

Audited Project Financial Statements

Project Number: 49202-001

Grant Number: G9180

Period covered: 16 July 2017 to 16 July 2018

NEPAL: Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities

Prepared by Small Farmers Development Bank

For the Asian Development Bank

Date received by ADB: 15 January 2019

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Government of Nepal.



Government of Nepal

Ministry of Finance



Ref.No: 2075/76 (350)

Date: 13 Jan. 2019

Country Director
Asian Development Bank
Nepal Resident Mission,
Metropark Building, Lazimpat,
Kathmandu, Nepal

RECEIVED
15 JAN 2019

Sub: Submission of Audited Project Financial Statement of JFPR 9180 NEP: Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities Project (Small Farmer Development Bank Ltd Part)

Dear sir

Please find attached herewith the Audited Project Financial Statement of JFPR 9180 NEP: Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities Project (Small Farmer Development Bank Ltd Part) for the Fiscal Year 2074/75 (NFY 2017/18) as mentioned in the Grant agreement.

With best regards,

Yours Sincerely

Bhim Prasad Regmi
Under Secretary (Accounts)
Ministry of Finance

Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd

Former Company Name: Sana Kisan Bikas Bank Ltd. (Small Farmer Development Bank Ltd)

Central Office, Subidhanagar, Tinkune, Kathmandu

**Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities
Project
DRRLREAC-9180 NEP (JFPR)**

Audited Project Financial Statement

FY2017/18

(NFY 2074/75)

Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd

Former Company Name: Sana Kisan Bikas Bank Ltd. (Small Farmer Development Bank Ltd)

Central Office, Subidhanagar, Tinkune, Kathmandu

**Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities
Project
DRRLREAC-9180 NEP (JFPR)**

Audited Project Financial Statement

FY2017/18

(N FY 2074/75)

M. Khanal & Co., Chartered Accountants

Naya Bato, Dhobighat
P.O. Box : 13364
Kathmandu, Nepal.

Tel. : 5542160
E-mail: mahesh.khanal@ntc.net.np

Independent Auditor's Report to the Board of Directors of Sana Kisan Bikas Laghubitta Bittya Sanstha Ltd.

On Project Financial Statements

We have audited the accompanying Project Financial Statement of Project " **Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities (JFPR Grant No-9180 NEP)**" for the year ended on 16 July 2018 implemented by Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd (SKBBL) with Nepal Government as executing agency and Asian Development Bank as donor agency under relevant project arrangement agreements. This statement is the responsibility of the management of the implementing partner of the project i.e. Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd. Our responsibility is to express an opinion on the accompanying statement based on our audit.

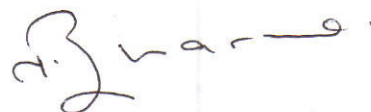
We conducted our audit in accordance with Nepal Standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures of the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The implementing partner's policy is to prepare the accompanying statement on cash basis of accounting as per Government Auditing Standards Part 3, Audit Guideline- Project Financial Statements, issued by the Office of Auditor General, Nepal in October 2005. On this basis, Borrowing received by SKBBL from MOF, GON under the project arrangement term is recognized as Source of Funds when received and Loan investment by SKBBL is recognized as Application of funds when disbursed.

In our opinion, the accompanying statement gives a true and fair view of (or presents fairly, in all material respects) the Sources of fund collected and application of fund paid by SKBBL during the year ended on 16 July, 2018 in accordance with the cash basis of accounting as described as above.

Date: 16/09/2075

Address: Kathmandu, Nepal



CA. Mahesh Khanal

M Khanal & Co.,

Chartered Accountant

Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd
Former Company Name: Sana Kisan Bikas Bank Ltd. (Small Farmer Development Bank Ltd)
Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities Project
DRRLREAC-9180 NEP (JFPR)
(SFDB Component)

Project Financial Statement

FY 2017/18(NFY 2074/75)

From 16 July 2017 to 16 July 2018

(Amount in NRs)

