspective of utilization of loans and advances for the intended purpose by way of scrutiny of financial statements, account movement, account turnover etc.
- c. Collateral Valuation of the security along with expected future cash flow has been reviewed in sample basis for individually significant loans and advances.
- d. In case of homogenous loans, we assessed the probability of default and loss for given default calculated based on the historical loss experiences.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the bank'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 bank or to cease operations, or has no realistic alternative but to do so.


B. & A. Associates
 Chartered Accountants
 Registration No: 707
 Kathmandu, Nepal

Those charged with governance are responsible for overseeing the bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

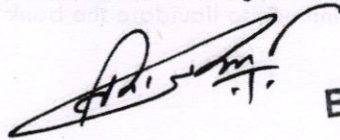
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the 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 evidences that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- 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 evidences obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank'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 evidences obtained up to the date of our auditor's report. However, future events or conditions may cause the bank 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, 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.



B. & A. Associates
Chartered Accountants
Registration No: 707
Kathmandu, Nepal

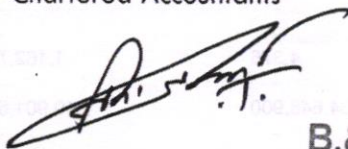
Report on Other Legal and Regulatory Requirements

We have obtained information and explanations asked for, which, to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, proper books of account as required by law have been kept by the bank in so far as it appears from our examination of those books of account of the bank. In our opinion the statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity & statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes have been prepared in accordance with the requirements of Companies Act, 2063 and are in agreement with the books of accounts maintained by the bank. In our opinion and to the best of information and according to the explanation given to us and from the examination of the books of accounts of the bank, we have not come across any case where the board of directors or any employee of the bank have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused any loss or damage to the bank.

In our opinion, so far as appeared from our examination of the books, the bank has maintained adequate capital banks and adequate provision for possible impairment of assets in accordance with the directives issued by Nepal Rastra Bank. However, the paid up capital requirement set forth by NRB has not been met with.

To the best of our knowledge and according to the explanation given to us and from the examination of the books of accounts of the bank, we have not come across any case where the board of directors or any employee of the bank have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused any loss or damage to the bank or its property and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the bank, its depositors and its investors.

For B & A Associates
Chartered Accountants



B. & A. Associates
Chartered Accountants
Registration No: 707
Kathmandu, Nepal

CA. Biraj Acharya
Partner

Date: 2079-06-30

Place: Kathmandu, Nepal

UDIN: 221016CA01138khs5L

Salapa Development Bank Limited

Diktal, Khotang

Statement of Financial Position

As at 31st Ashadh 2078 (15 July 2021)

Particulars	Note	As at Ashadh 31, 2078	As at Ashadh 31, 2077
ASSETS			
Cash and cash equivalents	4.1	396,521,792	228,945,839
Due from Nepal Rastra Bank	4.2	-	-
Placement with Bank and Financial Institutions	4.3	-	-
Derivative Financial Instruments	4.4	-	-
Other Trading Assets	4.5	-	-
Loans and advances to B/FIs	4.6	-	-
Loans and advances to customers	4.7	565,881,955	412,035,675
Investment securities	4.8	-	-
Current tax assets	4.9	6,096,521	1,946,049
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	-	-
Property and Equipment	4.13	24,254,311	18,511,876
Goodwill and Intangible assets	4.14	1,651,054	713,313
Deferred Tax Assets	4.15	3,767,722	2,000,230
Other assets	4.16	5,451,762	5,936,437
Total Assets		1,003,625,116	670,089,419
Liabilities			
Due to Bank and Financial Institutions	4.17	61,066,630	5,280,790
Due to Nepal Rastra Bank	4.18	-	-
Derivative Financial Instrument	4.19	-	-
Deposits from customers	4.20	682,864,262	568,085,099
Borrowings	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	4,376	1,162,785
Deferred Tax Liabilities	4.15	-	-
Other liabilities	4.23	34,648,900	10,901,557
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
Total liabilities		778,584,168	585,430,231
Equity			
Share Capital	4.26	28,000,000	28,000,000
Share Premium		-	-
Retained Earnings		(13,843,964)	(19,172,066)
Reserves	4.27	210,884,913	75,831,254
Total equity attributable to equity holders		225,040,948	84,659,188
Non-controlling interest		-	-
Total Equity		225,040,948	84,659,188
Total Liabilities and Equity		1,003,625,116	670,089,419
Contingent Liabilities and commitment	4.28	8,808,971	7,924,888
Net Assets Value Per share		803.72	302.35

The accompanying notes are integral part of these financial statements.

As per our report of even date attached

For B & A Associates
Chartered Accountants

Tanka Rai
Chairman

Chandra Bahadur Khadka
Director

Sharan Kumar Rai
Director

CA. Biraj Acharya
Partner

Harindra Prasad Rai
Director

Lab Kumar Rai
Director

Date:
Place: Kathmandu Nepal

Lata K.C
Independent Director

Ishwor Man Rai
Chief Executive Officer

Salapa Development Bank Limited

Diktel, Khotang

Statement of Profit or Loss

For the period commencing on Shrawan 1, 2077 and ending on Ashad 31, 2078

Particulars	Note	Figures in NPR	
		Year Ended 31st Ashad 2078	Year Ended 31st Ashad 2077
Interest income	4.29	82,464,464	72,406,131
Interest expense	4.30	(37,456,954)	(39,277,236)
Net interest income		45,007,510	33,128,895
Fees and commission income	4.31	6,018,330	6,127,792
Fees and commission expense	4.32	(310,994)	(349,688)
Net fee and commission income		5,707,336	5,778,104
Net interest and commission income		50,714,846	38,906,999
Net trading income	4.33	-	-
Other operating income	4.34	479,935	3,342,634
Total operating income		51,194,781	42,249,633
Impairment charge/(reversal) for loans and other losses	4.35	6,788,585	21,881,392
Net operating income		44,406,197	20,368,242
Operating expense			
Personnel expenses	4.36	(30,400,211)	(25,791,901)
Other Operating expenses	4.37	(7,868,902)	(12,226,612)
Depreciation and Amortization	4.38	(3,408,593)	(3,434,667)
Operating Profit		2,728,490	(21,084,938)
Non operating Income	4.39	-	-
Non operating expense	4.40	-	-
Profit before income tax		2,728,490	(21,084,938)
Income tax expense	4.41	(1,877,406)	(534,388)
Current Tax Expense		-	-
Deferred Tax Expense (Income)		(1,877,406)	(534,388)
Profit for the period		4,605,896	(20,550,550)
Profit attributable to:			
Equity holders of the Bank		4,605,896	(20,550,550)
Non-controlling interests		-	-
Profit for the period		4,605,896	(20,550,550)
Earnings Per Share (EPS)			
Basic EPS		16.45	(73.39)
Diluted EPS		16.45	(73.39)

The accompanying notes are integral part of these financial statements.

As per our report of even date attached

For B & A Associates Chartered Accountants Tanka Rai Chairman Chandra Bahadur Khadka Director Sharan Kumar Rai Director

CA. Biraj Acharya Partner Harindra Prasad Rai Director Lab Kumar Rai Director

Date: Place: Kathmandu Nepal Lata K.C Independent Director Ishwor Man Rai Chief Executive Officer

Salapa Development Bank Limited
Diktel, Khotang

Statement of Cash Flows
For the year ended 31st Ashad 2078 (15 July 2021)

Particulars	Figures in NPR	
	Year Ended 31st Ashad 2078	Year Ended 31st Ashad 2077
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	82,083,724	69,596,080
Fees and other income received	6,018,330	6,127,792
Receipts from other operating activities	479,935	6,438
Interest paid	(37,456,954)	(39,277,236)
Commission and fees paid	(310,994)	(349,688)
Cash payment to employees	(33,023,001)	(25,211,192)
Other expense paid	(8,043,200)	(12,226,612)
Operating cash flows before changes in operating assets and liabilities	9,747,840	(1,334,417)
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	-	-
Placement with Bank and Financial Institutions	-	-
Other trading assets	-	-
Loans and advances to bank and financial institutions	-	-
Loans and advances to customers	(156,798,780)	(75,561,496)
Other assets	173,447	1,118,792
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	55,785,840	(466,550)
Due to Nepal Rastra Bank	-	-
Deposits from customers	114,779,163	106,897,215
Borrowings	-	-
Other liabilities	22,588,933	4,070,642
Net cash flow from operating activities before tax paid	46,276,442	34,724,185
Income taxes paid	(4,150,471)	882,586
Net cash flow from operating activities	42,125,971	35,606,771
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	-
Proceeds from sale of investment securities	-	-
Purchase of property and equipment	(8,871,015)	(3,112,340)
Proceeds from the sale of property and equipment	-	-
Acquisition of intangible assets	(1,217,753)	-
Proceeds from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Proceeds from the sale of investment properties	-	-
Interest received	-	-
Dividend received	-	-
Other (Merger)	-	-
Net cash used in investing activities	(10,088,768)	(3,112,340)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipts from issue of subordinated liabilities	-	-
Repayment of subordinated liability	-	-
Receipts from issue of shares (Share Application Money)	135,538,750	49,630,100
Dividends paid	-	-
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	135,538,750	49,630,100
Net increase (decrease) in cash and cash equivalents	167,575,952	82,124,531
Cash and cash equivalents Beginning of the Period	228,945,839	146,821,309
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Cash and cash equivalents at 31 Asadh 2078	396,521,792	228,945,839

The accompanying notes are integral part of these financial statements.

As per our report of even date attached

For B & A Associates
Chartered Accountants

Tanka Rai
Chairman

Chandra Bahadur Khadka
Director

Sharan Kumar Rai
Director

CA. Biraj Acharya
Partner

Harindra Prasad Rai
Director

Lab Kumar Rai
Director

Date:
Place: Kathmandu Nepal

Lata K.C
Independent Director

Ishwor Man Rai
Chief Executive Officer

Salapa Development Bank Limited
Diktel, Khotang

Statement of Other Comprehensive Income
For the year ended 31st Ashad 2078 (15 July 2021)

Particulars	Note	Figures in NPR	
		Year Ended 31st Ashad 2078	Year Ended 31st Ashad 2077
Profit for the year		4,605,896	(20,550,550)
Other Comprehensive Income, net of income tax			
a Items that will not be reclassified to Profit or Loss			
Gains / (Losses) from investment in equity instruments measured at fair value		-	-
Gains / (Losses) on revaluation		-	-
Actuarial Gains / (Losses) on defined benefit plans		366,378	(66,255)
Income tax relating to above items		(109,913)	19,877
Net other Comprehensive Income that will not be reclassified to Profit or Loss		256,465	(46,379)
b Items that are or may be reclassified to Profit or Loss			
Gains (Losses) on cash flow hedge		-	-
Exchange gains (Losses) (arising from translation financial assets of foreign operation		-	-
Income tax relating to above items		-	-
Reclassify to Profit or Loss		-	-
Net other Comprehensive Income that are or may be reclassified to Profit or Loss		-	-
c Share of other comprehensive income of associate accounted as per equity method			
Other Comprehensive income for the year, net of income tax		256,465	(46,379)
Total Comprehensive income for the year		4,862,360	(20,596,929)
Total Comprehensive income attributable to:			
Equity shareholder of the bank		4,862,360	(20,596,929)
Non controlling interest		-	-
Total Comprehensive income for the period		4,862,360	(20,596,929)

The accompanying notes are integral part of these financial statements.

