BEST FINANCE COMPANY LTD.
बेष्ट फाइनान्स कम्पनी लि.

Interim Financial Statements

As on Ashad end 2083
4th Quarter of F.Y. 082-083

Best Finance Company Limited

Statement of Financial Position

As on Quarter Ended 32nd Ashad 2083 (16th July 2026)

Amount in NPR

Particulars	Fourth Quarter Ending 32nd Ashad 2083	Immediate previous Year Ending 32nd Ashad 2082
Assets		
Cash and cash equivalent	179,149,215	232,056,695
Due from Nepal Rastra Bank	380,237,149	1,432,613,122
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and advances to B/FIs	-	-
Loans and advances to customers	4,183,451,746	3,860,650,060
Investment securities	2,115,258,105	623,526,372
Current tax assets	49,257,621	48,678,549
Investment in subsidiaries	-	-
Investment in associates	-	-
Investment property	243,149,541	260,520,237
Property and equipment	249,937,112	295,028,278
Goodwill and Intangible assets	5,322,599	2,388,761
Deferred tax assets	28,415,417	73,439,212
Other assets	79,458,010	39,428,127
Total Assets	**7,513,636,515**	**6,868,329,413**

Particulars	Fourth Quarter Ending 32nd Ashad 2083	Immediate previous Year Ending 32nd Ashad 2082
Liabilities		
Due to Bank and Financial Institutions	19,996,475	40,852,477
Due to Nepal Rastra Bank	-	-
Derivative financial instruments	-	-
Deposits from customers	6,306,890,204	5,713,369,050
Borrowing	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred tax liabilities	-	-
Other liabilities	179,857,363	176,024,103
Debt securities issued	-	-
Subordinated Liabilities	-	-
Total liabilities	**6,506,744,042**	**5,930,245,630**
Equity		
Share capital	890,424,236	890,424,236
Share premium	14,947,992	14,947,992
Retained earnings	(455,589,482)	(558,861,322)
Reserves	557,109,726	591,572,877
Total equity attributable to equity holders	**1,006,892,472**	**938,083,783**
Non-controlling interest	-	**-**
Total equity	**1,006,892,472**	**938,083,783**
Total liabilities and equity	**7,513,636,515**	**6,868,329,413**

BEST FINANCE COMPANY LTD.
बेष्ट फाइनान्स कम्पनी लि.

Best Finance Company Limited

Statement of Profit or Loss

As on Quarter Ended 32nd Ashad 2083 (16th July 2026)

Amount in NPR

Particulars	Current Year - This Quarter	Current Year - Up to this quarter	Previous Year - This Quarter	Previous Year - Up to this quarter
Interest income	100,486,344	465,121,728	167,186,614	560,850,238
Interest expense	85,691,079	346,716,851	104,507,450	426,316,711
Net interest income	**14,795,265**	**118,404,877**	**62,679,164**	**134,533,527**
Fee and commission income	8,582,743	25,513,093	7,230,814	26,689,934
Fee and commission expense	58,525	109,160	405,752	405,752
Net fee and commission income	**8,524,219**	**25,403,933**	**6,825,062**	**26,284,182**
Net interest, fee and commission income	**23,319,484**	**143,808,810**	**69,504,227**	**160,817,710**
Net trading income	-	-	-	-
Other operating income	1,472,123	11,883,955	17,665,851	46,267,437
Total operating income	**24,791,607**	**155,692,764**	**87,170,077**	**207,085,146**
Impairment charge/(reversal) for loans and other losses	(57,693,755)	(149,149,061)	185,398,947	262,101,944
Net operating income	**82,485,362**	**304,841,825**	**(98,228,870)**	**(55,016,798)**
Operating expense				
Personnel expenses	37,508,269	129,963,934	39,836,509	112,325,093
Other operating expenses	2,954,278	48,848,499	10,332,926	53,987,685
Depreciation & Amortization	15,786,356	26,973,919	14,306,606	25,079,222
Operating Profit	**26,236,461**	**99,055,473**	**(162,704,911)**	**(246,408,798)**
Non-operating income	24,772,359	36,988,148	7,589,505	18,409,756
Non-operating expense	16,164,148	17,261,870	274,669	2,592,760
Profit before income tax	**34,844,670**	**118,781,751**	**(155,390,075)**	**(230,591,802)**
Income tax expense	23,821,761	49,002,886	(74,026,037)	(74,026,037)
Current Tax	(21,613,212)	3,567,913	5,505,354	5,505,354
Deferred Tax	45,434,973	45,434,973	(79,531,391)	(79,531,391)
Profit/(loss) for the period	**11,022,909**	**69,778,865**	**(81,364,038)**	**(75,201,727)**