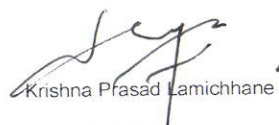
| | Note no. | Previous Year | Up to Previous Year | Current Year | Cumulative up to Current Year |
|--|----------|-----------------------|-----------------------|----------------------|-------------------------------|
| Sources of Fund | | | | | |
| GoN Loan Investment | 1 | 288,500,000.00 | 588,500,000.00 | - | 588,500,000.00 |
| GON Fund | 1 | - | - | 2,386,433.00 | 2,386,433.00 |
| ADB Grant Fund | 1 | 6,871,768.00 | 6,871,768.00 | 20,079,108.00 | 26,950,876.00 |
| SFDB Contribution | 1 | 79,675,781.27 | 79,675,781.27 | 80,400,000.00 | 160,075,781.27 |
| Adjustment of Reimbursed Amount from MOF | 1.1 | - | - | (1,122,117.13) | (1,122,117.13) |
| Amount to be reimbursed by MOF to SFDB | 1.1 | 12,532,248.35 | 12,532,248.35 | (4,840,970.87) | 7,691,277.48 |
| Interest Earning on Sub- Account | 3 | (460,373.47) | - | - | - |
| Total | | 387,119,424.15 | 687,579,797.62 | 96,902,453.00 | 784,482,250.62 |
| Application of Fund | | | | | |
| Consulting services | 2 | 2,557,952.77 | 2,557,952.77 | 3,201,302.00 | 5,759,254.77 |
| Equipments and supplies | 2 | - | - | - | - |
| Capacity Building and training | 2 | 20,121,844.85 | 20,121,844.85 | 13,301,151.00 | 33,422,995.85 |
| Credit line | 2 | 370,500,000.00 | 664,900,000.00 | 80,400,000.00 | 745,300,000.00 |
| Sub-Total(A) | | 393,179,797.62 | 687,579,797.62 | 96,902,453.00 | 784,482,250.62 |
| Sub account (SFDB) balance (B) | 3 | (6,060,373.47) | - | - | - |
| Total (A+B) | | 387,119,424.15 | 687,579,797.62 | 96,902,453.00 | 784,482,250.62 |

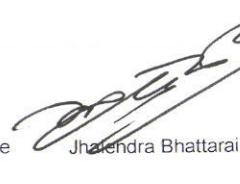
Financial Covenants, Notes 4

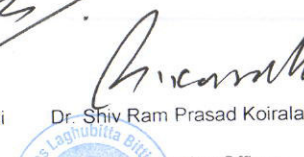
As per attached reports.


Rishi Ram Koirala
Project Officer
SKBBL


Anju Pathak
Chief Manager
SKBBL


Krishna Prasad Lamichhane
Chief Manager
SKBBL


Jhendra Bhattarai
Acting DCEO
SKBBL


Dr. Shiv Ram Prasad Koirala
Chief Executive Officer
SKBBL


C.A. Mahesh Khanal
M Khanal & Co.
Chartered Accountants



Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd
Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities Project

DRRLREAC-9180 NEP (JFPR)

Statement of GON Fund, SFDB Fund & Loan Investment Fund

Notes - 1

| Particulars | Previous Year | Cumulative up to Previous Year | Current Year | Cumulative up to Current Year |
|--|-----------------------|--------------------------------|-----------------------|-------------------------------|
| (A) Fund Source: | | | | |
| GON Loan Investment (5011665) | 288,500,000.00 | 588,500,000.00 | - | 588,500,000.00 |
| GON Grant Fund | - | - | 2,386,433.00 | 2,386,433.00 |
| ADB Grant Fund | 6,871,768.00 | 6,871,768.00 | 20,079,108.00 | 26,950,876.00 |
| SFDB Contribution Fund | 79,675,781.27 | 79,675,781.27 | 80,400,000.00 | 160,075,781.27 |
| Interest Earning on Sub Account | - | 460,373.47 | - | 460,373.47 |
| Sub-total (A) | 375,047,549.27 | 675,507,922.74 | 102,865,541.00 | 778,373,463.74 |
| Amount to be reimbursed from MOF (Advance A/C) of FY 2016/17 | 12,532,248.35 | 12,532,248.35 | (12,532,248.35) | - |
| Amount to be reimbursed from MOF (Advance A/C) of FY 2017/18 | - | - | 7,691,277.48 | 7,691,277.48 |
| Total amount to be reimbursed from MOF | 12,532,248.35 | 12,532,248.35 | (4,840,970.87) | 7,691,277.48 |
| Total of A and B | 387,579,797.62 | 688,040,171.09 | 98,024,570.13 | 786,064,741.22 |

| | Previous Year | Current Year |
|--|------------------|-----------------|
| Opening Balance | 6,060,373.47 | - |
| Add: Released by MOF/FCGO | 295,371,768.00 | 22,465,541.00 |
| Less: Disbursed by SFDB (central office) ADB And GON Part only | (313,504,016.35) | (16,502,453.00) |
| Amount to be reimbursed by MOF (Advance Account) | 12,532,248.35 | 7,691,277.48 |
| Reimbursed to SFDB | (460,373.47) | (13,654,365.48) |
| Bank balance SFDB central | 0.00 | - |

