

Nerude Mirmire Laghubitta Bittiya Sanstha Ltd.
Condensed Statement of Financial Position
As on Quarter Ended 31 Ashad, 2081

Amount in NPR

Particulars	Note	This Quarter Ending	Immediate Previous Year Ending
Assets			
Cash and Cash Equivalents	4.1	330,530,712	211,782,148
Statutory Balances & due from Nepal Rastra Bank	4.2	89,133,321	46,000,000
Placement with Bank and Financial Institutions	4.3	-	160,000,000
Derivative Financial Instruments	4.4	-	-
Other Trading Assets	4.5	-	-
Loans and Advances to MFIs & Co-operatives	4.6	-	-
Loans and Advances to Customers	4.7	20,142,227,618	10,057,471,147
Investment Securities	4.8	379,445,784	2,010,000
Current Tax Assets	4.9	(23,664,138)	54,034,788
Investment Property	4.10	-	-
Property and Equipment	4.11	455,390,775	117,350,215
Goodwill and Intangible Assets	4.12	29,842,961	969,371
Deferred Tax Assets	4.13	53,455,555	43,295,424
Other Assets	4.14	34,033,663	22,052,723
Total Assets		21,490,396,250	10,714,965,816
-			
Particulars	Note	This Quarter Ending	This Quarter Ending
Liabilities			
Due to Bank and Financial Institutions	4.15	-	-
Due to Nepal Rastra Bank	4.16	-	-
Derivative Financial Instruments	4.17	-	-
Deposits from Customers	4.18	6,141,362,981	3,466,348,075
Borrowings	4.19	11,028,290,087	4,859,309,990
Current Tax Liabilities	4.9	-	-
Provisions	4.20	-	-
Deferred Tax Liabilities	4.13	-	-
Other Liabilities	4.21	1,603,671,733	1,105,754,811
Debt Securities Issued	4.22	-	-
Subordinated Liabilities	4.23	-	-
Total Liabilities		18,773,324,801	9,431,412,876
Equity			
Share Capital	4.24	1,397,764,545	732,000,000
Share Premium		-	-
Retained Earnings		52,902,755	32,214,656
Reserves	4.25	1,266,404,149	519,338,284
Total Equity		2,717,071,449	1,283,552,941
Total Liabilities and Equity		21,490,396,250	10,714,965,816
Contingent Liabilities and Commitments	4.26	-	-
Net Assets Value per share		194.39	175.35

Nerude Mirmire Laghubitta Bittiya Sanstha Ltd.
Condensed Statement of Profit or Loss
For the Quarter ended 31st Ashad, 2081

Amount in NPR

Particulars	Note	Current Year		Previous Year Corresponding	
		This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	4.27	779,765,488	2,171,906,176	352,429,195	1,420,538,707
Interest Expense	4.28	381,480,467	1,133,025,726	246,697,024	984,255,335
Net Interest Income		398,285,021	1,038,880,450	105,732,171	436,283,372
Fee and Commission Income	4.29	(89,881,513)	13,007,789	32,300,056	180,762,979
Fee and Commission Expense	4.30	(7,679,596)	18,645	3,022,519	13,938,467
Net Fee and Commission Income		(82,201,917)	12,989,144	29,277,537	166,824,512
Net Interest, Fee and Commission Income		316,083,104	1,051,869,595	135,009,708	603,107,884
Net Trading Income	4.31	-	-	-	-
Other Operating Income	4.32	160,982,518	229,192,448	-	-
Total Operating Income		477,065,622	1,281,062,043	135,009,708	603,107,884
Impairment Charge/ (Reversal) for Loans and Other Losses	4.33	(151,497,002)	5,541,793	(51,858,322)	19,149,962
Net Operating Income		628,562,624	1,275,520,250	186,868,030	583,957,921
Operating Expense					
Personnel Expenses	4.34	210,128,055	516,178,069	104,122,761	393,007,176
Other Operating Expenses	4.35	79,419,787	160,202,736	33,227,961	77,674,778
Depreciation & Amortisation	4.36	(3,852,360)	-	11,677,203	27,174,346
Operating Profit		342,867,142	599,139,445	37,840,106	86,101,622
Non Operating Income	4.37	6,323,027	33,346,932	-	-
Non Operating Expense	4.38	60,954	60,954	254,333	3,387,943
Profit Before Income Tax		349,129,215	632,425,423	37,585,773	82,713,679
Income Tax Expense	4.39	100,430,445	185,419,307	11,275,732	24,814,104
Current Tax		100,430,445	185,419,307	11,275,732	24,814,104
Deferred Tax		-	-	-	-
Profit for the Year		248,698,771	447,006,116	26,310,041	57,899,575
Profit Attributable to:					
Equity-holders of the Financial Institution		248,698,771	447,006,116	26,310,041	57,899,575
Non-controlling interest		-	-	-	-
Profit for the Year		248,698,771	447,006,116	26,310,041	57,899,575
Earnings per Share					
Basic Earnings per Share			46.86		7.91
Diluted Earnings per Share			46.86		7.91