As per our report of even date attached

For B & A Associates
Chartered Accountants

Tanka Rai
Chairman

Chandra Bahadur Khadka
Director

Sharan Kumar Rai
Director

CA. Biraj Acharya
Partner

Harindra Prasad Rai
Director

Lab Kumar Rai
Director

Date:
Place: Kathmandu Nepal

Lata K.C
Independent Director

Ishwor Man Rai
Chief Executive Officer

Salapa Development Bank Limited
Diktel, Kholang

Statement of Changes in Equity
For the year ended 31st Ashad 2078 (15 July 2021)

Particulars	Attributable to equity holders of the Bank										Figures in NPR		
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory Reserve	Investment adjustment reserve	Fair value reserve	Revaluati on Reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at 1 Shrawan 2076	28,000,000	-	3,985,848	-	3,865,963	-	-	-	4,789,179	14,985,027	55,626,016	-	55,626,016
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at 1 Shrawan 2076	28,000,000	-	3,985,848	-	3,865,963	-	-	-	4,789,179	14,985,027	55,626,016	-	55,626,016
Comprehensive income for the year									(20,550,550)		(20,550,550)		(20,550,550)
Profit for the year													
Other comprehensive income, net of tax													
Gains / (Losses) from investment in equity instruments measured at fair value													
Gains / (Losses) on revaluation													
Actuarial Gains / (Losses) on defined benefit plans													
Gains / (Losses) on Cash Flow Hedge										(46,379)	(46,379)		(46,379)
Exchange gains / (Losses) arising from translating financial assets of foreign operation													
Total Comprehensive income for the year					3,410,694				(3,410,694)	-	-		-
Transfer to reserve during the year													
Transfer from reserve during the year													
Other Adjustments													
Transactions with owners, directly recognized in equity													
Share issued													
Share based payment													
Dividends to equity holders													
Bonus shares issued													
Cash dividend paid													
Advance for Share Capital													
Total contributions by and distributions to owners										49,630,100	49,630,100		49,630,100
Balance at 1 Shrawan 2077	28,000,000	-	3,985,848	-	7,276,657	-	-	-	(19,172,066)	64,568,749	84,659,188	-	84,659,188



Salapa Development Bank Limited

Diktel, Khotang

Statement of Changes in Equity

For the year ended 31st Ashad 2078 (15 July 2021)

Particulars	Attributable to equity holders of the Bank											Figures in NPR	
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory Reserve	Investment adjustment reserve	Fair value reserve	Revaluati on Reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at 1 Shrawan 2077	28,000,000	-	3,985,848	-	7,276,657	-	-	-	(19,172,066)	64,568,749	84,659,188	-	84,659,188
Adjustment/Restatement w.r.t. Reserves	-	-	-	-	-	-	-	-	170,905	(170,905)	-	-	-
Adjustment/Restatement : Prior Period Errors	-	-	-	-	-	-	-	-	(19,350)	-	(19,350)	-	(19,350)
Adjusted/Restated balance at 1 Shrawan 2077	28,000,000	-	3,985,848	-	7,276,657	-	-	-	(19,020,511)	64,397,844	84,639,838	-	84,639,838
Comprehensive income for the year													
Profit for the year									4,605,896		4,605,896		4,605,896
Other comprehensive income, net of tax													
Gains / (Losses) from investment in equity instruments measured at fair value													
Gains / (Losses) on revaluation													
Actuarial Gains / (Losses) on defined benefit plans										256,465	256,465		256,465
Gains / (Losses) on Cash Flow Hedge													
Gains / (Losses) on financial assets of foreign operation													
Exchange gains / (Losses) arising from translating financial assets of foreign operation													
Total Comprehensive income for the year			921,179		(1,537,889)					46,059	(570,651)		(570,651)
Transfer to reserve during the year									570,651		570,651		570,651
Transfer from reserve during the year													
Other Adjustments													
Transactions with owners, directly recognized in equity													
Share issued													
Share based payment													
Dividends to equity holders													
Bonus shares issued													
Cash dividend paid													
Advance for Share Capital										135,538,750	135,538,750		135,538,750
Total contributions by and distributions to owners	28,000,000	-	4,907,027	-	5,738,768	-	-	-	(13,843,964)	200,239,118	225,040,948	-	225,040,948
Balance at 31st Asadh 2078	28,000,000	-	4,907,027	-	5,738,768	-	-	-	(13,843,964)	200,239,118	225,040,948	-	225,040,948

The accompanying notes are integral part of these financial statements.

As per our report of even date attached

For B & A Associates
Chartered AccountantsCA. Biraj Acharya
PartnerDate:
Place: Kathmandu NepalHarindra Prasad Rai
DirectorSharan Kumar Rai
DirectorChandra Bahadur Khadka
DirectorTanka Rai
ChairmanIshwor Man Rai
Chief Executive OfficerLata K.C.
Independent DirectorLab Kumar Rai
Director

Salapa Development Bank Limited
Diktel, Khotang

Statement of Distributable Profit or Loss
For the Year ended 31st Ashad 2078

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Opening Retained Earning	(19,172,066)	4,789,179
Adjustment w.r.t Reserves	170,905	-
Adjustment :Prior Period Errors	(19,350)	-
Opening Retained Earning (Adjusted)	(19,020,511)	4,789,179
Net Profit/(loss) as per Statement of Profit or Loss	4,605,896	(20,550,550)
Appropriation		
a. General Reserve	(921,179)	-
b. Foreign Exchange Fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(46,059)	-
e. Employees training fund	-	-
f. Other	-	-
Profit/(loss) before regulatory adjustment	(15,381,853)	(15,761,371)
Regulatory Adjustments:		
a. Interest Receivable (-)/previous accrued interest received(+)	3,048,917	(2,810,051)
b. Short loan loss provision in accounts(-)/reversal(+)	-	-
c. Short provision for possible losses on investment(-)/reversal(+)	-	-
d. Short provision for possible losses on Non-Banking Assets (-)/reversal(+)	-	-
e. Deferred Tax Assets recognized(-)/reversal(+)	(1,767,492)	(554,264)
f. Goodwill recognized (-)/Impairment of Goodwill(+)	-	-
g. Bargain purchase gain recognized (-)/reversal(+)	-	-
h. Actuarial Loss recognized (-)/reversal(+)	256,465	(46,379)
i. Other (+/-)	-	-
Investment Provision as per NRB Directive no. 8	-	-
Total regulatory adjustments	1,537,889	(3,410,694)
Profit or (Loss) after Regulatory Adjustments	(13,843,964)	(19,172,066)

Salapa Development Bank Limited
Diktel, Khotang

Notes to Financial Statements
For the Year ended 31st Ashad 2078

1. Reporting Entity

Salapa Development Bank Limited (referred as 'the Development Bank', the Company' or 'the Bank') is a public company incorporated under the Companies Act, 2063 and licensed by Nepal Rastra Bank to conduct banking transaction as a "B" Class Financial Institution under the Bank and Financial Institution Act, 2073. The Development Bank has its Corporate Office at Diktel, Khotang. The Development Bank received the license to commence banking operations. The Development Bank's equity shares hasnot been listed in Nepal Stock Exchange. The objective of the Development Bank is to uplift the economic status of Nepal by investing in different economic sectors under economic liberalization policy, understanding diverse customer needs and providing broad mix of financial services to business and individuals.

The authorized capital of the company is Rupees 800,000,000/-, the issued capital is 500,000,000/- and the paid-up capital is 28,000,000/- . 100 per cent of the paid-up capital is held by the promoter and calls in advance received from promoters amounts to 200,255,850/-. The shares of the Company are not listed at Nepal Stock Exchange Limited (NEPSE).The Board of Directors acknowledges the responsibility of preparation of financial statements of the Bank.The approved financial statements have been recommended for approval by the shareholders in the annual general meeting of the Bank.

1.1 Subsidiaries

The bank has no wholly owned or partially owned subsidiaries company during the financial year 2077/78.

2. Basis of Preparation

The financial statements of the Bank have been prepared on accrual basis of accounting except the Cash Flow information, which is prepared on a cash basis, using the direct method. The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to Financial Statement of the Bank. The accounting policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

2.1. Statement of Compliance

The financial statements have been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and as per the provisions of Bank and Financial Institutions Act,2073 in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2077.

2.1.1 Use of Carve-out

ICAN has provided carve out on specific areas for alternative treatment of the items of financial statements required as per NFRS. Based on such, the bank has used following carve out for preparation and presentation of financial statements in line with NFRS.

a) Impairment Loss on Loan and Advances

As per para 63 of NAS 39 Financial Instruments: Recognition and Measurement, impairment loss is calculated on incurred loss model. However, the carve out has allowed to recognise loan loss provision at higher of loss calculated as per para 63 or the same as per NRB Directives No. 02/076. Accordingly , the bank has used this carve out and recognised impairment loss as per NRB directive as the same was higher in comparision to impairment loss calculated as per NAS 39 .

Financial Year	F.Y 2077/78	F.Y 2076/77
Provision as per NRB Directive	39,220,101	32,431,516
Provision as per NFRS	4,759,441	6,408,324

Salapa Development Bank Limited
Diktel, Khotang

Notes to Financial Statements
For the Year ended 31st Ashad 2078

b) Effective Interest Rate

As per the definition of effective interest rate (EIR) as per para 9 of NAS 39, all the initial points paid or received is required to be considered for calculation of EIR and the same EIR is used to calculate interest on loans and advances. As per the carve out, if calculation of EIR is impracticable or immaterial, then such could be ignored. The bank has used the carve out and has not considered initial points paid or received on loans to be part of EIR, rather such amount has been accounted as income on accrual basis.

c) Interest income on amortized loan after impairment recognition

As per para AG63 of NAS 39, Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The carve out provides that interest income can be calculated on gross carrying amount of loan. The bank has used the stated carve out in preparing the financial statements.

3. Reporting Period and Approval of Financial Statements

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

Particulars	Nepalese Calendar	English Calendar
Current Year	F.Y 2077/78	F.Y 2020/21
Previous Year	F.Y 2076/77	F.Y 2019/20
Reporting Period	Shrawan 1, 2077 to Ashad 31, 2078	July 16, 2020 to July 15, 2021

The financial statements prepared in accordance with the requirement of Nepal Financial Reporting Standards and were approved by the board of directors on its 177th board meeting dated Ashwin 27, 2079.

2.3 Functional and presentation currency

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

2.4 Use of estimates, assumptions and judgments

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

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

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

Salapa Development Bank Limited
Diktel, Khotang**Notes to Financial Statements**
For the Year ended 31st Ashad 2078**2.5 Changes in accounting policies**

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

2.6. New Reporting standards issued but not effective

For the reporting of financial instruments, NAS 32 Financial Instruments Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been complied for the classification of Financial Instruments. Few carve-outs on applicable Accounting Standards as provided by the Institute of Chartered Accountants of Nepal have been used by the Bank, the quantitative and qualitative impact of the same have been disclosed in detail in Notes to the Accounts. Further, NAS 17 Leases has not been incorporated in this financial statement regarding operating lease since the effect of the same was considered not material by the management. Further, a number of new standards and amendments to the existing standards and interpretations have been issued by International Accounting Standard Board after the pronouncements of NFRS with varying effective dates. Those become applicable when Accounting Standard Board Nepal incorporates them within NFRS.

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

2.7. Discounting

Non- current assets and liabilities are discounted where discounting is material. Interest income and expenses have been recognized on unwinding of financial assets and liabilities respectively.

2.8. Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the Nepal Accounting Standard – NAS 1 on 'Presentation of Financial Statements'. Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the bank. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.9. Going Concern

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

2.10. Prior Period Errors

Prior Period Errors are omissions or misstatements in an entity's financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the affected prior years' financial statements. Sometimes such changes may not be practicable. In such cases, it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period.

Salapa Development Bank Limited
Diktel, Khotang**Notes to Financial Statements**
For the Year ended 31st Ashad 2078**3. Significant Accounting Policies**

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

3.1 Basis of Measurement

The financial statements are prepared on the historical-cost basis except for the following material items in the statement of financial position:

- Investment property is measured at fair value.
- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- Available for sale financial assets are measured at fair value.
- Investments held-for-trade is measured at fair value.
- Derivative financial instruments are measured at fair value.
- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Impairment of asset is measured at fair value and related disposal cost.

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

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

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

Liabilities

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

Materiality and Aggregation

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

3.2 Basis of Consolidation

The Development Bank does not have any subsidiaries or special purpose entities over which it exercises control. Hence, only standalone financial statement is prepared.

3.3 Cash & Cash Equivalent

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

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

Salapa Development Bank Limited
Diktel, Khotang**Notes to Financial Statements**
For the Year ended 31st Ashad 2078**3.4 Financial Assets & Financial Liabilities****Recognition**

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

Classification**i. Financial Assets**

The Development Bank classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Development Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The two classes of financial assets are as follows:

1. Financial assets measured at amortized cost

The Development Bank classifies a financial asset measured at amortized cost if both of the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

a) Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

b) Financial assets at fair value through other comprehensive income

Investment in an equity instrument that is not held for trading and at the initial recognition, the Development Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

ii. Financial Liabilities

The Development Bank classifies the financial liabilities as follows:

a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

b) Financial liabilities measured at amortized cost

All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest method.

Salapa Development Bank Limited
Diktel, Khotang**Notes to Financial Statements**
For the Year ended 31st Ashad 2078**Measurement****Financial assets at FVTOCI**

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

A financial asset is held for trading if:

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

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

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

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

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

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

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

Salapa Development Bank Limited
Diktel, Khotang

Notes to Financial Statements
For the Year ended 31st Ashad 2078

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

Financial liabilities subsequently measured at amortised cost

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

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

Salapa Development Bank Limited

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**Notes to Financial Statements
For the Year ended 31st Ashad 2078****De-recognition****i. Derecognition of Financial Assets**

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

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

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

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

ii. Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Determination of fair value

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

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

The fair value measurement hierarchy is as follows:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

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

Impairment

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

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

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

Salapa Development Bank Limited
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For the Year ended 31st Ashad 2078***Impairment of financial assets measured at amortized cost***

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

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

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

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

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

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

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

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

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

3.5 Trading Assets

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

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

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

3.6 Derivative Assets & Derivative Liabilities

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

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

3.7 Property & Equipment

a) Recognition & Measurement

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

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

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

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

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

b) Capital Work in Progress

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

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

c) Depreciation

Property and equipment are depreciated from the date they are available for use on property on written down value method over estimated useful lives as determined by the Management. Depreciation is recognized in profit or loss. Land is not depreciated. Charging of depreciation is ceased from the earlier of the date from which the asset is classified as held for sale or is derecognized.