Note 1.1

Details of Contribution

Previous Year

| Expenditure Category | Total | GON Contribution | SFDB Contribution | ADB Contribution |
|-----------------------------------|-----------------------|------------------|----------------------|-----------------------|
| 1. Credit Line | 370,500,000.00 | - | 76,400,000.00 | 294,100,000.00 |
| 2. Consultancy Service | 2,557,952.77 | - | 358,113.77 | 2,199,839.00 |
| 3. Capacity Building and Training | 20,121,844.85 | - | 2,917,667.50 | 17,204,177.35 |
| Total of FY 2016/17 | 393,179,797.62 | - | 79,675,781.27 | 313,504,016.35 |

Current Year

| Expenditure Category | Total | GoN Contribution | SFDB Contribution | ADB Contribution |
|--|----------------------|---------------------|----------------------|----------------------|
| 1. Credit Line | 80,400,000.00 | - | 80,400,000.00 | - |
| 2. Consultancy Service | 3,201,302.00 | 448,182.28 | - | 2,753,119.72 |
| 3. Capacity Building and Training | 13,301,151.00 | 1,928,666.89 | - | 11,372,484.11 |
| Total of FY 2017/18 | 96,902,453.00 | 2,376,849.17 | 80,400,000.00 | 14,125,603.83 |
| Adjustment of contribution from SFDB (reimbursed by MOF) | - | 1,122,117.13 | (1,122,117.13) | - |
| Total as of FY 2017/18 | 96,902,453.00 | 3,498,966.30 | 79,277,882.87 | 14,125,603.83 |



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Central Office
Kathmandu

Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd

Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities Project

DRRLREAC-9180 NEP (JFPR)

MOF A/C

Note 1.2

| FY | Date | Category | Source | Claim Amount | Received | Balance Dr /(Cr) |
|-------|----------|------------------------------|--------|---------------|---------------|------------------|
| | | | | DR | Cr | |
| | 2074.4.1 | Opening Balance | | | | 12532248.35 |
| 74.75 | 74.5.25 | Capacity Building & Training | GON | 1122117.13 | | 13654365.48 |
| 74.75 | 74.5.25 | Consultancy Service | ADB | 482352.50 | | 14136717.98 |
| 74.75 | 74.5.25 | Consultancy Service | GON | 78522.50 | | 14,215,240.48 |
| 74.75 | 74.12.26 | Capacity Building & Training | ADB | | 11,165,564.00 | 3,049,676.48 |
| 74.75 | 74.12.26 | Capacity Building & Training | GON | | 1,122,117.00 | 1,927,559.48 |
| 74.75 | 74.12.26 | Consultancy Service | ADB | | 1,849,036.00 | 78,523.48 |
| 74.75 | 74.12.26 | Consultancy Service | GON | | 78,522.00 | 1.48 |
| 74.75 | 75.3.7 | Capacity Building & Training | ADB | 5,258,508.21 | | 5,258,509.69 |
| 74.75 | 75.3.7 | Capacity Building & Training | GON | 891,793.79 | | 6,150,303.48 |
| 74.75 | 75.3.7 | Consultancy Service | ADB | 2,221,747.22 | | 8,372,050.70 |
| 74.75 | 75.3.7 | Consultancy Service | GON | 361,679.78 | | 8,733,730.48 |
| 74.75 | 75.3.26 | Capacity Building & Training | ADB | | 5,258,508.00 | 3,475,222.48 |
| 74.75 | 75.3.26 | Capacity Building & Training | GON | | 891,794.00 | 2,583,428.48 |
| 74.75 | 75.3.26 | Consultancy Service | ADB | | 1,806,000.00 | 777,428.48 |
| 74.75 | 75.3.26 | Consultancy Service | GON | | 294,000.00 | 483,428.48 |
| 74.75 | 75.3.32 | Capacity Building & Training | ADB | 6,113,975.90 | | 6,597,404.38 |
| 74.75 | 75.3.32 | Capacity Building & Training | GON | 1,036,873.10 | | 7,634,277.48 |
| 74.75 | 75.3.32 | Consultancy Service | ADB | 49,020.00 | | 7,683,297.48 |
| 74.75 | 75.3.32 | Consultancy Service | GON | 7,980.00 | | 7,691,277.48 |
| | | Balance at End of FY | | 17,624,570.13 | 22,465,541.00 | 7,691,277.48 |

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Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd

Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities Project
DRRLREAC-9180 NEP (JFPR)

Notes: 2

The project has maintained accounts as per the GON accounting system, that is on cash basis. All disbursements including advances are treated as expenditures. The project accounts has been compiled from SFDB accounting records.