Details about the distributable profit

Amount in NPR

Opening Retained Earnings	**(558,861,322)**
Add:	**(10,762)**
Net Profit for the period ended 4th Quarter	**69,778,865**
1. Appropriations	**(33,503,736)**
1.1. Profit required to be appropriated to:	14,166,488
a. General Reserve	13,955,773
b. Capital Redemption Reserve	-
c. Exchange Fluctuation Fund	-
d. CSR Fund	292,313
e. Employees Training Fund	(81,598)
f. Other	-
1.2. Profit required to be transferred to Regulatory Reserve:	**(47,670,225)**
a. Transferred to Regulatory Reserve	(47,670,225)
b. Transferred from Regulatory Reserve	
Net Profit for the period ended 4th Quarter available for distribution	**(455,589,482)**

Best Finance Company Limited

Statement of Other Comprehensive Income

As on Quarter Ended 32nd Ashad 2083 (16th July 2026)

Amount in NPR

Particulars	Current Year		Previous Year	
	This Quarter	Up to this quarter	This Quarter	Up to this quarter
Profit for the year	**11,022,909**	**69,778,867**	**(81,364,038)**	**(156,565,765)**
Other comprehensive income, net of income tax	**(782,057)**	**(959,415)**	**11,467,227**	**20,459,906**
a) Items that will not be reclassified to profit or loss				
Gains/ (losses) from investments in equity instruments measured at fair value	(1,117,224)	(1,370,593)	16,381,752	29,228,437
Gains/ (losses) on revaluation				
Actuarial gains/ (losses) on defined benefit plans				
Income Tax relating to above items	335,167	411,178	(4,914,526)	(8,768,531)
Net other comprehensive income that will not be reclassified to profit or loss	**(782,057)**	**(959,415)**	**11,467,227**	**20,459,906**
b) Items that are or may be reclassified to profit or loss				
Gains/ (losses) on cash flow hedge	-	-	-	-
Exchange gains/ (losses) (arising from translating financial assets of foreign operation)	-	-	-	-
Income tax relating to above 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 period, net of income tax	(782,057)	(959,415)	11,467,227	20,459,906
Total comprehensive income for the period	**10,240,852**	**68,819,452**	**(69,896,810)**	**(136,105,859)**
Profit attributable to:				
Equity holders of the Institution	10,240,852	68,819,452	(69,896,810)	(136,105,859)
Non-controlling interest	-	-	-	-
Total	**10,240,852**	**68,819,452**	**(69,896,810)**	**(136,105,859)**
Earnings per share				
Basic earnings per share	7.84	7.84	(17.70)	(17.70)
Annualized Basic Earnings Per Share	7.84	7.84	(17.70)	(17.70)
Diluted earnings per share	7.84	7.84	(17.70)	(17.70)

Ratios as per NRB Directives

Particulars	Current Year		Previous Year	
	This Quarter	Up to this quarter	This Quarter	Up to this quarter
Capital Fund to RWA		15.56%		10.34%
Non-performing loan (NPL) to total loan		10.70%		14.43%
Total Loan Loss Provision to Total NPL		74.33%		82.06%
Cost of Funds		4.91%		6.71%
Credit to Deposit Ratio		70.53%		73.98%
Base Rate		8.23%		10.57%
Interest Rate Spread		4.10%		4.38%

BEST FINANCE COMPANY LTD.
बेष्ट फाइनान्स कम्पनी लि.