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

Particulars	Useful Life	As per IT Act 2058
Computer and Accessories	5 Years	25%
Office Equipment	7 Years	15%
Vehicle	7 Years	20%
Furniture Fixture Wood Office	8 Years	25%
Machinery	8 Years	15%
Furniture Fixture Metal Office	10 Years	25%
Lease Hold Assets	10 Years	10 years

For assets purchased/sold during the year, depreciation is provided up to the date of use on pro-rata basis.

3.8 Intangible Assets

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

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

The intangible asset with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

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

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

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

Class of Assets	Useful Life
Computer Software	5 Years

The capitalized value of Software Purchase and installation costs are amortized over a maximum 5 years' period or within the ownership period.

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Notes to Financial Statements**For the Year ended 31st Ashad 2078****3.9 Investment Property**

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

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

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

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

3.10 Income Tax

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

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

Current Tax

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

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

Salapa Development Bank Limited
Diktel, Khotang**Notes to Financial Statements**
For the Year ended 31st Ashad 2078**Deferred Tax**

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

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

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

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

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

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

Salapa Development Bank Limited Diktel, Khotang

Notes to Financial Statements For the Year ended 31st Ashad 2078

3.11 Deposits, debt securities issued and subordinated liabilities

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

3.12 Provisions

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

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

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

A disclosure for contingent liabilities is made where there is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligation that arises from past events but is not recognized because:

it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

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

3.13 Revenue Recognition

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

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Notes to Financial Statements**For the Year ended 31st Ashad 2078****Interest income**

Interest income is recognized in profit or loss using effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial asset or liability to the carrying amount of the asset or liability. The calculation of effective interest rate includes all transactions cost and fee and points paid or received that are integral part of the effective interest. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of financial assets.

Interest income presented in statement of comprehensive income includes:

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

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

Fee and commission income

Fees and commission income that are integral to the effective interest rate on a financial asset are included in measurement of effective interest rate. Other fees and commission income including management fee, service charges, syndication fee, forex transaction commission, commission of issue of letter of credit and guarantee are recognized as the related services are performed. When the loan commitment is not utilized to the extent of approved limit, the related commitment fees are recognized on undrawn amount on straight line basis over the period of commitment.

Dividend income

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

Net trading income

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

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

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

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

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

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Notes to Financial Statements
For the Year ended 31st Ashad 2078

3.14 Interest expense

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

3.15 Employees Benefits

a) Short Term Employee Benefits

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

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

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

b) Post-Employment Benefit Plan

Post-employment benefit plan includes followings:

i. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as personnel expense in profit or loss in the periods during which the related service are rendered by employees. Pre-paid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value. The following are the defined contribution plan provided by the Development Bank to its employees:

a) Employees Provident Fund

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

ii. Defined Benefit Plan

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

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

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For the Year ended 31st Ashad 2078

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

a) Gratuity

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

b) Leave Salary

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

c) Termination Benefits

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

3.16 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Company as a Lessee:

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

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

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

Company as a lessor

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

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Notes to Financial Statements

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3.17 Foreign Currency Translation

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

3.18 Financial Guarantee and Loan Commitment

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

3.19 Share Capital and Reserves

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

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

3.20 Earnings per Share including Diluted

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

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

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

3.21 Segment Reporting

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

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Cash and Cash Equivalent

Note No. 4.1

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Cash in hand	52,113,501	187,425,813
Balance with B/Fis*	344,408,291	41,520,027
Money at call and short notice	-	-
Other	-	-
Total	396,521,792	228,945,839

*Balance with BFIs includes the balance kept in Commercial Bank (Century Bank) for the purpose of statutory liquidity reserve amounting to NPR.20,500,000.00 at Ashadh 31, 2078.

Due from Nepal Rastra Bank

Note No. 4.2

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Statutory Balances with NRB	-	-
Securities Purchased under re-sale agreement	-	-
Other deposit and receivable from NRB	-	-
Total	-	-

Placement with Bank and Financial Institutions

Note No.4.3

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Placements with domestic B/FIs	-	-
Placement with foreign B/FIs	-	-
Less: Allowances for Impairment	-	-
Total	-	-

Derivative Financial Instruments

Note No. 4.4

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
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	-	-

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Other Trading Assets

Note No. 4.5

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Treasury Bills	-	-
Government Bonds	-	-
NRB Bonds	-	-
Domestic Corporate Bonds	-	-
Equities	-	-
Other	-	-
Total	-	-
Pledged	-	-
Non-pledged	-	-

Loans and advances to BF/Is

Note No. 4.6

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Loans to microfinance institutions	-	-
Other	-	-
Less: Allowances for Impairment	-	-
	-	-

Allowances for Impairment

Note No. 4.6.1

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Balance at 1 Shrawan	-	-
Impairment loss for the year:	-	-
Charge for the year	-	-
Recoveries/reversals	-	-
Amount written off	-	-
Balance at Asadh end	-	-

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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Loans and advances to customers

Note No.4.7

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Loans and advances measured at amortized cost	605,102,056	444,467,192
Less:		
Impairment allowances	(39,220,101)	(32,431,516)
Collective Allowances	(10,805,149)	(5,609,301)
Individual Allowances	(28,414,952)	(26,822,215)
Net amount	565,881,955	412,035,675
Loans and advances measured at FVTPL	-	-
Total	565,881,955	412,035,675

Analysis of Loans and advances- By Product

Note 4.7.1

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Product		
Term Loans	208,805,199	185,440,680
Overdraft	223,654,891	91,539,090
Trust receipt/Import loans		
Demand and other working capital Loans		
Personal residential loans		
Real estate loans		
Margin lending loans		
Hire purchase loans	10,846,648	9,508,710
Deprived sector loans	134,530,671	74,221,750
Bills purchased		
Staff loans	12,427,436	7,200,756
Others	9,499,300	71,599,035
Sub Total	599,764,145	439,510,020
Interest receivable	5,337,911	4,957,171
Grand Total	605,102,056	444,467,192

Analysis of Loans and advances- By Currency

Note No. 4.7.2

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Nepalese rupee	605,102,056	444,467,192
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese yen	-	-
Other	-	-
Total	605,102,056	444,467,192

Salapa Development Bank Limited

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**Notes to Financial Statements
For the Year ended 31st Ashad 2078**

Analysis of Loans and advances- By Collateral

Note No. 4.7.3

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Secured		
Movable/immovable assets	577,793,440	430,268,265
Gold and silver	3,083,900	-
Guarantee of domestic B/Fis	-	-
Government Guarantee	-	-
Guarantee of International Rated bank	-	-
Collateral of export document	-	-
Collateral of fixed deposit receipt	6,415,400	2,041,000
Collateral of Government securities	-	-
Counter Guarantee	-	-
Personal Guarantee	-	-
Other collateral	12,471,405	7,200,756
Subtotal	599,764,145	439,510,020
Unsecured		
Interest Receivable	5,337,911	4,957,171
Grand Total	605,102,056	444,467,192

Note No. 4.7.4

Allowances for Impairment

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

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

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

1. Use of Carve Outs for Financial Assets

a. For Impairment Calculation

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

b. For Using Effective Interest rate

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

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Notes to Financial Statements

For the Year ended 31st Ashad 2078

c. Interest calculation on Impaired Loan and advances

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

Impairment of financial assets measured at amortized cost

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

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

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

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

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

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

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

Impairment allowance for Loans and Advances

During the year, the Bank changed its accounting policy with respect to Impairment allowance for Loans and Advances. The Bank now at each reporting date assesses whether there is objective evidence that loans and advances carried at fair value through profit or loss are impaired and impairment provided for if impairment assessment indicates so. Loans and advances is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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

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

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Notes to Financial Statements For the Year ended 31st Ashad 2078

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

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

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

A. Movement of Loan Loss Provision as per NRB directive

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Specific allowance for impairment		
Balance at Shrawan 1	26,822,215	6,488,101
Impairment loss for the year	-	-
Charge for the year	1,592,737	20,334,114
Recoveries/reversal during the year	-	-
Write-offs	-	-
Exchange rate variance on foreign currency	-	-
Other Movement	-	-
Balance at Asadh end	28,414,952	26,822,215
Collective allowance for Impairment		
Balance at Shrawan 1	5,609,301	4,027,225
Impairment loss for the year	-	-
Charge/(reversal) for the year	5,195,848	1,582,076
Exchange rate variance on foreign currency	-	-
Other movement	-	-
Balance at Asadh end	10,805,149	5,609,301
Total as on Ashad end	39,220,101	32,431,516

B. IMPAIRMENT AS PER NAS 39

	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Individual Impairment	1,134,725	3,587,373
Collective Impairment	3,624,716	2,820,951
Total Impairment as per NAS 39	4,759,441	6,408,324

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Investment securities

Note No. 4.8

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Investment securities measured at amortized cost	-	-
Investment Securities measured at FVTOCI	-	-
Less Provision		
Total	-	-

There is no investment securities held by Bank during the year.

Investment securities measured at amortized cost

Note No. 4.8.1

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Debt securities	-	-
Government bonds	-	-
Government treasury bills	-	-
Nepal Rastra Bank bonds	-	-
Nepal Rastra Bank deposits instruments	-	-
Other	-	-
Less: specific allowances for impairment	-	-
Total	-	-

Investment in equity measured at fair value through other comprehensive income

Note No. 4.8.2

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Equity instrument		
Quoted equity instrument	-	-
Unquoted equity instrument	-	-
Total	-	-

Information relating to investment in equities

Note No. 4.8.3

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Investment in quoted equity	-	-
Investment in unquoted equity	-	-
Total	-	-

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Current Tax Assets

Note No. 4.9

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Current tax assets		
Current year income tax assets	6,096,521	1,946,049
Tax assets of prior periods	-	-
Sub-total	6,096,521	1,946,049
Current tax Liabilities		
Current year income tax liabilities	-	-
Tax Liabilities of prior periods	-	-
Sub-total	-	-
Total	6,096,521	1,946,049

Investment in Subsidiaries

Note No. 4.10

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Investment in Quoted Subsidiaries	-	-
Investment in Unquoted Subsidiaries	-	-
Total Investment	-	-
Less: Impairment allowances	-	-
Net carrying amount	-	-

Investment in Quoted Subsidiaries

Note No. 4.10.1

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
..... Ltd	-	-
Shares of Rs... each	-	-
..... Ltd	-	-
Shares of Rs... each	-	-
Total	-	-

Investment in Unquoted Subsidiaries

Note No. 4.10.2

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
..... Ltd	-	-
Shares of Rs... each	-	-
..... Ltd	-	-
Shares of Rs... each	-	-
Total	-	-

Information relating to subsidiaries of the Bank

Note No. 4.10.3

Particulars	Percentage of Ownership held by the Bank	
	As at Ashadh 31, 2078	As at Ashadh 31, 2077
..... Ltd	-	-
..... Ltd	-	-
Total	-	-

Non controlling Interest of the subsidiaries

Note No. 4.10.4

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Equity Interest held by NCI(%)	-	-
Profit/(Loss) allocated during the year	-	-
Accumulated balances of NCIs as on Asadh end	-	-
Dividend paid to NCI	-	-
Total	-	-

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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Investment in Associates
Note No. 4.11

The Bank has no any associates. Thus, it does not prepare consolidated financial statement and accordingly, equity method of accounting is not used as per Nepal Accounting Standards (NAS 28) on – Investment in Associates and Joint Ventures.

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Investment in Quoted Associates	-	-
Investment in Unquoted Subsidiaries	-	-
Total Investment	-	-
Less: Impairment allowances	-	-
Net carrying amount	-	-

Investment in Quoted Associates
Note No. 4.11.1

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
..... Ltd	-	-
..... Shares of Rs..... Each	-	-
Total	-	-

Investment in Unquoted Associates
Note No. 4.11.2

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
..... Ltd	-	-
..... Shares of Rs..... Each	-	-
Total	-	-

Information relating to associates of the Bank
Note No. 4.11.3

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
..... Ltd	-	-
..... Ltd	-	-
Total	-	-

Equity value of Associates
Note No. 4.11.4

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
..... Ltd	-	-
..... Ltd	-	-
Total	-	-

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Investment Properties

Note No. 4.12

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
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	-	-
Addition/Disposal during the year	-	-
Adjustment/Transfer	-	-
Accumulated impairment loss	-	-
Net Amount	-	-
Total	-	-

*Bank doesnot hold any kind of non-banking assets which is to be shown as Investment Properties as per Nepal Financial Reporting Standards as on the reporting date.