Statement Of Application of Fund

Amount in NRs

| | Budget Item | Budget Expenditure as per Category | Previous year | Cumulative up to Previous Year | Current year | Cumulative up to Current year |
|----|--------------------------------------|---|----------------|--------------------------------|----------------|-------------------------------|
| A. | Consulting services- 3101 | | | | | |
| | | Consulting Services | 2,557,952.77 | 2,557,952.77 | 3,201,302.00 | 5,759,254.77 |
| | | Sub Total | 2,557,952.77 | 2,557,952.77 | 3,201,302.00 | 5,759,254.77 |
| B. | Equipment and supplies- 3602 | | | | | - |
| | | Equipments | - | - | - | - |
| | | Furniture | - | - | - | - |
| | | Sub-Total | - | - | - | - |
| C. | Capacity Building and training -3801 | | | | | - |
| | | Training | 20,121,844.85 | 20,121,844.85 | 11,351,901.00 | 31,473,745.85 |
| | | Advance Payments(Training Center Nepal) | - | - | 1,949,250.00 | 1,949,250.00 |
| | | Sub-Total | 20,121,844.85 | 20,121,844.85 | 13,301,151.00 | 33,422,995.85 |
| D. | Civil works | | | | | - |
| | | Civil works | - | - | - | - |
| | | Sub-Total | - | - | - | - |
| E. | Credit Line | | | | | - |
| | | 31111 Loan Investment | 370,500,000.00 | 664,900,000.00 | 80,400,000.00 | 745,300,000.00 |
| | | Sub-Total | 370,500,000.00 | 664,900,000.00 | 80,400,000.00 | 745,300,000.00 |
| F. | Reimbursement to SFDB | | 460,373.47 | 460,373.47 | 13,654,365.48 | 14,114,738.95 |
| | | Grand Total | 393,640,171.09 | 688,040,171.09 | 110,556,818.48 | 798,596,989.57 |

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Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd
Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities Project

DRRLREAC-9180 NEP (JFPR)

(SFDB Component)

Note-3

Statement of Sub Account

FY 2017/18

| Date | Amount received from MOF NRs (A) | Total amount provided by SFDB (B) | Total (A+B) | Expenditure | Balance NRS |
|------------------------------|-------------------------------------|---|-----------------------|-----------------------|---------------|
| 1 | 2 | 3 | 4=2+3 | 5 | 6=4-5 |
| Bal B/d | - | - | - | - | - |
| 2074 8.5 | - | 80,400,000.00 | 80,400,000.00 | 80,400,000.00 | - |
| 2073.12.28 | 14,215,239.00 | - | 14,215,239.00 | - | 14,215,239.00 |
| 2074.3.32 | 8,250,302.00 | - | 8,250,302.00 | - | 22,465,541.00 |
| Various on Consultancy | - | 540,428.00 | 540,428.00 | 3,201,302.00 | 19,804,667.00 |
| various on Capacity Building | - | 7,150,849.48 | 7,150,849.48 | 13,301,151.00 | 13,654,365.48 |
| Reimbursement to SFDB | - | - | - | 13,654,365.48 | - |
| Total | 22,465,541.00 | 88,091,277.48 | 110,556,818.48 | 110,556,818.48 | - |

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Note: 3.1

Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd.

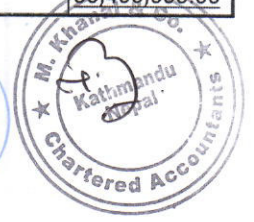
(Former Name of Company : Small Farmer Development Bank Ltd.)

Subidhanagar, Tinkune, Kathmandu

Livelihood Resoration Loan Investment Report as of End of Asar 2075 (As of July 16, 2018)