Best Finance Company Limited

Statement of changes in Equity

As on Quarter Ended 32nd Ashad 2083 (16th July 2026)

Amount in NPR

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
Balance at 1 Shrawan 2081	854,816,779	14,947,992	241,035,509	-	287,277,529	35,168,007		(398,486,244)	2,968,796	**1,037,728,368**
Adjustment/Restatement								2,827,307		**2,827,307**
Adjusted/Restated Balance at Shrawan 1, 2081	**854,816,779**	**14,947,992**	**241,035,509**	**-**	**287,277,529**	**35,168,007**	**-**	**(395,658,937)**	**2,968,796**	**1,040,555,675**
Profit for the period								(156,565,765)		**(156,565,765)**
Other comprehensive income								(9,263,829)	2,685,530	**(6,578,299)**
Total comprehensive income for the period						**-**				**-**
Transfer to Reserves During the year					**(2,500,010)**	**25,064,715**			**158,691**	**22,723,396**
Transfer From Reserves during the year								2,627,209	(285,890)	**2,341,319**
Contributions from and distributions to Owners										
Share issued	35,607,457									35,607,457
Share Based Payments										
Dividends to equity holders										
Bonus Shares Issued										
Cash Dividend Paid										
Other										
Total contributions by and distributions	**35,607,457**	**-**	**-**		**(2,500,010)**	**25,064,715**		**(163,202,385)**	**2,558,331**	
Balance Ashad end 2082	**890,424,236**	**14,947,992**	**241,035,509**	**-**	**284,777,519**	**60,232,722**	**-**	**(558,861,322)**	**5,527,127**	**938,083,783**

Particulars	Share Capital	Share premium	General reserve	Exchange Equalisation reserve	Regulatory reserve	Fair Value Reserve	Revaluation Reserve	Retained earning	Other reserve	Total
Balance at 1 Shrawan 2082	890,424,236	14,947,992	241,035,509	-	284,777,519	60,232,722		(558,861,322)	5,527,127	938,083,783
Adjustment/Restatement								(10,762)		-
Adjusted/Restated Balance at Shrawan 1, 2082	**890,424,236**	**14,947,992**	**241,035,509**	**-**	**284,777,519**	**60,232,722**		**(558,872,084)**	**5,527,127**	**938,073,021**
Profit for the period								69,778,865		69,778,865
Other comprehensive income						-		**-**		-
Total comprehensive income for the period				-						-
Transfer to Reserves During the year			13,955,773.00		(47,670,225)	(959,415)			292,313.04	(34,381,554)
Transfer From Reserves during the year								33,503,737	(81,598)	33,422,139
Contributions from and distributions to Owners										
Share issued										
Share Based Payments										
Dividends to equity holders										
Bonus Shares Issued										
Cash Dividend Paid										
Other					-			-	-	-
Total contributions by and distributions					-	-		-	-	-
Balance at Ashad End 2083	**890,424,236**	**14,947,992**	**254,991,282**	**-**	**237,107,294**	**59,273,307**		**(455,589,482)**	**5,737,842**	**1,006,892,471**

Best Finance Company Limited
Statement of Cash Flows
For the Period (2083-01-01 to 2083-03-32) Ended 32nd Ashad 2083 (16th July 2026)