Salapa Development Bank Limited
Diktel, Khotang

Notes to Financial Statements
For the Year ended 31st Ashad 2078

Property and Equipment										Note. 4.13
Figures in NPR										
Particulars	Land	Building	Leasehold Properties	Computer and Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment and Others	Total As at 31st Ashad 2078	
Cost										
Balance as on 1st Shrawan 2076	-	-	8,684,154	2,937,856	2,387,370	2,387,787	599,250	8,506,372	25,502,790	
Addition during the Year	-	-	1,384,576	-	544,800	85,001	-	1,314,499	3,328,876	
Acquisition	-	-	-	-	(99,995)	-	-	-	(99,995)	
Capitalization	-	-	-	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	
Balance as on 31st Asadh 2077	-	-	10,068,730	2,937,856	2,832,175	2,472,788	599,250	9,820,871	28,731,671	
Addition during the Year	-	-	-	3,072,106.08	5,142,900.00	70,285	-	585,725	8,871,015	
Acquisition	-	-	-	-	-	-	-	-	-	
Capitalization	-	-	-	-	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	
Balance as on 31st Asadh 2078	-	-	10,068,730	6,009,962	7,975,075	2,543,073	599,250	10,406,596	37,602,686	
Depreciation and Impairment										
Balance as on 1st Shrawan 2076	-	-	1,983,191	855,874	883,362	824,854	285,492	2,206,606	7,039,378	
Depreciation charge for the Year	-	-	838,311	538,993	319,116	212,513	80,175	1,191,309	3,180,417	
Impairment for the year	-	-	-	-	-	-	-	-	-	
Disposal	-	-	-	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	-	-	-	
As on 31st Asadh 2077	-	-	2,821,502	1,394,867	1,202,478	1,037,367	365,666	3,397,915	10,219,795	
Impairment for the year	-	-	-	-	-	-	-	-	-	
Depreciation charge for the Year	-	-	965,103	604,391	303,501	198,659	45,181	1,011,746	3,128,581	
Disposals	-	-	-	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	-	-	-	
As on 31st Asadh end 2078	-	-	3,786,604	1,999,258	1,505,979	1,236,025	410,848	4,409,661	13,348,375	
Capital Work in Progress										
Net Book Value as on 31st Asadh 2076	-	-	6,700,964	2,081,982	1,504,008	1,562,933	313,759	6,299,766	18,463,412	
Net Book Value as on 31st Asadh 2077	-	-	7,247,229	1,542,989	1,629,697	1,435,421	233,584	6,422,957	18,511,876	
Net Book Value as on 31st Asadh 2078	-	-	6,282,126	4,010,704	6,469,096	1,307,047	188,402	5,996,935	24,254,311	

Salapa Development Bank Limited
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Notes to Financial Statements
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Goodwill and Intangible Assets

Note. 4.14

Particulars	Figures in NPR			
	Goodwill	Software Purchased	Developed	Other As at 31st Ashad 2078
Cost				
Balance as on 1st Shrawan 2076		1,271,250		1,271,250
Addition during the Year				
Acquisition		-		-
Capitalization		-		-
Disposal during the year		-		-
Adjustment/Revaluation				-
Balance as on 31st Asadh 2077		1,271,250		1,271,250
Addition during the Year				
Acquisition		1,217,753		1,217,753
Capitalization				-
Disposal during the year				-
Adjustment/Revaluation				-
Balance as on 31st Asadh 2078		2,489,003		2,489,003
Amortization and Impairment				
Balance as on 1st Shrawan 2076		303,688		303,688
Amortization charge for the Year				-
Impairment for the year		254,250		254,250
Disposals				-
Adjustment				-
Balance as on 31st Asadh 2077		557,938		557,938
Amortization charge for the Year				
Impairment for the year		280,012		280,012
Disposals				-
Adjustment				-
Balance as on 31st Asadh 2078		837,949		837,949
Capital Work in Progress				
Net Book Value as on 31st Asadh 2076				967,563
Net Book Value as on 31st Asadh 2077				713,313
Net Book Value as on 31st Asadh 2078				1,651,054



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Deferred Tax		Note No. 4.15
As at Ashadh 31, 2078		Figures in NPR
Particulars	Deferred Tax Assets	Deferred Tax Liabilities
Deferred Tax on Temporary differences on following items:		
Loans and Advances to B/FIs	-	-
Loans and Advances to customers	-	-
Investment Properties	-	-
Investment Securities	-	-
Property and equipment	1,335,230	-
Employees' defined benefit plan	758,402	-
Lease liabilities	149,205	-
Provisions	-	-
Other temporary differences	1,524,885	-
Deferred Tax on Temporary differences	3,767,722	3,767,722
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 2077/78	3,767,722	-
Deferred tax asset/(liabilities) as on 1st shrawan, 2077*	-	-
Origination/(Reversal) during the year	-	1,767,492
Deferred tax expense/(income) recognized in profit or loss	-	(1,877,406)
Deferred tax expense/(income) recognized in other comprehensive income	-	(109,913)
Deferred tax expense/(income) recognized directly in equity	-	-

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Deferred Tax	Note No. 4.15		
As at Ashadh 31, 2078	Figures in NPR		
Particulars	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/Liabilities
As at Ashadh 31, 2077	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets / (Liabilities)
Deferred Tax on Temporary differences on following items			
Loans and Advances to B/FIs	-	-	-
Loans and Advances to customers	-	-	-
Investment Properties	-	-	-
Investment Securities	-	-	-
Property and equipment	377,966	-	377,966
Employees' defined benefit plan	673,617	-	673,617
Lease liabilities	88,399	-	88,399
Provisions	-	-	-
Other temporary differences	860,247	-	860,247
Deferred Tax on Temporary differences	2,000,230	-	2,000,230
Deferred Tax on carry forward of unused tax losses			-
Deferred tax due to changes in tax rate			-
Net Deferred tax asset/(liabilities) as on year end of 2076/77			2,000,230
Deferred tax asset/(liabilities) as on 1st shrawan, 2076			1,445,966
Origination/(Reversal) during the year			554,264
Deferred tax expense/(income) recognized in profit or loss			(534,388)
Deferred tax expense/(income) recognized in other comprehensive income			19,877
Deferred tax expense/(income) recognized directly in equity			-

Calculation of deferred tax for the year 2077/78

Particulars	Accounting Base	Taxation Base
Property and Equipment Excluding Land	24,254,310.90	29,079,013.56
Intangible Assets	1,651,053.77	1,277,117.81
Investment	-	-
Loan And Advances	-	-
Loan Loss Provision	39,220,100.87	39,220,100.87
Provision for Gratuity	2,528,008.17	-
Provision for Leave Encashment	5,082,948.70	-
Short-term employee benefits	-	-
Operating Lease Liability	497,349.56	-
Interest Income(AIR)	-	-
Land	-	-
Total	73,233,771.97	69,576,232.23

Assets / Liabilities as shown in Books
Calculation of deferred tax for the year 2076/77

Particulars	Accounting Base	Taxation Base
Property and Equipment Excluding Land	18,511,876.25	19,654,875.50
Intangible Assets	713,312.50	830,201.29
Investment	-	-
Investment Property	-	-
Loan And Advances (AIR)	-	-
Deferred Expenses	-	-
Loan Loss Provision	32,431,516.17	32,431,516.17
Provision for Gratuity	2,245,391.00	-
Provision for Leave Encashment	2,867,490.89	-
Short-term employee benefits	-	-
Operating Lease	294,662.54	-
Interest Income(AIR)	-	-
Land	-	-
Total	57,064,249.35	52,916,592.96

Difference Assets / (Liabilities)	Tax Rate	Deferred Tax Assets (Liabilities)	Classification
4,824,702.66	30%	1,447,410.80	
(373,935.96)	30%	(112,180.79)	
-	30%	-	
-	30%	-	
-	30%	-	
2,528,008.17	30%	758,402.45	
5,082,948.70	30%	1,524,884.61	
-	30%	-	
497,349.56	30%	149,204.87	
-	30%	-	
-	30%	-	
12,559,073.13		3,767,721.94	Opening 2,000,229.74

-	-
-	-
-	73,413.60
3,767,721.94	1,926,816.14
3,767,721.94	2,000,229.74

Difference Assets / (Liabilities)	Tax Rate	Deferred Tax Assets (Liabilities)	
1,142,999.25	30%	342,899.77	
116,888.79	30%	35,066.64	
-	30%	-	
-	30%	-	
-	30%	-	
-	30%	-	
-	30%	-	
2,245,391.00	30%	673,617.30	
2,867,490.89	30%	860,247.27	
-	30%	-	
294,662.54	30%	88,398.76	
-			
-	30%	-	
6,667,432.48		2,000,229.74	Opening 1,144,568.31

-	-
-	-
73,413.60	53,537.10
1,926,816.14	1,091,031.21
2,000,229.74	1,144,568.31

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Other Assets
Note No. 4.16

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Assets held for sale	-	-
Other Non-Banking Assets	-	-
Bills Receivable	-	-
Accounts receivable	3,742,921	4,475,648
Accrued income	-	-
Prepayments and deposits	558,640	174,729
Income tax deposit	-	-
Deferred Employee Expenditure	43,969	355,197
Other	1,106,232	930,862
Stationary Stock	1,106,232	916,396
Others	-	14,466
Total	5,451,762	5,936,437

Due to Bank and financial institutions
Note. 4.17

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Money market deposits	-	-
Interbank borrowing	-	-
Other deposits from BFIs	61,066,630	5,280,790
Settlement and clearing accounts	-	-
Total	61,066,630	5,280,790

Due to Nepal Rastra Bank
Note. 4.18

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Refinance from NRB	-	-
Standing liquidity facility	-	-
Lender of last resort facility from NRB	-	-
Securities sold under repurchase agreement	-	-
Other payable to NRB	-	-
Total	-	-

Derivative financial instruments
Note. 4.19

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
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	-	-

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Deposits from Customers

Note. 4.20

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Institutions Customers:		
Term deposits	17,880,590	13,329,599
Call Deposits	2,404,090	27,858,880
Current Deposits	15,201,132	2,870,980
Other	763,500	-
Sub total:	36,249,312	44,059,459
Individual Customers:		
Term deposits	170,884,130	122,751,950
Saving Deposits	470,959,040	394,684,490
Current Deposits	4,737,770	6,589,200
Other	34,010	-
Sub total:	646,614,950	524,025,640
Total	682,864,262	568,085,099

Currency wise analysis of deposits from customers

Note. 4.20.1

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Nepalese rupee	682,864,262	568,085,099
Indian rupee	-	-
United state dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese Yuan	-	-
Other	-	-
Total	682,864,262	568,085,099

Borrowing

Note. 4.21

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Domestic Borrowing:		
Nepal Government	-	-
Other institution	-	-
Other	-	-
Sub total	-	-
Foreign Borrowing:		
Foreign Bank and Financial Institutions	-	-
Multilateral Development Bank	-	-
Other institutions	-	-
Sub total	-	-
Total	-	-

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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Provisions
Note. 4.22

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contract	-	-
Other	4,376	1,162,785
Total	4,376	1,162,785

Rebate on Interest (10% & 2%) as per circular issued by NRB in relation to impact of COVID-19 that has to be refunded to customer has been provisioned in last financial year 2076.77. Out of total provision Rs.1,162,785, Rs. 1,158,409 has been transferred/deposited in repective accounts of customer and pending amount to be deposited is Rs. 4,376 as disclosed above.

Movement in provision
Note. 4.22.1

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Balance at shrawan 1st	1,162,785	-
Provisions made during the year	-	1,162,785
Provisions used during the year	(1,158,409)	-
Provisions reversed during the year	-	-
Unwind of discount	-	-
Balance at Ashadh End	4,376	1,162,785

Other liabilities
Note. 4.23

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Liability for employees defined benefit obligations	2,528,008	2,245,391
Liability for long-service leave	5,082,949	2,867,491
Short-term employee benefits	-	-
Bills payable	-	-
Creditors and Accruals	20,498,888	3,192,288
Interest payable on deposit	-	-
Interest payable on borrowing	-	-
Liabilities on deferred grant income	-	-
Unpaid Dividend	-	-
Liabilities under finance lease	-	-
Employee bonus payable	303,166	-
Other	6,235,889	2,596,387
Liabilities under Operating Lease	497,350	294,663
TDS payables	878,528	657,409
Others	4,860,012	1,644,316
Total	34,648,900	10,901,557

*Provision of Rs. 901,723/- has been made for leave encashment in lieu of leave allowances for contract staffs and in order to bear the expenses when the carry forward leave allowances exceed the limit specified by Labour Act 2074.