Under Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities Project

| SN | Name of Small Farmer Agriculture Cooperative Ltd. | VDC | District | Disbursed Amount in RS |
|-------|---|--------------|----------|------------------------|
| 1 | Small Farmer Agriculture Cooperative Ltd., Dhusha | Dhusha | Dhading | 10,500,000.00 |
| 2 | Tinkanya Small Farmer Organic Agriculture and Animal Farming Cooperative Ltd. | Benighat | Dhading | 3,000,000.00 |
| 3 | Small Farmer Agriculture Cooperative Ltd., Jyamrung | Jyamrung | Dhading | 2,000,000.00 |
| 4 | Panchakanya Small Farmer Agriculture Cooperative Ltd. | Khalte | Dhading | 3,000,000.00 |
| 5 | Bhorle Jibjibe Small Farmer Agriculture Cooperative Ltd. | Bhorle | Dhading | 2,000,000.00 |
| 6 | Diyalo Small Farmer Agriculture Cooperative Ltd. | Mahadevsthan | Dhading | 1,500,000.00 |
| 7 | Pawil Small Farmer Agriculture Cooperative Ltd. | Katunje | Dhading | 2,500,000.00 |
| 8 | Bageswori Women Small Farmer Multipurpose Cooperative Ltd. | Bageswori | Nuwakot | 4,300,000.00 |
| 9 | Small Farmer Agriculture Cooperative Ltd., Sunaulabazar | Sunaulabazar | Dhading | 2,000,000.00 |
| 10 | Taruka Women Small Farmer Agriculture Cooperative Ltd. | Taruka | Nuwakot | 1,900,000.00 |
| 11 | Naubise Small Farmer Agriculture Cooperative Ltd. | Naubise | Dhading | 12,000,000.00 |
| 12 | Suryodaya Small Farmer Agriculture Cooperative Ltd. | Sangkosh | Dhading | 2,500,000.00 |
| 13 | Pratibimba Small Farmer Agriculture Cooperative Ltd. | Kabilas | Nuwakot | 2,500,000.00 |
| 14 | Nabajiban Small Farmer Agriculture Cooperative Ltd. | Pida | Dhading | 2,500,000.00 |
| 15 | Lamaguru Small Farmer Agriculture Cooperative Ltd. | Nilkantha | Dhading | 4,000,000.00 |
| 16 | Duipeepal Small Farmer Agriculture Cooperative Ltd. | Duipeepal | Nuwakot | 3,700,000.00 |
| 17 | Ajambari Small Farmer Agriculture Cooperative Ltd. | Gerkhu | Nuwakot | 3,000,000.00 |
| 18 | Prayashshil Small Farmer Agriculture Cooperative Ltd. | Kumari | Nuwakot | 2,500,000.00 |
| 19 | Nagarik Mahila Small Farmer Agriculture Cooperative Ltd. | Ganeshthan | Nuwakot | 4,500,000.00 |
| 20 | Poudwar Mahila Small Farmer Agriculture Cooperative Ltd. | Budhasingh | Nuwakot | 3,000,000.00 |
| 21 | Samari Mahila Small Farmer Agriculture Cooperative Ltd. | Samari | Nuwakot | 3,000,000.00 |
| 22 | Pathibhara Women Small Farmer Agriculture Cooperative Ltd. | Belkot | Nuwakot | 2,500,000.00 |
| 23 | Semjong Small Farmer Agriculture Cooperative Ltd. | Semjong | Dhading | 2,000,000.00 |
| Total | | | | 80,400,000.00 |



Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd.

(Former Name of Company : Small Farmer Development Bank Ltd.)

Subidhanagar, Tinkune, Kathmandu

DRRLREAC-9180 NEP (JFPR)

NFY 2074/75 (FY 2017/18)

Consultancy Expenses

Note 3.2

| SN | Date | Particulars | Voucher No | Dr. Rs | Cr. Rs | Balance |
|----|------------|---|------------|-------------------|--------|-------------------|
| | | Opening Balance | | | | |
| 1 | 27/04/2074 | Mr Navraj Simkhada , Jun-July 2017 | 44 | 560875.00 | | 560875.00 |
| 2 | 30/07/2074 | Mr Navraj Simkhada, Aug-Oct, 2017 | 301 | 339925.00 | | 900800.00 |
| 3 | 28/09/2074 | Mr Navraj Simkhada, Nov-Dec, 2017 | 501 | 747834.00 | | 1648634.00 |
| 4 | 15/12/2074 | Mr Navraj Simkhada, Jan-Feb, 2018 | 834 | 747834.00 | | 2396468.00 |
| 5 | 31/01/2075 | Mr Navraj Simkhada, Mar-Apr, 2018 | 1043 | 747834.00 | | 3144302.00 |
| 6 | 32/3/2075 | Mr Navraj Simkhada, Local Travel and Vehicle hire, Per Diem | 1479 | 57000.00 | | 3201302.00 |
| | | Total | | 3201302.00 | | 3201302.00 |



Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd.

(Former Name of Company : Small Farmer Development Bank Ltd.)