Amount in NPR

Particulars	Up to This Quarter	Corresponding Previous Year Up to This Quarter
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	477,225,775	509,042,106
Fees and other income received	37,397,048	26,689,934
Dividend received	-	
Receipts from other operating activities	186,137,209	39,674,113
Interest paid	(346,716,851)	(420,075,518)
Commission and fees paid	(109,160)	(405,752)
Cash payment to employees	(116,765,961)	(97,440,159)
Other expense paid	(142,087,174)	(53,987,685)
Operating cash flows before changes in operating assets and liabilities	**95,080,886**	**3,497,039**
(Increase)/Decrease in operating assets	**739,834,849**	**(1,372,695,671)**
Due from Nepal Rastra Bank	1,052,375,973	(1,192,068,940)
Placement with bank and financial institutions		
Other trading assets		
Loan and advances to bank and financial institutions		19,760,000
Loans and advances to customers	(317,535,036)	(239,449,059)
Other assets	4,993,912	39,062,328
Increase/(Decrease) in operating liabilities	**563,300,439**	**249,852,361**
Due to bank and financial institutions	(20,856,003)	16,183,246
Due to Nepal Rastra Bank		
Deposit from customers	593,521,154	278,202,780
Borrowings		
Other liabilities	(9,364,713)	(44,533,665)
Net cash flow from operating activities before tax paid	**1,398,216,174**	**(1,119,346,272)**
Income taxes paid/received	579,072	(37,759,973)
Net cash flow from operating activities	**1,397,637,102**	**(1,157,106,244)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(1,492,691,148)	891,870,354
Receipts from sale of investment securities		105,984,626
Purchase of plant and equipment		(19,264,435)
Receipt from sale of property and equipment	45,091,166	2,956,325
Purchase of intangible assets	(2,933,838)	(494,549)
Receipt from sale of intangible assets		
Purchase of investment properties		
Receipt from the sale of investment properties		96,528,213
Interest received		
Dividend received		8,019,718
Net cash used in investing activities	**(1,450,533,820)**	**1,085,600,253**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities		
Repayment of debt securities		
Receipt from issue of subordinated liabilities		
Repayment of subordinated liabilities		
Receipt from issue of shares		35,607,457
Dividend paid		
Interest paid		
Other receipt/payment	(10,762)	853,817
Net cash from financing activities	**(10,762)**	**36,461,274**
Net increase (decrease) in cash and cash equivalents	**(52,907,479)**	**(35,044,718)**
Cash and cash equivalents at the beginning of the year	232,056,695	267,101,413
Effect of exchange rate fluctuations on cash and cash equivalents held		
Cash and cash equivalents at Ashad end 2082	**179,149,216**	**232,056,695**

Information about segment Revenues, Profit, Assets and Liabilities

Amount in NPR

Particulars	Province 1		Madhesh Province		Bagmati Province		Gandaki Province		Lumbini Province		Total	
	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter
Revenues from external customers	29,653,997	40,665,680	16,629,517	11,158,678	281,314,192	340,204,740	31,411,461	34,538,531	106,112,561	137,189,093	**465,121,728**	**563,756,723**
Intersegment Revenues												
Segment Profit (loss) before tax	10,048,496	43,852,431	6,290,629	(1,218,623)	163,372,165	79,403,200	(23,641,564)	(27,515,769)	(37,287,975)	(91,553,361)	**118,781,751**	**2,967,878**
Segment Assets	313,023,649	345,884,138	192,681,438	152,254,443	5,248,056,432	4,805,121,760	359,678,829	343,605,425	1,400,196,167	1,396,595,146	**7,513,636,515**	**7,043,460,912**
Segment Liabilities	130,434,883	95,073,131	103,552,993	93,716,002	4,143,405,058	4,246,055,058	610,856,526	545,231,606	2,525,387,055	2,063,385,115	**7,513,636,515**	**7,043,460,912**

Reconciliation of Reportable Segment Profit or Loss

Amount in NPR

Particulars	Current Quarter	Corresponding Previous Year Quarter
Total Profit Before Tax for Reportable Segment	**118,781,751**	**2,967,878**
Profit before tax for another segment		
Elimination of inter-segment profit		
Unallocated amounts		
– Other Corporate expenses		
Profit Before Tax	**118,781,751**	**2,967,878**

Notes to the Interim Financial Statements

1. Basis of Preparation

The financial statements of the Institution have been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN), except elsewise stated, and as per the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives.

The Condensed Interim Financial Statements comprise of:

- Condensed Statement of Financial Position
- Condensed Statement of Profit or Loss,
- Condensed Statement of Other Comprehensive Income,
- Condensed Statement of Changes in Equity,
- Condensed Statement of Cash Flows
- Notes to Interim Financial Statements and
- Ratios as per NRB Directive

2. Statement of Compliance with NFRS

The Interim Financial Statements of the Institution have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS) - NAS 34 "Interim Financial Reporting" as published by the Accounting Standards Board (ASB) Nepal and pronounced by "The Institute of Chartered Accountants of Nepal" (ICAN) and carve out issued by the Institute of Chartered Accountants of Nepal and in compliance with BAFIA 2073 and Unified Directives 2082 with amendments there on issued by Nepal Rastra Bank and all other applicable laws and regulations.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Institution's annual financial statements.