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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Defined benefit obligation

Note. 4.23.1

The amounts recognised in the statements of financial positions are as follows :

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Present value of unfunded obligations	2,528,008	2,245,392
Present value of funded obligations	-	-
Total present value of obligations	2,528,008	2,245,392
Fair value of plan assets	-	-
Present value of net obligations	2,528,008	2,245,392
Recognized liability for defined benefit obligation	2,528,008	2,245,392

Plan Assets

Note. 4.23.2

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Equity securities	-	-
Government bonds	-	-
Bank deposits	-	-
Other	-	-
Total	-	-

Movement in the present value of defined benefit obligations

Note. 4.23.3

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Defined benefit obligation at shrawan 1st	2,245,392	1,638,122
Actuarial (Gains) / losses	(366,378)	66,255
Benefit paid by the plan	-	-
Current service cost and interest	648,995	541,015
Past Service Cost	-	-
Defined benefit obligation at Ashadh end	2,528,008	2,245,392

Movement in the fair value of plan assets

Note. 4.23.4

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Fair value of plan assets at shrawan 1st	-	-
Contributions paid into the plan	-	-
Benefit paid during the year	-	-
Actuarial (losses) gains	-	-
Expected return on plan assets	-	-
Fair value of plan assets at Ashadh end	-	-

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Amount recognized in profit or loss

Note. 4.23.5

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Current service cost	469,491	409,686
Past Service Cost		
Interest on obligation	179,504	131,329
Expected return on plan assets		
Total	648,995	541,015

Amount recognized in other comprehensive income

Note. 4.23.6

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Actuarial (gain) / loss	(366,378)	66,255
Total	(366,378)	66,255

Actuarial assumptions

Note. 4.23.7

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Discount rate	8.00%	8.00%
Expected return on plan assets	0.00%	0.00%
Future salary increase	7.00%	7.00%
Withdrawal rate	30%	30%

Debt securities issued

Note. 4.24

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Debt securities issued designated at fair value through	-	-
Debt securities issued at amortized cost	-	-
Total	-	-

Subordinated liabilities

Note. 4.25

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Redeemable preference shares	-	-
Irredeemable cumulative preference shares	-	-
Other	-	-
Total	-	-

Salapa Development Bank Limited

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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Share capital

Note. 4.26

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Ordinary shares	28,000,000	28,000,000
Convertible preference share(Equity component)	-	-
Irredeemable preference share(Equity component)	-	-
Perpetual debt(Equity component only)	-	-
Total	28,000,000	28,000,000

Ordinary shares

Note. 4.26.1

	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Authorized capital:		
8,000,000 ordinary share of Rs.100 each	800,000,000	800,000,000
Issued capital:		
5,000,000 ordinary share of Rs.100 each	500,000,000	500,000,000
Subscribed and paid of capital:		
280,000 ordinary share of Rs.100 each	28,000,000	28,000,000
Total	28,000,000	28,000,000

Ordinary share ownership

Note. 4.26.2

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Domestic ownership:		
Nepal Government	-	-
"A" class licensed institutions	-	-
Other licensed institutions	-	-
Other institutions	-	-
Public	-	-
Other (Promoters)	28,000,000	28,000,000
Foreign ownership	-	-
Total	28,000,000	28,000,000

Salapa Development Bank Limited

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Notes to Financial Statements

For the Year ended 31st Ashad 2078

List of Shareholders holding shares on and above 0.5%

S.No.	Name of Shareholders	Shares Held	% of Shareholding
1	Kabi Kumar Rai	9000	3.21%
2	Tanka Rai	8000	2.86%
3	Sharan Kumar Rai	8000	2.86%
4	Durga Bahadur Rai	7000	2.50%
5	Kritimani Rai	6000	2.14%
6	Mohan Kumar Bhattarai	6000	2.14%
7	Lab Kumar Rai	5000	1.79%
8	Tej Narayan Saiju	5000	1.79%
9	Tej Bahadur Rai	5000	1.79%
10	Dil Bahadur Rai	5000	1.79%
11	Tanka Bahadur Tamang	5000	1.79%
12	Bishnumaya Magar	5000	1.79%
13	Asta Bahadur Chettri	4500	1.61%
14	Pritiman Rai	4500	1.61%
15	Nabin Rai	4500	1.61%
16	Bhalakaji Rai	4000	1.43%
17	Manindra Rai	4000	1.43%
18	Prajapati Rai	4000	1.43%
19	Bam Bahadur Rai	4000	1.43%
20	Maiyasari Rai	4000	1.43%
21	Bimal Kaji Shrestha	4000	1.43%
22	Kumar Rai	4000	1.43%
23	Sanaman Khadka	3500	1.25%
24	Raj Kumar Rai	3500	1.25%
25	Harindra Prasad Rai	3000	1.07%
26	Tej Prasad Dhakal	3000	1.07%
27	Bir Bahadur Rai	3000	1.07%
28	Dip Narayan Rijal	3000	1.07%
29	Nain Bahadur Katwal	3000	1.07%
30	Eman Rai	3000	1.07%
31	Hom Praladh Rai	3000	1.07%
32	Narayan Prasad Joshi	2500	0.89%
33	Thir Bahadur Karki	2500	0.89%
34	Bishnu Rajbhandari	2350	0.84%
35	Rabin Chandra Rai	2000	0.71%
36	Sushila Rai	2000	0.71%
37	Bhagyawati Rai	2000	0.71%
38	Kailash Rai	2000	0.71%
39	Renu Shah	2000	0.71%
40	Kishor Kumar Rai	2000	0.71%
41	Shiva Prasad Kattel	2000	0.71%
42	Nabin Kumar Rai	2000	0.71%
43	Kamala Devi Rai	2000	0.71%
44	Yubaraj Rai	2000	0.71%
45	Jit Bahadur Shrestha	2000	0.71%
46	Dhan Kumar Bajimaya	2000	0.71%
47	Rita Bajmai	2000	0.71%
48	Kul prasad Shrama Phuyal	2000	0.71%
49	Dhurba Kumar Karki	2000	0.71%
50	Mandira Rai	2000	0.71%
51	Raghunanda Rai	2000	0.71%
52	Chandra Bahadur Khadka	2000	0.71%

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Notes to Financial Statements

For the Year ended 31st Ashad 2078

List of Shareholders holding shares on and above 0.5%

S.No.	Name of Shareholders	Shares Held	% of Shareholding
53	Bishnumaya Rai	2000	0.71%
54	Tanka Bahadur Thapa	2000	0.71%
55	Puspha Pandey Karki	2000	0.71%
56	Homnath Khanal	2000	0.71%
57	Sun Bahadur Rai	2000	0.71%
58	Prithi Kumar Tamang	2000	0.71%
59	Dhurba Shrestha	2000	0.71%
60	Santa Kumar Rai	2000	0.71%
61	Hiralal Rai	2000	0.71%
62	Bikash Rai	2000	0.71%
63	Jay Kumar Rai	2000	0.71%
64	Bishal Bhattarai	2000	0.71%
65	Umakant Etani	2000	0.71%
66	Yogendra Rai	2000	0.71%
67	Santoshi Tamang	2000	0.71%
68	Bhogiraj Rai	2000	0.71%
69	Kamal Dhakal	2000	0.71%
70	Laxmi Rai	2000	0.71%
71	Dhan Kumar Rai	2000	0.71%
72	Dr. Ajambar Rai	2000	0.71%
73	Harichandra Rai	2000	0.71%
74	Lalita Rai	2000	0.71%
75	Ramkaji Gurun	2000	0.71%
76	Rita Rai/Dahal	2000	0.71%
77	Gyanendra Prasad Joshi	1750	0.63%

Note: The Percentage of shareholding has been calculated as a percentage of share capital as per the latest share lagat. Money Received as call in advances has not been considered here.

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Notes to Financial Statements

For the Year ended 31st Ashad 2078

Reserves

Note. 4.27

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Statutory General Reserve	4,907,027	3,985,848
Exchange equalization reserve	-	-
Corporate social responsibility reserve	46,059	119,552
Capital redemption reserve	-	-
Regulatory reserve	5,738,768	7,276,657
Investment adjustment reserve	-	-
Capital reserve	-	-
Assets revaluation reserve	-	-
Fair value reserve	-	-
Dividend equalization reserve	-	-
Actuarial gains	(62,791)	(319,256)
Special reserve	-	-
Other reserve	-	-
Staff Training Fund	-	51,353
Capital Adjustment Reserve	200,255,850	64,717,100
Others	-	-
Total	210,884,913	75,831,254

4.27.1 Statutory General Reserve

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

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

	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Opening	3,985,848	3,985,848
Addition for the Year	921,179	-
Utilization during the Year	-	-
Closing as on Reporting Date	4,907,027	3,985,848

4.27.2 Exchange Fluctuation Reserve Fund

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

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

Bank doesnot deal with any currency other than Nepalese currency, hence this reserve creation is not applicable to the bank.

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Notes to Financial Statements
For the Year ended 31st Ashad 2078

4.27.3 Corporate Social Responsibility Fund

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

	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Opening Balance	-	119,552
Expenses made during the Year	-	(119,552)
Addition during the Year	46,059	-
Closing as on reporting date (31.03.2078)	46,059	-

4.27.4 Regulatory Reserve

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

	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Opening Reserve	7,276,657	3,865,963
Movement:		
Accrued interest income	(3,048,917)	2,810,051
Fair value reserve for possible investment loss		
Reserve for NBA		
Deferred Tax Reserve	1,767,492	554,264
Bargain Purchased Gain		
Actuarial Loss	(256,465)	46,379
Closing as on Reporting Date (31.03.2078)	5,738,768	7,276,657

4.27.5 Investment Adjustment Reserve

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

Bank has not made any investment on shares of any company, hence not applicable.

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For the Year ended 31st Ashad 2078

4.27.6 Assets Revaluation Reserve

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

No assets has been revalued during the reporting period, hence not applicable.

4.27.7 Fair Value Reserve

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

Bank has not invested in any such financial assets which requires to be measured at fair value. Hence, not applicable.

4.27.8 Acturial Gains/Losses

Any gain/losses due the actuarial valuation of defined benefit obligations (Gratuity) is recognised here.

	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Opening	(319,255.50)	(272,877.50)
Additions	256,464.60	(46,378.50)
Closing	<u><u>(62,790.90)</u></u>	<u><u>(319,255.50)</u></u>

Salapa Development Bank Limited
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Notes to Financial Statements
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4.27.9 Other Reserve Fund

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

a. Staff Training & Development Fund

As per clause 6 of NRB Directive no. 6/077, the fund created for the purpose of employee training by allocating 3% of employee expenses of previous year excluding staff bonus and winding up interest cost on staff loan. The fund is utilized for the training of employees excluding CEO.

	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Opening	-	51,353
Addition During the Year*	-	-
Expenses to be incurred in CY	-	51,353
Expenses During the Year	(241,484)	(702,175)
Closing as on reporting date (31.03.2078)	-	-

As per Clause 6 of NRB Directive no 6/078, the provisions has been made non-mandatory and hence the bank has not transferred any amount to this reserve. Amount of Rs. 241,484/- has been expensed out in the current financial year for the training and development of staffs.

b. Capital Adjustment Reserve

Capital Adjustment Reserve is the share application money received from promoters and shown here in others of Reserve and Surplus as per direction of Nepal Rastra Bank.