Subidhanagar, Tinkune, Kathmandu

DRRLREAC 9180 NEP(JFPR)

NFY 2074/75 (FY 2017/18)

Capacity Building & Training Expenditures Summary

Note 3.3

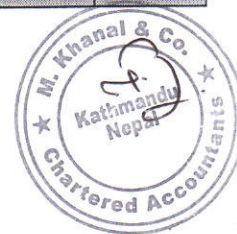
| SN | Particulars /Description | Contract | | Disbursement | |
|----|---|-----------------|----------------|-----------------|----------------|
| | | Amount Rs | No of Training | Amount Rs | No of Training |
| 1 | Disaster Risk Resilient Construction Training [A+B] | 31019352 | 61 | 13070502 | 18 |
| A | Technical Service | 25433630 | 61 | 7823910 | 18 |
| a | Balaju School of Engineering & Technology (BSET) | 5668800 | 10 | 5602330 | 10 |
| b | Training Centre Nepal Advance Payment | 19492500 | 50 | 1949250 | 7 |
| c | SKBBL (Gorkha Energy) | 272330 | 1 | 272330 | 1 |
| B | SKBBL/SFACLS | 5585722 | 0 | 5246592 | |
| a | SKBBL (BSET2 Led) | 4300000 | | 3960870 | 10 |
| b | SFDB TCN Led-Procurement Related | 1191922 | | 1191922 | |
| c | SKBBL [Social Mobilization in ICS] | 93800 | | 93800 | |
| 2 | Community Based Disaster Risk Management Training | 230649 | 1 | 230649 | 1 |
| a | SKBBL | 230649 | 1 | 230649 | 1 |
| | Total Amount [1+2] | 31250001 | 62 | 13301151 | 19 |

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FINANCIAL COVENANTS
As per project agreement
JFPR Grant No: 9180 NEP

Notes: 4

| Schedule | Para No. | Description | Not complied | Complied | On going | Not yet due |
|------------|----------|---|--------------|----------|----------|-------------|
| Article II | 2.01 | a. SKBBL shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices. | | | On going | |
| Article II | 2.01 | b. In the carrying out the Project and operation of the Project facilities, SKBBL shall perform all obligations set forth in the Grant Agreement to the extent that they are applicable to SKBBL, and all obligations set forth in the Schedule to this Project Agreement. | | | On going | |
| Article II | 2.02 | SKBBL shall make available, promptly as needed, the funds, facilities, services, and other resources as required, in addition to the proceeds of the Grant, for the carrying out of the Project. | | | On going | |
| Article II | 2.03 | a. In the carrying out the Project, SKBBL shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB. | | | On going | |
| Article II | | b. Except as ADB may otherwise agree, SKBBL shall procure all items of expenditures to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to the Grant. ADB may refuse to finance a contract where any such has not been procured under procedures substantially in accordance with those agreed between the Recipient and ADB or where the terms and conditions of the contract are not satisfactory. | | Complied | | |
| Article II | 2.04 | SKBBL shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. SKBBL shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request. | | Complied | | |
| Article II | 2.05 | a. SKBBL shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts shall be consistent with sound practices. | | Complied | | |
| Article II | | b. Without limiting the generality of the foregoing, SKBBL undertakes to insure, or cause to be insured, the Goods to be imported for the Project against hazards and incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods. | | | | Not Yet Due |
| Article II | 2.06 | SKBBL shall maintain or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Grant, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial conditions. | | Complied | | |
| Article II | 2.07 | a. ADB and SKBBL shall cooperate fully to ensure that the purposes of the Grant will be accomplished. | | | On going | |
| Article II | | b. SKBBL shall promptly inform ADB of any conditions which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement of the Subsidiary Loan Agreement, or the accomplishment of the purposes of the Grant. | | | On going | |
| Article II | | c. ADB and SKBBL shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, SKBBL and the Grant. | | | On going | |
| Article II | 2.08 | a. SKBBL shall furnish to ADB all such reports and informations as ADB shall reasonably request concerning (i) the Grant and the expenditures of the proceeds thereof; (ii) the items of expenditures financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial conditions of SKBBL; and (v) any other matters relating to the purposes of the Grant. | | | On going | |
| Article II | | b. Without limiting the generality of the foregoing, SKBBL shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, process made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period. | | | On going | |

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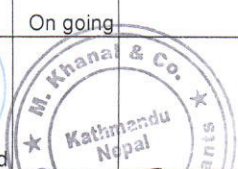
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| Article II | | c. Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, SKBBL shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by SKBBL of its obligations under this Project Agreement and the accomplishment of the purposes of the Grant. | | | | Not yet due |
| Article II | 2.09 | a. SKBBL shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements for the Project Audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the grant proceeds and compliance with the financial covenants of the Grant Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures) and management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request. | | Complied | | |
| | | b. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. | | | | |
| Article II | | c. In addition to annual audited financial statement referred to in subsection (a) hereinabove, SKBBL shall (i) provide its annual financial statements prepared in accordance with national accrual-based financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; and (iii) furnish to ADB no later than 1 month after approval by the relevant authority, copies of such audited financial statements in the English language and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request. | | Complied | | |
| Article II | | d. SKBBL shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and SKBBL and its financial affairs they relate to the Project with the auditors appointed by SKBBL pursuant to subsection (a)(iii) and (C) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of SKBBL, unless SKBBL shall otherwise agree. | | | On going | |
| Article II | 2.10 | SKBBL shall enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents. | | | On going | |
| Article II | 2.11 | a. SKBBL shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its operations. | | | On going | |
| Article II | | b. SKBBL shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel. | | | On going | |
| Article II | | c. SKBBL shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices. | | | On going | |
| Article II | 2.12 | Except as ADB may otherwise agree, SKBBL shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project agreement. | | | On going | |
| Article II | 2.13 | Except as ADB may otherwise agree, SKBBL shall apply the proceeds of the Grant to the financing of expenditures on the Project in accordance with the provisions of the Grant Agreement and this project agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the project. | | Complied | | |