3. Reporting Period

Reporting Period is a period that starts from the first day of Shrawan of any year to the last day of quarter end, i.e., Ashwin, Poush, Ashad, and Ashad as per Bikram Calendar. The financial statement thus presented is for the Fourth Quarter of the fiscal year 2082-83 i.e., period from 1st Baishakh 2083 to 32nd Ashad 2083.

4. Functional and Presentation Currency

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

5. Comparative Information

Comparative information is provided in narrative and descriptive nature if it is relevant to understand the current period's interim financial statement and re-classified wherever necessary to conform to current period presentation. The unaudited figures of 082-83 Ashad end have been taken as a benchmark for comparison purpose. There might be changes in the comparable figures subject to approval/recommendation from regulatory body.

6. Use of Estimates, Assumptions, and Judgments

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

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

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

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

- Measurement of defined benefit obligations.
- Provisions, commitments, and contingencies
- Determination of useful life of the property, fixed assets and equipment. Assessment of the Institution's ability to continue as going concern.
- Determination of fair value of financial instruments; and property and equipment.
- Impairment of financial and non-financial assets.
- Assessment of current as well as deferred tax.
- Impairment on loans and advances (Higher of provision for loan loss calculated as per NRB and Impairment loss calculated as per NFRS as carve out issued by ICAN to be mandatorily implemented till carve out period).

7. Changes in Accounting Policies

The accounting policies are applied consistently and changes, if any, are disclosed with the financial impact to the extent possible. The Institution has applied its policies consistently, except for some comparatives have been grouped or regrouped to facilitate comparison, corrections of errors and any deviations from the same have been mentioned explicitly.

8. Significant Accounting Policies

8.1. Basis of Measurement

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

- Financial instruments at fair value through other comprehensive income (OCI) are measured at fair value
- Investment property is measured at fair value.
- Interest Income on financial assets (Loans) held at amortized cost are recognized using the Institutions' normal interest rate which is very close to effective interest rate.
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

8.2. Cash and Cash Equivalent

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

8.3. Financial Assets and Financial Liabilities

Recognition

The Institution 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 Institution 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 Institution 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 Institution commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date at which the Institution commits to purchase or sell the asset.

Classification

I. Financial Assets

The Institution classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Institution'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:

Financial assets measured at amortized cost

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

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

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:

- ❖ 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 cost is 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.

- ❖ 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 Institution 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 though 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 Institution classifies its financial liabilities, other than financial guarantees and loan commitments, as follows.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as fair value through profit or loss 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 Statement of Profit or Loss as incurred. Subsequent changes in fair value are recognized at profit or loss.

Financial Liabilities measured at amortized cost

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

Measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

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

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

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

Effective interest rate of loans and advance

While recognizing loans and advances at amortized cost, the Institution has opted the carve out provided by the ICAN for determining effective interest rate. As a result of this alternative treatment, the Institution has not included the loan processing fees received by the Institution while calculating the effective interest rate to be used to amortize the loans and advances justifying that such fees and commission are immaterial to the total income from such loans and advances. The fees and commission are recognized as income in the same period when loan is approved and subsequently implemented/ disbursed.

Staff Loans and Advances:

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, the Institution immediately recognizes the difference between the transaction price and fair value as Prepaid Benefit. The Institution accordingly estimates the Prepaid Benefit in relation to Staff Loans and advances given under subsidized rate of interest.

Derecognition

The Institution derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Institution 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 derecognition that is created or retained by the Institution is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Institution neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Institution continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 derecognition 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.

Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk.

The fair values are determined according to the following hierarchy:

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 at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

When available, the Institution measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Institution establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e., the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity investments are recorded at cost, considering the non-trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

Impairment

At each reporting date the Institution assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Institution considers the following factors in assessing objective evidence of impairment:

- ❖ Whether the counterparty is in default of principal or interest payments.
- ❖ When a counterparty files for bankruptcy, and this would avoid or delay discharge of its obligation.

- Where the Institution initiates legal recourse of recovery in respect of a credit obligation of the counterpart.
- Where the Institution consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Institution considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. Significant loans and advances and held-to-maturity 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.

