

**MAIN ACCOUNTING POLICY**  
**Shrawan 01, 2062 to Asadh 32, 2063**

Main Accounts Policy followed by the Bank are as follows:

Features of the accounts

- The directive of the Nepal Rastra Bank has been referred as base for preparing the details presented herein.
- Apart from the financial details described otherwise, it is prepared on Historical cost basis.
- Apart from the financial details described otherwise, it is prepared on Accrual basis.

**1. Depreciation on Fixed Assets**

- Fixed Assets is shown as per the concept of Historical Value
- Depreciation on Fixed assets is deducted in the written down value rate method as per Income Tax Act, 2058.

**2. Income Tax Provision**

There is a policy of providing for tax as per the Income Tax Act.

Since the bank is in loss this year, no amount is provided for income tax.

**3. Accounting of Investment**

- Share investment made on non-indexed organizations and companies has been accounted and shown in real value and share investment made on indexed companies has been accounted and shown in the real value or market value, which ever lower.
- Matured interest on investments made on deposits and share bonds is accounted on Accrual basis.

**4. Exchange Difference Adjustment Policy**

The profit generated from the difference in sale and purchase of foreign exchange has been shown as profit from foreign exchange business.

**5. Policy of Accounting for Non Banking Assets.**

- In the process of recovering loans, if the collaterals are not sold while auctioning the same, there is a provision for the bank to acquire the same under the prevailing rules and regulations. For this, the current market value of the collateral has to be

maintained and acquisition has to be done in this value or the value equal to the principle and interest on the date prior to acquisition, whichever is lower. If the market value of the collateral is lower than the principle and interest, the difference has to be accounted in the profit and loss accounts of the same fiscal year. The amount for interest adjustment of such assets adjusted with the interest receivable accounts.

- Complying with the direction of the Nepal Rastra Bank, there is a policy of categorizing and making provision for loss in prescribed percentage on Non Banking assets at the end of the year.

**6. Accounting Policy for Assets that are not Capitalized**

The bank has a policy of directly writing off equipments and goods below the value of Rs. 5000/- as expenses without capitalizing them

**7. Policy of indicating Income and Expenses in the Profit and Loss Accounts**

- While giving interests on deposit accounts and taking interests on loans advances, it is calculated on the basis of 365 days a year.
- The bank has indicated the matured interest on loans and advances on cash basis. The interest recovered within one month of the ending of the fiscal year (Shrawan end) is indicated as income and un-recovered interest is accounted in the interest receivable accounts on the basis of the directive of the Nepal Rastra Bank.
- Interest incomes generated from loan advances and hire purchase loans allowed to the employees is calculated on cash basis.
- Employees leave and gratuity is accounted on cash basis
- Commission received for issuing Bank Guarantee is accounted as income on cash basis in the year of the issuance.

**8. Policy of Loan Loss Provision and Unrecoverable Loan Write Off**

As per the direction of the Nepal Rastra Bank, there is a policy of categorizing total loans and advances and accordingly providing for loss provision. Loans are written off with the approval of the Board of Directors.

**9. Other Policies**

- Stationeries Inventory  
The amount for all types of stationeries and printed materials purchased by the bank is written as expenses on the basis of consumption in first in first out process and the remaining stock inventory is shown as assets.

- Preliminary, pre-operative and deferred expenses  
There is a policy to proportionately write off the preliminary, pre-operative, share issuance and deferred expenses in 5 years. Accordingly, under preliminary, pre-operative and deferred expenses, Rs. 28,83,723/- is written off this year.
- General Reserve Fund  
As per the provisions of prevailing Act after providing for the employees bonus and income tax, amount equal to 20 percent of the net profit is transferred to general reserve fund.
- Presentation of Accounts Statement  
Accounts statement is presented in the format prescribed by Nepal Rastra Bank. Accordingly, the amounts till last year have been re- categorized.
- Conversion to zero  
Figures in the accounts are presented in the full nearest full rupee values.

NRB directive index 4.33

## NOTES ON ACCOUNTS

Shrawan 01, 2062 to Asadh 32, 2063

1. Loans and Advances Rs. in Thousand

Opening Balance	Flow for this year	This year's recovery		Waiver/write off		Converted to NBA	Final Balance of this year
		Principal	Interest	Principal	Interest and Other		
84,21,84	8,91,30	26,66,22	8,46,61	2,24,45	4,07	1,85,01	62,37,46

2. Deposit Liability Statement Rs. In Lakhs

S. No.	Particulars	Opening Balance	Received this year	Payment this year	Final Balance
1	Fixed deposit	1,44,16	34,87	57,26	1,21,77
2	Saving deposit	12,66	1,20,14	1,07,46	25,34
3	Deposit to be paid on demand	1,06	1,63,96	1,60,31	4,71
4	Other Deposit	5,25	4,49,35	4,52,66	1,94
	Total	1,63,13	7,68,32	7,77,69	1,53,76

3. Difference on average interest of deposit and loan

Particulars	Ratio Percent
Average ratio of loan	6.64
Average ratio of deposit	2.69
Net Spread	3.95

4. Balance expenses to be written off

Particulars	Amount in Thousand
Computer and ATM Software	41,72
Expenses for share issuance	11,45
Other deferred expenses	2,89
Total	56,06

5. Business related with assets and liabilities of licensed organization and business outside the balance sheet does not exceed the specified limit and is not concentrated on a single person, firm, company or organization.