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| Article II | 2.14 | Except as ADB may otherwise agree, SKBBL shall duly perform all its obligations under the Subsidiary Loan Agreement, and Shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under Subsidiary Loan Agreement. | | Complied | |
| Article II | 2.15 | SKBBL shall promptly notify ADB of any proposals to amend, suspend or repeal any provision of its memorandum of association, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. SKBBL shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon. | | | Not Yet Due |

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Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd.
(Former name of Company: Sana Kisan Bikas Bank Ltd/ Small Farmer Development Bank Ltd)
**Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected
Communities**

JFPR GRANT No: 9180 NEP JFPR

Notes to Project Financial Statement: Accounting Policy and Explanatory Notes

1. Project Background

The Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities project (the Project) will support the Government of Nepal (the government) to accelerate recovery and reconstruction following the devastating earthquake on 25 April 2015 and major aftershock on 12 May 2015. The Project will support model disaster resilient schools, microcredit for livelihood restoration and disaster risk reduction capacity building.

The Project shall comprise:

PART A: Schools in Poorer and Severely Affected Districts Constructed or Rebuilt as Model Disaster Resilient Schools; Rebuild and retrofit at least 14 model schools that are in line with school reconstruction plans to disaster resilient standards and equipped with ICT equipment, science laboratories and improved learning space.

PART B: Microcredit Facility for Livelihood Restoration Provided to Small Farmer Cooperative Members: Provision of microcredit to at least 12,500 affected households to restore damages from the earthquake. The multipurpose microcredit may be used to: (i) revive microenterprises, (ii) restore livestock, agriculture activities, and other means of livelihood, and (iii) cover essential expenses during recovery period.

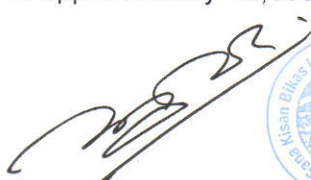
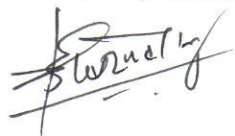
PART C: Disaster Risk Management Capacity of the Affected Communities Strengthened; for this there has been made provision of training on disaster resilient construction and disaster risk management planning.

Consulting services will be provided to support the above activities

Output 1: Schools in poorer and severely affected districts constructed or rebuilt as model disaster resilient schools. This will rebuild or retrofit at least 14 model schools (e.g., year 1-12 senior secondary schools) with disaster resilient standards in line with the government's school reconstruction plans and to be equipped with ICT equipment, science laboratories and improved learning space, furniture, and amenities. The component will be implemented using the same implementation arrangements as the Earthquake Emergency Assistance Project (EEAP).

-There shall be no overlaps between EEAP and the Project locations, while covering the 14 most affected districts. The output will have a strong linkage to disaster risk reduction capacity building (Output 3) to make the model schools serve as local learning centers for disaster risk reduction. This component is not under the responsibility of the Bank.

Output 2: Microcredit facility for livelihood restoration provided to small farmer cooperative (SFC) members. This will provide microcredit to approximately 12,500 affected households to



restore damages from the earthquake. The microcredit will have flexible purposes to meet various needs of affected households and could finance (i) reviving microenterprises; (ii) restoring livestock, agricultural activities, and other means of livelihood; and (iii) essential expenses during the recovering period such as food. Microcredit will be channeled through the networks of small farmers cooperatives (SFCs) affiliated under Sana Kisan Bikas Laghubitta Bittya Sanstha Ltd (SKBBL). SFCs are member-owned and member-governed cooperatives with small and poor farmers as members. SKBBL has 85 SFCs in the affected districts with the total 150,000 member households.

Using the grant proceeds, the government provides a loan to SKBBL. SKBBL onlends the loan to SFCs and SFCs relend to its members. Microcredit will be provided in the same areas for the model schools. SFC members' networks will also be utilized to provide training on disaster-resilient construction, and community-based disaster risk management (Output 3).