Reversal of Impairment

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

8.4. Trading Assets

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

Trading assets and liabilities are initially recognized at fair value and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss as regarded as fair value through profit & loss account.

8.5. Derivatives Assets and Derivative Liabilities

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Institution currently does have any derivative assets and derivative liabilities.

8.6. Property and Equipment Recognition and measurement:

Property, fixed assets and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

BFC depreciates property, fixed assets and equipment over the estimated useful life on a straight-line basis from the month the assets are ready for intended use. Assets acquired under finance lease and leasehold improvements are amortized over the lower of estimated useful life and lease term. The estimated useful lives of assets for the current and comparative period of significant items of property, plant and equipment are as follows:

Nature of Assets	Useful Life (years)
Furniture	5
Equipment	5
Vehicles	7
Computers	5
Building	40
Leasehold	Lease term

8.7. Intangible Assets

Goodwill

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognized as goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Computer software

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits more than its cost. Computer software costs are amortized based on expected useful life. Costs associated with maintaining software are recognized as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. If an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years. Software assets with costs less than Rs. 2,000 are charged off on purchases as revenue expenditure.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

8.8. Investment Property

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

Investment properties are measured at cost, including transaction costs.

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

8.9. Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current Tax

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

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is determined using tax rate applicable to the Institution as at the reporting date which is expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

8.10. Deposits and liabilities

The Institution accepts deposits from its customers under saving account, current, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the Institution's books, and the resulting balance is recorded as a liability for the Institution and represents the amount owed by the Institution to the customer.

As per Para 09 of NAS 39 regarding Financial Instruments recognition and measurement, Effective Interest Rate (EIR) rate is to be used for booking interest expense and when calculating the EIR, an entity shall estimate cash flows considering all contractual term of the financial instrument but not credit loss, which includes the fees and points received or paid, transaction costs, premiums, discounts as per the Carve Out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these transaction cost shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN. The Amortization is included in "Interest expenses" in the Statement of Profit or Loss.

8.11. Provisions

The Institution recognizes a provision if, because of past event, the Institution has a present constructive or legal obligation that can be reliability measured and it is probable that an outflow of economic benefit will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date.

A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

8.12. Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Institution and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Institution's revenue comprises of interest income, fees and commission, foreign exchange income, cards income, remittance income, banc-assurance commission, etc.

The following specific recognition criteria shall be met for revenue recognition:

Interest Income

Interest income on financial assets held at amortized cost are recognized using the Institution's normal interest rate which is very close to effective interest rate. The effective interest rate is the rate that exactly discounts the expected estimated future cash payments and receipts through the expected life of the financial asset or liability.

Fee and Commission Income

Fees and commissions are generally recognized on an accrual basis when the service has been provided.

Dividend Income

Dividend income received from equity shares is recognized in the books when the Institution's right to receive the dividend is established.

Net Trading Income

Net Trading Income includes all gains and losses from changes in fair value, related capital gain/loss and dividend from financial assets 'Held for Trading'.

Net Income from Other Financial Instrument at Fair Value Through Profit or Loss

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

Interest expense

the Institution recognizes the interest expense on financial liabilities. The interest expenses are recognized on accrual basis using the applicable interest rate.

Interest expenses include interest on deposits from customers, and other interest-bearing financial liabilities.

8.14. Employee Benefits

Employee benefits include:

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

- ❖ Other long-term benefit
- ❖ Post-employment benefits, such as the following:

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the Institution pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as personnel expenses in profit or loss in the periods during which related services are rendered.

Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value. All employees of the Institution are entitled to receive benefits under the provident fund, a defined contribution plan, in which both the employee and the Institution contribute monthly at a pre-determined rate of 10% of the basic salary. The Institution does not assume any future liability for provident fund benefits other than its annual contribution.

Defined Benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Institution'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 the 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 Institution recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

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

Termination Benefits

Termination benefits are recognized as an expense when the Institution is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits because of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Institution has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value

8.15. Other Operating Expenses

Other operating expenses are accounted on accrual basis and charged to the Statement of Profit and loss unless they are of capital nature.