6. Classification of assets liabilities based on the payment period

Figures in Rupees ten lakhs

Particular	1-90 days	91-180 days	181-270 days	271-365 days	More than one year	Total
a) Asset						
Cash arrear	1,87					1,87
Bank and Financial Organization arrear	48,73					48,73
Investment in foreign bank						-
Nepal Govt bonds					4,80	4,80
NRB bond						-
Inter bank and Financial institution loan						-
Loans and Advances	18,09	8,77	6,60	8,39	20,52	62,37
Total Assets	68,69	8,77	6,60	8,39	25,32	1,17,77
Liabilities						
Advances	2,03	70				2,73
Deposit payable on demand	4,71					4,71
Saving deposit	26,12				1,16	27,28
Fixed deposit	5,87	77	4,51	17,66	92,96	1,21,77
Bonds						
Gross Liabilities	38,73	1,47	4,51	17,66	94,12	1,56,49

Net Financial Assets	29,96	7,30	2,09	(9,27)	(68,80)	(38,72)
Cumulative net assets	29,96	37,26	39,35	30,08	(38,72)	

7. The bank has not taken any loans against security of its assets.

8. Details of Non-banking assets

Particulars	Amount in Rupees Thousand
Opening Balance	30,01,10
Addition this year	1,85,01
This year's Sale	18,62,25
Closing Balance	13,23,86

- During this year the bank has sold NBA and shown last year's loss provision of Rs. 7,78,96 thousand as income write back and on additional provision of Rs. 6,22,19 thousand has been shown separately on the value of NBA in income/expenses in the Profit/Loss Accounts.

- The loss of Rs. 6,19,66 thousand incurred in the sales of NBA this year has been accounted as expenses in the Profit & Loss Accounts.

9. In the paid up capital, there are no amounts against paid in advance, call in arrears and forfeited but not issued shares.

10. Details of amounts of lease hold assets amortized last year and this year.

Amount in Rs. thousands

Particulars	Till Last year	This Year	Total
Amortization	-	2,34	2,34

11. There is no amount to be settled periodically (1 year, 1 to 3 years and above 3 years) under agency arrears of licensed organizations.

12. Details of others under Other Assets:

Particulars	Amount in Rs Thousand
Account of receivables	11,31,42
- Rs. 10,64,31 thousand for the sale of NBA	
- From other parties Rs.67, 11 thousand	
Other Arrear	2,32
Guarantee amount	2,66
Advance tax account	83,47
<b>Total</b>	<b>12,19,87</b>
Loss Provision	5,63,00
<b>Net Balance</b>	<b>6,56,87</b>

- The amount of NBA sold under condition of settling/making payments in installments which was shown in the Other Assets accounts has been provided as loss provision for loss of NBA of Rs. 5 crore 63 lacs as per the direction of NRB
- After the amount receivable is paid, the loss provision will be shown as income.

13. Regarding Legal:

Following are the projects that are under legal action in the Loan Recovery Court and Kathmandu District Court as a result of the case filed by the bank in the process of recovery of bad loans.

S. No.	Particular	Number	Amount in Rs. Thousand
1	Running Capital Loan	10	2,26,70
2	Periodic Loan	1	13,21,83
3	Running Capital/periodic Loan	2	4,01,92

14. There are no unreconciled accounts in the branch of the bank.

15. Employees Advance

Employee's advance has been granted as per the Employees regulation of the bank and has been shown as Others Assets.

16. The bank has made no changes in the Accounts Policy.

17. - Since the Capital Fund of the bank is in deficit, the different ratios specified by NRB relating to Capital Fund (like financial source collection limitation under directive No. 16, limit on loan and facility per customer under directive No. 3 and limitation on investment under directive No. 8) are also in deficit and is not comparable with each other and in this condition, no additional provision for loss is made.

- The bank has created an investment adjustment fund of Rs. 1,27,50 thousand for its investments on shares of Nepal Sahakari Sanstha Ltd., National Hydro Power Company Ltd., and Hams Hospital.

- In the process of approving the publishing of the bank's financial statements for the FY 2061/62 in the Annual Report, as per the directive of the NRB to completely withdraw the investment on The Gorkha Hydro Power Pvt. Ltd within

FY 2063/64 failing which cent percent investment fund has to be created. As per this provision, no adjustment fund has been created in the FY 2062/63

18. Loan Loss Provision:

Complying with the direction of the NRB, Rs. 1,72,55 thousand from last year's provision has been written back as income and the additional provision amount of Rs. 99,57 thousand is shown separately as expenses in the Profit & Loss Accounts.

19. The bank's final tax for the FY 2057/58 has been finalised and necessary tax has been adjusted.

20. The Bank's Capital:

As per the instruction given by the NRB in the process of publishing the bank's financial statements of the FY 2061/62, the capital of the bank has to be increased to Rs. 32 crores by the end of FY 2062/63 whereas the paid up capital of the bank is only Rs. 16 crores. Necessary process is underway for the distribution of rights shares at the rate of 1:1 in the current FY.

21. Capital Adjustment Fund:

The bank is in operational loss in this year. In this condition Capital Adjustment Fund, as instructed by NRB, is not created. As per the instruction of NRB to fulfill the minimum Paid up Capital, the bank is in the process of issuing 1:1 right shares in the current year.