Output 3: Disaster risk management capacity of the affected communities strengthened. The component will conduct training programs on disaster resilient construction and disaster risk management. The disaster resilient construction training will adopt the training of trainer methodologies in which trained masons and carpenters will conduct community level training.

-The Project will also support disaster risk management trainings for the settlements associated with the concerned community schools, including maintenance of school buildings, as potential evacuation centers in the event of disasters. The Project will prepare community-based disaster risk management plans for the individual school areas, and train teachers, education administrators, school management committee members and village development committee members, selected at the local level.

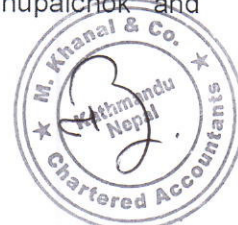
There is provision of two consultants in the project for assisting executing agencies under the part of MoF. One of who is assigned in MoF and another in SKBBL. SKBBL is responsible to pay to the consultant in SKBBL only.

Financing Plan

| Source | Amount (\$ million) | Share of Total (%) |
|--|---------------------|--------------------|
| Japan Fund for Poverty Reduction | 15.0 | 84.0 |
| Government of Nepal | 1.3 | 8.0 |
| Sana Kisan Bikas Laghubitta Bittya Sanstha Ltd | | 1.5 8.0 |
| Total | 17.8 | 100.0 |

The grant agreement was signed between MOF and ADB on 8 December 2015 for Grant amount of USD15 million and the Grant was made effective from 8 January 2016. The Project is expected to be completed by 30 September 2018 and the Grant closing date is 31 March 2019.

Project Agreement was signed between ADB and SKBBL on 8 December 2015. Similarly, Subsidiary Loan Agreement was signed between MOF and SKBBL on 24 January 2016 for the purpose of implementing Part B of the Project. Now the project has covered Gorkha, Rasuwa, Nuwakot and Dhading, Makawanpur, Kathmandu, Kavre, Dolakha, Sindhupalchok and Ramechhap Districts. Total cost of the project is 17.8 million USD.



2. Statement of Compliance

Project Financial Statements have been prepared in accordance within the Government Auditing Standards Part 3, Audit Guideline – Project Financial Statements, issued by the office of the Auditor General, Nepal in October 2005.

3. Significant Accounting Policies and Notes to Account:

3.1 Basic of Accounting

The project has maintained accounts according to the Government of Nepal Accounting policies on a cash basis of accounting and double entry accounting systems.

4. Fund Flow Mechanism

Annual program is approved by National Planning Commission. MOF transfers the amount in installment basis to Small Farmer Development Bank's account to implement the project activities. The budget head has been approved under Fiscal budget head under MOF. There is separate Subsidiary Loan agreement between MOF and SKBBL for fund flow mechanism for the purpose of Credit Line. Grant funds are received as reimbursement for expenditures made on Consultancy and Capacity Building and Training.

5. Advances

Advances are treated as application of project funds. There are no any outstanding advances at the end of the FY. All of NRS 22,465,541.00, received for the project in this FY is grant from ADB and GON. Out of total application of fund NRS. 96,902,453.00 a sum of NRS. 80,400,000.00 is loan investment as contribution from SKBBL, NRS. 3,201,302.00 for Consultancy Service and NRS. 13,301,151.00 for Capacity Building and Training. Further, a sum of NRS 7,691,277.48 is receivable from MOF and to be paid to SKBBL.

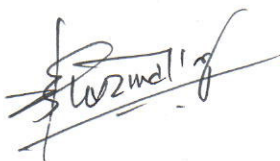
Previous receivable of 12,532,248.35 has been reimbursed from MoF. Additionally, NRS 1,122,117.13 shown as contribution from SKBBL in FY 2073/74 has also been reimbursed from MoF in current FY.

6. Reporting Currency

The reporting currency is Nepalese Rupees - NRS. (currency of Nepal).

7. Intended Purpose

The credit from the Government of Nepal has been used exclusively for the intended purpose of the project i.e. credit line category of the project as stated in Project Administration Manual.



8. **Duration of the FY:** FY 2017/18 covered the period from 16 July 2017 to 16 July 2018.
The project financial statements show the amount related within this period.

9. **Date of Authorization:** These financial statements have been authorized for issue by the Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd. on 31 December 2018.

10. **Company Name :** Formerly Sana Kisan Bikas Bank Ltd., in english tranlation Small Farmers Development Bank Ltd., has changed its name to Sana Kisan Bikas Laghubitta Bittiyasanstha Ltd. as per provision in Bank and Financial Institution Act 2073, since 2075 Jesth.