8.16. Share capital and reserves

Shares are classified as Equity when the Institution has an unconditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of Institution and there is no contractual obligation whatsoever to that effect. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

Reserves are the allocation out of profit or retained earnings. These are created as statutory requirement, accounting standard requirement and BFC's own requirement.

8.17. Earnings per share

BFC presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Institution by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

8.18. Segment Reporting

As Per NFRS 8, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Institution has identified reportable segment on basis of geographical area by the management for decision making purpose.

8.19. Events after Interim Period

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

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

9. Expected Credit Loss (ECL)

Impairment on credit exposures has been recognized in accordance with the existing regulatory provisions outlined in the Unified Directives, as these provisions resulted in a higher impairment amount compared to the Expected Credit Loss (ECL) calculated under Nepal Financial Reporting Standard (NFRS) 9.

Interest income on financial assets measured at amortized cost for exposures classified under Stage 3 has been recognized on actual receipt basis, in compliance with the NFRS-9- Expected Credit Loss Related Guidelines, 2024, issued by Nepal Rastra Bank.

Additional Disclosure as per
Securities Registration and Issue Regulation, 2073 (Rule 26 (1), Annexure 14)
4th Quarterly Report of Fiscal Year 2082-083

1. **Financial Statement**
   a. Fourth Quarter unaudited Statement of Financial Position and Statement of Profit and Loss as per Nepal Financial Reporting Standard has been published along with this report. It can be gone through by visiting the Institution's website www.bestfinance.com.np.
   b. Key Financial Indicators and Ratios:

Earnings Per Share	7.84
Price Earnings Ratio (P/E Ratio)	65.65
Net worth Per Share	113.08
Liquidity Ratio	844
Total Assets per share	39.90

2. **Management Analysis**
   a. During this quarter, there is nominal increase in deposit and loan and advances. Management has been putting in effort intensify the loan recovery activities and produce the better financial results in the days ahead.
   b. The Institution is in the comfortable position in terms of CD Ratio, Capital Adequacy Ratio and Liquidity Ratio. It is expected that the profit shall be increased by increasing loans and advances in productive sectors.
   c. There are no significant events that materially impact the position of cash, overall profitability, and cash flows.

3. **Details relating to Legal Action**
   a. Apart from regular course of business, there are no lawsuits of material nature filed by or filed against the Institution/Promoters/Directors on account of violation of any prevailing laws or commission of criminal offences or financial crime during the quarter.

4. **Analysis of Share Transaction and Progress of the Institution**
   a. As the prices in the secondary market is determined by open share market operations, management view is neutral on this regard.
   b. Maximum, minimum, closing price, total traded days and total share transacted during the quarter (Source: www.nepalstock.com):

Maximum Price	561.70	Total Days Transacted	64
Minimum Price	440.30	Total Share Transacted	2,618,042
Closing Price	514.50		

5. **Problems and Challenges**
   Demand for loans has remained low. The Institution is struggling to grow its lending business. As a result, the Institution has been holding more than 39% Liquid Assets. challenges have been increasing to manage the non-performing loans due to slack economic activities. The Institution has not been receiving the bids as expected while putting in effort to sell the non-banking assets. The Institution has been handling the overall issues strategically regardless of the impact on credit expansion and the additional challenges involved in managing non-performing loans.

6. **Corporate Governance**
   The Institution is fully committed to maintaining the highest standards of ethics, corporate governance, and compliance and it is equally committed to ensures meticulous compliance of the directives and guidelines issued by Nepal Rastra Bank. To strengthen corporate governance, Corporate Governance Policy has been formulated, Corporate Governance Unit has been formed, and internal and external training have been provided to the staffs. For oversight of governance practices, an Audit Committee along with other sub-committees has been formed. In addition, the Institution conducts regular internal audits to ensure accountability and transparency.

7. **Declaration by CEO**
   I, as at the date, hereby individually accept responsibility for the accuracy of the information and details contained in the report. I also hereby declare that to the best of my knowledge and belief the information contained in this report is true, accurate and complete. There are no other matters concealed, the omission of which shall adversely impact to the investors to take informed investment decision.