	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Opening	64,717,100	15,087,000
Addition During the Year	135,538,750	49,630,100
Capitalized to Share Capital During the Year	-	-
Closing as on reporting date (31.03.2078)	200,255,850	64,717,100

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Note No. 4.28

Contingent Liabilities and Commitment

(Figures in NPR)

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Contingent Liabilities	300,000	300,000
Undrawn and undisbursed facilities	8,508,971	7,624,888
Capital commitment	-	-
Lease commitment	-	-
Litigation	-	-
Total	8,808,971	7,924,888

Note No. 4.28.1

Contingent Liabilities

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Acceptance and Documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	-	-
Underwriting commitments	300,000	300,000
Other commitments	-	-
Total	300,000	300,000

Note No. 4.28.2

Undrawn and undisbursed facilities

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Undisbursed amount of loans	-	-
Undrawn limits of overdraft	8,508,971	7,624,888
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
Total	8,508,971	7,624,888

Note No. 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 Ashadh 31, 2078	As at Ashadh 31, 2077
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	-	-

Salapa Development Bank Limited
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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Note No. 4.28.4

Lease Commitments

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
Operating lease commitments		
Future minimum lease payment 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 payment 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	-	-

Note No. 4.28.5

Litigation

Particulars	As at Ashadh 31, 2078	As at Ashadh 31, 2077
	-	-
Total	-	-

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(Figures in NPR)

Interest income

Note: 4.29

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Cash and cash equivalents	815,667	4,862,391
Due from Nepal Rastra Bank	-	-
Placement with Banks and Financial Institutions	-	-
Loans and Advances to Bank and Financial Institutions	-	-
Loans and advances to customers	80,550,346	66,242,979
Investment securities	-	-
Loans and advances to staff	1,098,450	1,300,761
Other	-	-
Total interest income	82,464,464	72,406,131

Interest expense

Note: 4.30

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Due to Bank and Financial Institutions	1,625,362	2,216,134
Due to Nepal Rastra Bank	-	-
Deposits from customers	35,831,592	37,061,102
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
Total interest expense	37,456,954	39,277,236

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For the period commencing on Shrawan 1, 2077 and ending on Ashad 31, 2078
For the Year ended 31st Ashad 2078

(Figures in NPR)

Fees and Commission Income

Note: 4.31

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Loan Administration fees	-	-
Service fees	4,184,829	4,440,788
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	-	-
Prepayment and swap fees	-	-
Investment banking fees	-	-
Assets management fees	-	-
Brokerage fees	-	-
Remittance fees	1,807,099	1,679,254
Commission on letter of credit	-	-
Commission on Guarantee Contracts issued	-	-
Commission on share underwriting/issued	-	-
Locker rental	-	-
Other Fees and Commission Income	26,402	7,750
Total Fees and Commission Income	6,018,330	6,127,792

Fees and commission expense

Note: 4.32

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other Fees and Commission Expense	310,994	349,688
Registration and renewable charges	310,994	349,688
Total Fees and Commission Expense	310,994	349,688

Salapa Development Bank Limited
Diktel, Khotang

For the period commencing on Shrawan 1, 2077 and ending on Ashad 31, 2078
For the Year ended 31st Ashad 2078

(Figures in NPR)

Net trading income

Note: 4.33

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
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	-	-
Total Net trading income	-	-

Other operating income

Note: 4.34

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Foreign Exchange Revaluation Gain	-	-
Gain/loss on sale of investment Securities	-	-
Fair value gain/loss on investment property	-	-
Fair value gain/loss on investment Securities	-	-
Dividend on equity instruments	-	-
Gain/loss on sale of property and equipment	-	-
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other*	479,935	3,342,634
Total other operating income	479,935	3,342,634

Impairment charge/(reversal) for loan and other losses

Note: 4.35

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Impairment charge/(reversal) on loan and advances to B/FIs	-	-
Impairment charge/(reversal) on loan and advances to customer	6,788,585	21,881,392
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with bank and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment property	-	-
Total impairment charge/(reversal) for loan and other losses	6,788,584.70	21,881,392

Salapa Development Bank Limited
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For the Year ended 31st Ashad 2078

(Figures in NPR)

Personnel Expense

Note: 4.36

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Salary	17,211,435	14,964,120
Allowances	5,028,326	4,196,423
Gratuity expenses	648,995	541,014
Provident fund	1,133,265	873,438
Uniform	702,160	589,940
Training & Development Expense	241,484	702,175
Leave encashment	3,633,359	2,173,836
Medical	-	-
Insurance	1,260,789	1,071,249
Employees Incentive	-	-
Cash-settled share-based payments	-	-
Pension Expense	-	-
Finance expenses under NFRS	237,232	679,707
Other Expenses Related to Staff	-	-
Staff Recruitment Expenses	-	-
Sub-total	30,097,045	25,791,901
Staff Bonus	303,166	-
Grand Total	30,400,211.49	25,791,901

Other operating expense

Note: 4.37

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Directors' fee	105,000	132,040
Directors' expense	-	-
Auditors' remuneration	600,000	600,000
Other audit related expense	213,200	146,340
Professional and legal expense	215,281	165,416
Office administration expense	4,136,414	8,633,140
Operating lease expense	2,599,007	2,271,900
Operating expense of investment properties	-	-
Corporate Social Responsibility Expense	-	277,775
Onerous lease provision	-	-
Other	-	-
Branch Opening Expenses	-	-
Fine and Penalties	-	-
Total other operating expense	7,868,902	12,226,612

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For the period commencing on Shrawan 1, 2077 and ending on Ashad 31, 2078
For the Year ended 31st Ashad 2078

(Figures in NPR)

Office administration expense

Note: 4.37.1

Particulars	For the year ended 31st Ashadh 2077	For the year ended 31st Ashadh 2076
Water and electricity	222,227	173,648
Repair and maintenance		
Office Equipments	22,403	-
Vehicle	494,067	448,437
Computer and accessories	69,581	-
Insurance	9,982	888,371
Postage, telex, telephone, fax and internet	459,619	737,419
Printing and stationery	711,754	1,076,252
Advertisement	105,768	219,835
Security expense	-	42,400
Travel allowance and expense	562,820	714,657
Entertainment	286,742	160,560
Annual/special general meeting expense	192,743	200,000
Other		
Internet Expenses	-	-
Fuel Expenses	370,589	248,004
Office Expenses	169,875	186,135
Cleaning Expenses	12,883	15,515
Others*	445,362	3,521,908
Total	4,136,414	8,633,140

Depreciation & Amortization

Note: 4.38

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Depreciation on Property and Equipment	3,128,580	3,180,417
Depreciation on investment property	-	-
Amortization of intangible assets	280,012	254,250
Total depreciation and amortization	3,408,593	3,434,667

Non operating income

Note: 4.39

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Recovery of loan written off	-	-
Other income	-	-
Total non operating income	-	-

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For the Year ended 31st Ashad 2078

(Figures in NPR)

Non Operating Expense

Note: 4.40

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Loan Written Off	-	-
Redundancy provision	-	-
Expenses of restructuring	-	-
Other expense	-	-
Total non operating Expenses	-	-

Income tax expense

Note: 4.41

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Current tax expense	-	-
Current year	-	-
Adjustment for prior years	-	-
Deferred tax expense	(1,877,405.60)	(534,388)
Origination and reversal of temporary differences	(1,877,405.60)	(534,388)
Changes in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
Total income tax expense	(1,877,405.60)	(534,388)

Reconciliation of tax expense and accounting profit

4.41.1

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Profit before tax	2,728,490	(21,084,938)
Tax amount at tax rate of 30 %	818,547	(6,325,481)
Add: Tax effect of expenses that are not deductible for tax purpose	604,363	166,984
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	-	288,810
Carried Forward Losses	(1,606,898)	-
Total income tax expense	-	-
Effective tax rate	-	0.00%

*Due to set off carried forward losses, no income tax has arise in this financial year. Bank has carried forward loss of 613,295 after setting off with current profit

Particulars	For the year ended 31st Ashadh 2078	For the year ended 31st Ashadh 2077
Profit before tax	2,728,490	(21,084,938)
Tax amount at tax rate of 30 %	818,547	(6,325,481)
Add: Tax effect of expenses that are not deductible for tax purpose	604,363	166,984
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	-	288,810
Carried Forward Losses	(1,606,898)	-
Total income tax expense	-	-
Effective tax rate	-	0.00%

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**Notes to Financial Statements
For the Year ended 31st Ashad 2078**
5. Disclosures & Additional Information
5.1 Risk Assessment Procedure
Credit Risk

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

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

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

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

Market Risk

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

Factors of market risk include Interest Rate Risk, Equity Risk in Banking Book.

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

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

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

Liquidity Risk

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

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

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

- Appropriate composition of assets and liabilities
- Diversified and stable sources of funds
- Access to inter-bank market
- Contingency funding plan for crisis situations
- Regular stress testing
- Consistent analysis using liquidity ratios

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

Fair value of Financial Assets and Liabilities

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

Financial assets and liability

Particulars	Fair Value through PL	Amortized Cost	Fair Value through OCI	Total
Financial Assets:				
Cash and cash equivalents	-	396,521,792	-	396,521,792
Due from Nepal Rastra Bank	-	-	-	-
Loans and advances to B/FIs	-	-	-	-
Loans and advances to customers	-	605,102,056	-	605,102,056
Investment securities (Development Bonds)	-	-	-	-
Investment securities (Equity)	-	-	-	-
Other Financial assets	-	5,407,793	-	5,407,793
Total financial Assets	-	1,007,031,641	-	1,007,031,641
Financial Liabilities:				
Due to Bank and Financial Institutions	-	61,066,630	-	61,066,630
Due from customers	-	682,864,262	-	682,864,262
Other Financial Liabilities	-	34,648,900	-	34,648,900
Total financial liability	-	778,579,792	-	778,579,792

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Notes to Financial Statements
For the Year ended 31st Ashad 2078

Risk Management Function

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

Measurement of Risks for Capital Adequacy Purpose:

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

A. Credit Risk

Strategies and Process:

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

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

Pre-Sanction:

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

Credit Risk Assessment Process:

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

Post Sanction Monitoring/ Follow up:

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

B. Operation Risk

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

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

Salapa Development Bank Limited
Diktel, Khotang**Notes to Financial Statements**
For the Year ended 31st Ashad 2078**Risk Arising from breakdown of Information and Operating System:**

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

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

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

Risk Arising from Procedural Lapses and Internal control:

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

Corporate Governance:

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

C. Market Risk**Investments**

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

Foreign Exchange

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

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Notes to Financial Statements
For the Year ended 31st Ashad 2078

5.2. CAPITAL MANAGEMENT

The Bank's capital management policies and practices support its business strategy and ensure that it is adequately capitalised to withstand even in severe macroeconomic downturns. Salapa Development Bank Limited is a licensed institution which provides financial services therefore it must comply with capital requirement of central bank "Nepal Rastra Bank".

The Bank's capital consists of Tier I capital and Tier II capital.

5.2.1 Qualitative disclosures

Nepal Rastra Bank has directed the Banks to develop own internal policy, procedures and structures to manage all material risk inherent in business for assessing capital adequacy in relation to the risk profiles as well as strategies for maintaining capital levels. This includes basic requirements of having good governance, efficient process of managing all material risks and an effective regime for assessing and maintaining adequate capital. The Bank has various policies approved by BODs for proper governance. The Bank in line with BASEL provisions.

5.2.2 Quantitative disclosures

Capital structure and capital adequacy	Amount (In '000)	
	FY 2077/78	FY 2076/77
1.1 RISK WEIGHTED EXPOSURES	Current Period	Previous Period
Risk Weighted Exposure for Credit Risk	690,062	486,518
Risk Weighted Exposure for Operational Risk	54,157	43,596
Risk Weighted Exposure for Market Risk	-	-
Total Risk Weighted Exposures (Before adjustments of Pillar II)	744,220	530,115
Adjustments under Pillar II		
SRP 6.4a (5) - ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-	-
SRP 6.4a (6) - Add% of the total deposit due to insufficient Liquid Assets	-	-
SRP 6.4a (7) - Add RWE equivalent to reciprocal of capital charge of 2 % of gross income.	1,390	674
SRP 6.4a (9) - Overall risk management policies and procedures are not satisfactory. Add 2% of RWE	29,769	10,609
SRP 6.4a (10) - Desired level of disclosure requirement has not been achieved. Add 1% of RWE	22,327	5,304
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	797,706	546,702
1.2 CAPITAL	Current Period	Previous Period
(A) Core Capital (Tier 1)	219,319	77,531
Paid up Equity Share Capital	28,000	28,000
Irredeemable Non-cumulative preference shares	-	-
Share Premium	-	-
Proposed Bonus Equity Shares	-	-
Statutory General Reserves	4,907	3,986
Retained Earnings	(13,844)	(19,172)
Un-audited current year cumulative profit	-	-
Capital Redemption Reserves	-	-
Capital Adjustment Reserves	200,256	64,717
Dividend Equalization Reserves	-	-
Other Free Reserve	-	-
Less: Goodwill	-	-
Less: Deferred Tax Assets	-	-
Less: Fictitious Assets	-	-
Less: Investment in equity of 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: Purchase of Land & Building in excess of limit & utilized	-	-
Less: Reciprocal crossholdings	-	-
Less: Other Deductions	-	-
Adjustments under Pillar II		
SRP 6.4a(1) -Less: Shortfall in Provision	-	-
SRP 6.4a(2) -Less: Loans & Facilities extended to related parties and restricted lending	-	-

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(B) Supplementary Capital (Tier 2)	10,805	5,609
Cumulative and/or Redeemable Preference Share	-	-
Subordinated Term Debt	-	-
Hybrid Capital Instruments	-	-
General loan loss provision	10,805	5,609
Exchange Equalization Reserves	-	-
Investments Adjustment Reserves	-	-
Assets Revaluation Reserves	-	-
Special Reserve Fund	-	-
Total Capital Fund (Tier I and Tier II)	230,124	83,140

1.3 CAPITAL ADEQUACY RATIOS	Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	27.49%	14.18%
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	28.85%	15.21%

• **Capital Adequacy Ratio:**

The capital adequacy ratio of the bank as on Ashad 31, 2078 is 28.85 % and that of Ashad 31, 2077 was 15.21 %

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

Salapa Development Bank adopts healthy risk management framework. The bank follows Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guideline while taking decision on any business. It has always taken note of ICAAP and has taken steps accordingly in ensuring soundness of capital position and sustainability of the business. The bank's policies and procedures are approved by the Board of Directors and these documents provide guidance on independent identification, measurement and management of risks across various businesses. Bank's different committees like Audit Committee, Risk Management Committee review the business and risks periodically.

The bank also defines risk aspects, considering domestic economic scenario, and puts in place the system to minimize and remove such risk. The risk appetite and approach towards risk taking is well discussed in management level and board level. It is always aligned with the business, its return and capital. Basel disclosures have been complied with, addressing the risks and adopting measures to minimize their impact. Increasing complexities in risks, weakness of businesses and fast changing world with intense competition pose a threat to sustainability.

Capital planning is an integral part of the bank's medium term strategic planning and annual budget formulation process. Total risk weighted exposures for the projected level of business operations is calculated, the required capital level is projected, and a plan is formulated to retain the required capital. The bank is well capitalized and able to maintain the required capital through internal generation, and equally through capital markets if needed.

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Notes to Financial Statements

For the Year ended 31st Ashad 2078

5.2.3 Risk Exposure

Table of Risk Exposure at the reporting dates is as follows:

a) Credit Risk

A. Balance Sheet Exposures	Asadh 31, 2078					
	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	52,113.50	-	-	52,113.50	0%	-
Balance With Nepal Rastra Bank	-	-	-	-	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	-	-	-	-	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	344,408.29	-	-	344,408.29	20%	68,881.66
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)	134,530.71	-	-	134,530.71	75%	100,898.03
Claims fulfilling all criterion of regularity retail except granularity	404,193.20	-	-	404,193.20	100%	404,193.20
Claims secured by residential properties	-	-	-	-	60%	-
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	-	-	-	-	100%	-
Claims secured by Commercial real estate	-	-	-	-	100%	-
Past due claims (except for claims secured by residential properties)	48,677.55	-	-	48,677.55	150%	73,016.32
High Risk claims	-	-	-	-	150%	-
Lending Against Securities (Bonds & Shares)	-	-	-	-	100%	-
Investments in equity and other capital instruments of institutions listed in stock exchange	-	-	-	-	100%	-
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	150%	-
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)	41,221.37	-	-	41,221.37	100%	41,221.37
TOTAL (A)	1,025,144.62	-	-	1,025,144.62		688,210.58

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5.2.3 Risk Exposure

Table of Risk Exposure at the reporting dates is as follows:

a) Credit Risk

A. Balance Sheet Exposures	Asadh 31, 2078					
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e
B. Off Balance Sheet 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	300.00	-	-	300.00	50%	150.00
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)	8,508.97	-	-	8,508.97	20%	1,701.79
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)	8,808.97	-	-	8,808.97		1,851.79
Total RWE for credit Risk Before Adjustment (A) +(B)	1,033,953.59	-	-	1,033,953.59		690,062.37
Adjustments under Pillar II						
Total RWE for Credit Risk	1,033,953.59	-	-	1,033,953.59		690,062.37

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For the Year ended 31st Ashad 2078

b) Operational Risk

(Rs in '000)

Particulars	Fiscal Year		
	2074-75	2075-76	2076-77
Net Interest Income	23,565	26,584	33,129
Commission and Discount Income	4,202	5,699	5,778
Other Operating Income	69.00	24	3,343
Exchange Fluctuation Income	-	-	-
Addition/Deduction in Interest Suspense during the period	421	1,404	4,096
Gross income (a)	28,258	33,711	46,346
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	4,239	5,057	6,952
Capital Requirement for operational risk (d) (average of c)			5,416
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure [f=(d×e)]			54,157
Pillar II Adjustments			
If Gross Income for the last three years is negative (6.4 a 8)			
Total Credit and Investment (net of Specific Provision) of related month			-
Capital Requirement for Operational Risk (5% of net credit and investment)			-
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure (g)			-
Equivalent Risk Weight Exposure [h=f+g]			54,157

c) Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NRs.)	Relevant Open Position
INR	-	-	-	-
USD	-	-	-	-
GBP	-	-	-	-
EUR	-	-	-	-
THB	-	-	-	-
CHF	-	-	-	-
(a) Total Open Position				-
(b) Fixed Percentage				5%
(c) Capital Charge for Market Risk (=a*b)				-
(d) Risk Weight (reciprocal of capital requirement of 10%) in times				10
(e) Equivalent Risk Weight Exposure (=c*d)				-

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d) **Non Performing Assets (Gross and Net)**

Non Performing Assets	Gross Amount	Impairment Allowance	Net Amount
Restructured and Rescheduled	2,450,384	306,298	2,144,086
Sub-Standard	18,798,534	4,912,814	13,885,719
Doubtful	12,690,800	6,568,062	6,122,737
Bad	14,737,830	16,780,805	(2,042,975)
Total	48,677,548	28,567,980	20,109,568

5.2.4 Compliance with Capital Requirement

Inline with NRB Directive 1/077, the following is the status of compliance with capital requirements at Ashad end 2078.

Particulars	Requirement	Position
Tier I Capital to RWE	6.0%	27.49%
Tier I and Tier II Capital to RWE	10.0%	28.85%

5.2.5 Compliance with external requirement

Paid Up Capital

The structure of the share capital of the Bank is as follows:

Authorized capital of NPR 800,000,000 represented by 8,000,000 Ordinary Shares of NPR 100 each; and

Issued capital as of Statement of Financial Position date is NPR 500,000,000 represented by 5,000,000 Ordinary Shares of NPR 100 each.

Paid up capital as of Statement of Financial Position date is NPR 28,000,000 represented by 280,000 Ordinary Shares of NPR 100 each Segment Analysis

Share Application Money amounting Rs. 200,255,850/- has been received upto the reporting date for the increment of share capital.

Regulatory Minimum Paid Up Capital Requirement

The Development Bank was required by the Monetary Policy 2015/16 to attain a stipulated minimum paid up capital of NPR 500 million by mid-July 2020. As on the reporting date, the bank's paid up capital stood at Rs. 28.00 million against the requirement of Rs. 500 million.

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5.3 Segment Reporting

5.3.1 General Information

The Bank's operation is managed centrally through the corporate office. All strategic, financial and operational policies and operations are controlled and directed from the corporate office. The Bank operates in branches though has a single jurisdiction

The Bank has identified following segments as reportable:

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

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

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

Name of Segment	Banking	Treasury	Remittance	All Other Segments	Total
a. Revenues from external customers	86,675,695	-	1,807,098.75	479,935.06	88,962,728.94
b. Intersegment revenues	-	-	-	-	-
c. Net Revenue (a-b)	86,675,695	-	1,807,098.75	479,935.06	88,962,728.94
d. Interest revenue	82,464,464	-	1,807,098.75	-	84,271,562.56
e. Interest Expense	(37,456,954)	-	-	-	(37,456,953.63)
f. Net interest revenue (d-e)	45,007,510	-	1,807,098.75	-	46,814,608.93
g. Depreciation and Amortization*	-	-	-	-	-
h. Segment Profit / (Loss) (f-g)	45,007,510	-	1,807,098.75	-	46,814,608.93
i. Entity's interest in the profit or loss of associates accounted using equity method	-	-	-	-	-
j. Other Material non cash item	-	-	-	-	-
k. Impairment of assets	-	-	-	-	-
l. Segment Assets*	962,403,747	-	-	-	962,403,746.61
m. Segment liabilities*	682,864,262	-	-	-	682,864,261.80

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

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



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For the Year ended 31st Ashad 2078

5.3.3 Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:

a. Revenue	
Particulars	Amount
Total revenue of reportable segments	88,482,794
Other revenue	479,935
Elimination of intersegment revenue	-
Entity's revenues	88,962,729

b. Profit and Loss	
Particulars	Amount
Total profit or loss for reportable segments	46,814,609
Other profit or loss	-
Elimination of intersegment profits	-
Unallocated amounts:	(44,086,119)
Profit before income tax	2,728,490

c. Assets	
Particulars	Amount
Total assets for reportable segments	962,403,747
Other assets	-
Unallocated amounts	41,221,369
Entity's assets	1,003,625,116

d. Liability	
Particulars	Amount
Total liabilities for reportable segments	682,864,262
Other liabilities	-
Unallocated liabilities	95,719,906
Entity's liabilities	778,584,168

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e. Product and service	
Particulars	Amount
Banking	86,675,695
Treasury	-
Remittance	1,807,099

f. Information about product and service

Revenue from each type of product and services described in point 5.3.2 above.

g. Information about geographical areas

Bank has been assessing segment results differently than as required.

h. Information about major customer:

No customer individually or as a group contributes to 10% or more of the bank's revenue.

5.4 Share options and share based payment

There is no share based payment made by the Bank.

5.5 Contingent Liabilities and Commitments

Litigation is a common occurrence in the banking industry due to the nature of business undertaken. The Bank has formal controls and policies for managing legal claims. Contingent liabilities on other matters have already been disclosed in note 4.28.

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5.6 Related party disclosures

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

i. Key Management Personnel (KMP)

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

Name of the Key Management Personnel	Post
Tanka Rai	BOD Chairman
Sharan Kumar Rai	Director
Harindra Prasad Rai	Director
Lab Kumar Rai	Director
Chandra Bahadur Khadka	Director
Ishworman Rai	Chief Executive Officer

5.6.1 Compensation to Key Management Personnel

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

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

Particulars	Current Year	Previous Year
Meeting Fees	105,000.00	132,040.00
Other Expenses	-	-
Total	105,000.00	132,040.00

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

Particulars	Amount in NPR.
Short term employee benefits (including Bonus and Paid Leave)	1,838,112
Vehicle Facility	-
*Other Benefits	-
Other long-term benefits	-
**Post-Employment	-

*Other benefits and payments includes Finance cost calculated towards subsidized loans and advances provided to staffs.

**Post employment benefit includes Provident Fund, Gratuity and Leave provision created, the bifurcation of which is not quantifiable separately to KMPs.

5.7 Merger and acquisition

During the year the Bank has not merged with other bank and financial institutions.

5.8 Additional Disclosure of Non-consolidated entities

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

5.9 Proposed Distributions (Dividends and Bonus Shares)

No dividend or bonus shares have been proposed for distribution.

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6.4 Principal Indicators of last 5 Financial Year

S.N.	Indicators	UNIT	FY	FY	FY	FY	FY
			2077-78	2076-77	2075-76	2074-75	2073-74
				As per Audited FS of Previous Years			
1	Net Profit/ Gross Income	Percent	5.59%	-28.38%	-3.62%	14.24%	22.43%
2	Earnings Per Share	NPR	16.45	(73.39)	(7.29)	21.37	21.40
3	Market Value Per Share	NPR	-	-	-	-	-
4	Price Earning Ratio	Ratio	-	-	-	-	-
5	Dividend (including bonus) on Share Capital	Percent	-	-	-	-	-
6	Cash Dividend on Share Capital	Percent	-	-	-	-	-
7	Interest Income/ Loans and Advances and Investments	Percent	13.63%	16.29%	15.45%	16.70%	17.20%
8	Staff Expenses/ Total Operating Expenses	Percent	72.94%	62.22%	69.69%	68.72%	19.82%
9	Interest Expenses/ Total Deposits & Borrowings	Percent	5.04%	6.85%	6.37%	3.95%	4.95%
10	Exchange Gain/ Total Income	Percent	-	-	-	-	-
11	Staff Bonus/ Total Staff Expenses	Percent	1.01%	0.00%	0.00%	0.00%	11.31%
12	Net Profit/Total Loans & Advances	Percent	0.81%	-4.96%	-0.57%	2.44%	4.28%
13	Net Profit/ Total Assets	Percent	0.46%	-3.07%	-0.38%	1.54%	2.51%
14	Total Loans & Advances/ Total Deposits	Percent	81.34%	77.52%	78.13%	77.26%	70.79%
15	Total Operating Expenses/ Total Assets	Percent	4.15%	6.19%	5.60%	4.60%	11.21%
16	Capital Adequacy (On Risk Weighted Assets)						
	a. Core Capital	Percent	27.49%	14.18%	11.66%	18.19%	19.11%
	b. Supplementary Capital	Percent	1.35%	1.03%	0.91%	0.87%	0.93%
	c. Total Capital Fund	Percent	28.85%	15.21%	12.56%	19.06%	20.04%
17	Non-Performing Loan/ Total Loans & Advances	Percent	7.90%	16.17%	4.17%	2.94%	2.71%
18	Base Rate	percent	10.7%	12.97%	12.97%	14.37%	11.07%
19	Weighted Average Interest Rate Spread	Percent	4.76%	6.77%	6.77%	6.22%	10.59%
20	Book Net Worth (Per Share)	NPR	803.72	302.35	198.66	206.48	170.66
21	Number of Shares	Nos.	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00
22	No. of Staff	Nos.	64	63.00	34.00	34.00	36.00

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6.9 Comparison Unaudited and Audited Financial Statements as of 2077/78

Statement of Financial Position	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			Amount	%	
Assets					
Cash and Cash Equivalent	371,476,280.00	396,521,792	25,045,512	6.74%	Due to adjustment of Bank Reconciliations Items
Due from Nepal Rastra Bank	-	-	-	-	-
Placement with Bank and Financial Institutions	-	-	-	-	-
Derivative Financials Instrument	-	-	-	-	-
Other Trading Assets	-	-	-	-	-
Loans and Advances to Bank and Financials Institutions	-	-	-	-	-
Loans and Advances to Customers	580,325,428	585,881,955	(14,443,473)	-2.49%	Addition of Loan loss provision during audit and last year audit adjustments
Investment Securities	-	-	-	-	-
Current Tax Assets	6,085,450	6,096,521	11,071	0.18%	Audit adjustment on Tax computation
Investment in Subsidiaries	-	-	-	-	-
Investment in Associates	-	-	-	-	-
Investment Property	-	-	-	-	-
Property and Equipment	23,069,990	24,254,311	1,184,321	5.13%	Due to reclassification to another heading and Depreciation Adjustment
Goodwill and Intangible Assets	1,446,350	1,651,054	204,704	14.15%	Due to reclassification to another heading and Depreciation Adjustment
Deferred Tax Assets	2,000,230	3,767,722	1,767,492	-	Due to recalculation of deferred assets
Other Assets	13,462,703	5,451,762	(8,010,941)	-59.50%	Due to reclassification to another heading and audit adjustments
Total Assets	997,866,431	1,003,625,116	5,758,685	0.58%	Consequential effect of above items.
Liabilities					
Due to Bank and Financial Institutions	-	61,066,630	61,066,630	-	Due to reclassification from Deposit from Customers
Due to Nepal Rastra Bank	-	-	-	-	-
Derivative Financials Instrument	-	-	-	-	-
Deposits from Customers	744,417,500	682,864,262	(61,553,238)	-8.27%	Due to reclassification to due to BFIS and Other Liabilities
Borrowings	-	-	-	-	-
Current Tax Liabilities	-	4,376	4,376	-	COVID Related Rebate booked during last year audit yet to be settled
Provisions	-	-	-	-	-
Deferred Tax Liabilities	-	-	-	-	-
Other Liabilities	36,799,240	34,648,900	(2,150,340)	-5.84%	Due to reclassification of liability
Debt Securities Issued	-	-	-	-	-
Subordinated Liabilities	-	-	-	-	-
Total Liabilities	781,216,740	778,584,168	(2,632,572)	-0.34%	Consequential effect of above items.
Equity					
Share Capital	28,000,000	28,000,000	-	-	-
Share Premium	-	-	-	-	-
Retained Earnings	808,900	(13,843,964)	(14,652,864)	-1811.46%	Due to Audit adjustments
Reserves	187,840,791	210,884,913	23,044,122	-	Due to reclassification to Retained earning and audit adjustments
Total Equity Attributable to Equity Shareholders	216,649,691	225,040,948	8,391,257	0	Consequential effect of above items.
Non Controlling Interest	-	-	-	-	-
Total Equity	216,649,691	225,040,948	8,391,257	0	-
Total Equity and Liabilities	997,866,431	1,003,625,116	5,758,685	0	Consequential effect of above items.

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Statement of Profit and Loss	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			Amount	%	
Interest Income	81,731,890	82,464,464	732,574	0.90%	Revised calculation of interest on staff loan and AIR impact and audit adjustment
Interest Expenses	(37,412,410)	(37,456,954)	(44,544)	-	- Due to Audit Adjustments
Net Interest Income	44,319,480	33,128,895	(11,190,585)	-25.25%	
Fee and Commission Income	1,610,920	6,018,330	4,407,410	273.60%	Including Commission incomes previously classified under Other Operating Income and other reclassification adjustments
Fee and Commission Expenses	-	(310,994)	(310,994)	100.00%	Regrouping
Net Fee and Commission Income	1,610,920	5,707,336	4,096,416	-	
Net Interest, Fee and Commission Income	45,930,400	38,906,999	(7,023,401)	-15.29%	
Net Trading Income	-	-	-	-	-
Other Operating Income	4,664,700	479,935	(4,184,765)	-89.71%	Few Commission incomes previously classified under Other Operating Income
Total Operating Income	50,595,100	42,249,633	(8,345,467)	-16.49%	
Impairment Charge/(reversal) for loans and other losses	(1,070,250)	6,788,585	7,858,835	-734.30%	Audit adjustment for addition of provision
Net Operating Income	51,665,350	20,368,242	(31,297,108)	-60.58%	
Operating Expenses					
Personnel Expenses	(26,905,832)	(30,400,211)	(3,494,379)	12.99%	Reclassification and audit adjustments
Other Operating Expenses	(8,363,534)	(7,868,902)	494,632	-5.91%	Reclassification and audit adjustments
Depreciation & Amortization	(5,049,980)	(3,408,593)	1,641,387	-	Reclassification and audit adjustments
Operating Profit	11,346,004	(21,084,938)	(32,430,941)	-285.84%	
Non Operating Income	-	-	-	-	-
Non Operating Expenses	-	-	-	-	-
Profit before Income Tax	11,346,004	(21,084,938)	(32,430,941)	-285.84%	
Income Tax Expenses	-	(1,877,406)	(1,877,406)	-	-
Current Tax	(3,403,800)	-	3,403,800	-	- Revised Calculation of tax
Deferred Tax	-	(1,877,406)	(1,877,406)	-	- Deferred tax calculation not made in quarterly FS
Profit for the Period	7,942,204	(20,550,550)	(28,492,754)	-358.75%	Consequential effect of above items.
Consolidated Statement of Comprehensive Income					
As per Unaudited Financial Statement		As per Audited Financial Statement		Variance	
				Amount	%
Profit/(Loss) for the period				(28,492,754)	-358.75%
Other Comprehensive Income				256,465	-
Total Comprehensive Income				(28,236,289)	-355.52%
				Consequential effect of above items.	

*Unaudited Figures has been taken from NRB report submitted for the month of Ashad 2078.

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Notes not forming part of the Financial Statements
Income Tax Calculation F.Y. 2077/78

	Amount
Operating Profit Before Tax	2,728,490
Add:	
Depreciation as per Books	3,408,593
Provision for Gratuity	282,617
Provision For Leave Encachment	2,215,458
Repair & Maintenance (Unabsorbed)	62,795
Provision for Possible Losses	-
Fine and Penalty	406,242
Others Disallowed Expenses	453,172
Lease Equalisation Payable	497,350
Less:	
Dividend Income	-
(Gain) / Loss on Sale of Assets	-
Depreciation as per Income Tax Act	(5,311,683)
Share Issue Expenses recognised in Equity	-
Taxable Income	4,743,033
Less: Net Loss Carried Forwarded from Previous Year	(5,356,328)
Net Taxable Income	(613,295)
Provision for Income Tax @ 30 % on Taxable Income	-
Add: Computation of Interest & Penalties	
Penalty for non-filing of Estimated Returns on Time u/s 117	(+) -
Penalty for non-filing of Returns on Time u/s 117	(+) -
For delay in Payment of Advance tax u/s 118	(+) -
For Delay in Payment of Tax (Kartik First to till payment) u/s 119	(+) -
Total Provision for Tax and Penalty	-



नेपाल राष्ट्र बैंक वित्तीय संस्था सुपरिवेक्षण विभाग



केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं ।
फोन नं.: ०१-४४१२३०७
Site: www.nrb.org.np
Email: nrbfsd@nrb.org.np
पोष्ट बक्स: ७३

पत्रसंख्या: वि.सं.सु.वि./गैरस्थलगत/सालपा/०७९/८०

मिति: २०७९/०८/१८

च.नं. ९९

सालपा विकास बैंक लिमिटेड
दिक्तेल, खोटाङ्ग ।

विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०७७/७८ को लेखापरीक्षण भएको वित्तीय अवस्थाको विवरण, नाफा वा नोक्सानको विवरण, विस्तृत आयको विवरण, नगद प्रवाह विवरण, इक्विटीमा भएको परिवर्तनको विवरण, सोसँग सम्बन्धित अनुसूचीहरू, लेखापरीक्षकको प्रतिवेदन, लङ्गफर्म अडिट रिपोर्ट समेतका आधारमा गैरस्थलगत सुपरिवेक्षण गर्दा नियामकीय अनुपालनासँग सम्बन्धित देखिएका कैफियतहरू (न्यूनतम चुक्ता पुँजी कायम नभएको, न्यूनतम पुँजीकोष नपुगेको, पुँजी वृद्धि गर्ने प्रयोजन उल्लेख गरी रकम संकलन गर्दा तोकिएको विधि र प्रक्रिया पालना नभएको, सर्वसाधारणमा सेयर जारी नगरेको आदि) का सम्बन्धमा नियमानुसार आवश्यक प्रक्रिया अघि बढाउने तथा देहाय बमोजिमका निर्देशनहरू शेरधनीहरूको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित एवं कार्यान्वयन गर्ने तथा अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना हुने गरी आ.व. २०७७/७८ को लेखापरीक्षण भएको वार्षिक वित्तीय विवरण प्रकाशन गर्न सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

१. संस्थाको २०७८ असार मसान्तमा कायम रहेको चुक्ता पुँजी यस बैंकले तोकेको न्यूनतम चुक्ता पुँजी भन्दा निकै न्यून रहेकोले चुक्ता पुँजी कायम गर्न यथाशीघ्र आवश्यक पुँजी योजना पेश गरी कार्यान्वयन गर्नुहुन । साथै, चुक्ता पुँजी पुर्‍याउने प्रयोजनका लागि संस्थाले साविकका शेरधनी र अन्य व्यक्तिहरूबाट रकम उठाएको देखिएकोले तोकिएको विधि र प्रक्रिया अनुरूप मात्र शेर पुँजीको लागि रकम संकलन गर्ने व्यवस्था गर्नुहुन ।
२. संस्थाले २०७८ असार मसान्तमा प्राथमिक पुँजीकोष गणना गर्ने सिलसिलामा चुक्ता पुँजी पुर्‍याउने प्रयोजनार्थ साविकका शेरधनी र अन्य सर्वसाधारणबाट रकम जम्मा गरी Capital Adjustment Reserve मा लेखाइनु गरिएको रकमलाई समेत गणनामा समावेश गरेको तर उक्त रकम संकलन गर्दा आवश्यक विधि र प्रक्रिया पालना नभएको सन्दर्भमा सो रकमलाई Capital Adjustment Reserve को नाममा पुँजीकोष गणनामा समावेश गर्न नपाइने हुँदा संस्थाको पुँजीकोष यस बैंकले तोकेको न्यूनतम पुँजीकोष भन्दा कम हुने देखिएकोले यथाशीघ्र न्यूनतम पुँजीकोष कायम गर्ने व्यवस्था गर्नुहुन ।
३. संस्थाको निष्कृत्य कर्जा अनुपात उच्च रहेकोले कर्जाको गुणस्तर व्यवस्थापनमा विशेष ध्यान दिनुहुन । साथै, संस्थाको कर्जा विश्लेषण तथा अनुगमन सम्बन्धी संयन्त्रलाई अझ सुदृढ तथा प्रभावकारी बनाउनु हुन ।
४. यस बैंकबाट जारी एकीकृत निर्देशन नं. १६/२०७८ को बुँदा नं. ८ अनुसार सर्वसाधारणको लागि छुट्याइएको सेयर बिक्री वितरण गर्ने व्यवस्था मिलाउनु हुन ।
५. श्रम ऐन, २०७४ र अन्य प्रचलित कानून बमोजिम संस्थाको कर्मचारी सेवा विनियमावलीमा समयानुकूल संशोधन गर्नुहुन ।

[Signature]



नेपाल राष्ट्र बैंक
वित्तीय संस्था सुपरिवेक्षण विभाग



केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं ।
फोन नं.: ०१-४४१२३०७
Site: www.nrb.org.np
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पोष्ट बक्स: ७३

६. यस बैंकबाट जारी एकीकृत निर्देशन नं १९/०७८ बमोजिम सम्पत्ति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवारण सम्बन्धी व्यवस्थाको पूर्णरूपमा पालना गर्नुहुन ।
७. आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा यस बैंकबाट औल्याइएका थप अन्य कैफियतहरु पुनः नदोहोरिने व्यवस्था गर्नुहुन ।
८. समयमै साधारणसभा सम्पन्न गर्नुहुन ।

भवदीय,

(हरिशाचन्द्र ढकाल)
उप निर्देशक

बोधार्थः

श्री नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग ।
श्री नेपाल राष्ट्र बैंक, वित्तीय संस्था सुपरिवेक्षण विभाग, कार्यान्वयन इकाई ।

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is no text or other markings on the paper.

नोट:



हॉसपोखरी, ट्याम्के, मैयुंड-१, भोजपुर