Nerude Laghubitta Bittiya Sanstha Ltd.
Condensed Statement of Comprehensive Income
As on Quarter Ended 31 Ashad, 2081

Amount in NPR

Particulars	Note	Current Year		Previous Year Corresponding	
		This Quarter	Up to This Quarter	This Quarter	Up to This Quarter
Profit for the Period		248,698,771	447,006,116	26,310,041	57,899,575
Total Comprehensive Income		248,698,771	447,006,116	26,310,041	57,899,575
Total Comprehensive Income for the Period		248,698,771	447,006,116	26,310,041	57,899,575
				-	-
Earnig Per Share				-	-
Basic Earning per Share			46.86	-	7.91
Annualized Basic Earnings Per Share		-	46.86	-	7.91
Diluted earnings per share		-	46.86	-	7.91

Nerude Mirmire Laghubitta Bittiya Sanstha Ltd.
Statement of Distributable Profit or Loss
For the Quarter ended 31st Ashad, 2081

(As per NRB Regulation)

Particulars	Current Year
Opening Retained Earnings Before Allocation (Adjusted)	(81,318,857.18)
Net profit or (loss) as per statement of profit or loss	447,006,115.92
Appropriations:	
a. General reserve	(89,401,223.18)
b. Foreign exchange fluctuation fund	
c. Capital redemption reserve	
d. Corporate social responsibility fund	(4,470,061.16)
e. Employees' training fund	
f. Client Protection Fund	(4,470,061.16)
g. Other	
Profit or (loss) before regulatory adjustment	267,345,913.24
Regulatory adjustment :	
a. Interest receivable (-)/ previous accrued interest received (+)	(119,593,974.21)
b. Short loan loss provision in accounts (-)/reversal (+)	
c. Short provision for possible losses on investment (-)/reversal (+)	
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	
e. Deferred tax assets recognised (-)/ reversal (+)	
f. Goodwill recognised (-)/ impairment of Goodwill (+)	
g. Bargain purchase gain recognised (-)/resersal (+)	-
h. Acturial loss recognised (-)/reversal (+)	
i. Other (+/-)	(94,849,183.92)
Other	
Distributable profit or (loss)	52,902,755.11
Annualized distributable profit/loss per share	3.78

Nerude Laghubitta Bittiya Sanstha Ltd.
Condensed Statement of Changes in Equity
Attributable to Equity Holders of the Institution
For the Quarter ended 31st Ashad, 2081

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Corporate social responsibility reserve	Client Protection Fund	Fair Value Reserve	Revaluation Reserve	Retained Earning	Restructure Reserve	Other Reserve	Total
Balance at Ashadh 31, 2080	732,000,000	-	237,549,375	-	78,494,543	2,672,519	185,420,538	-	-	(81,318,857)	63,365,872	79,866,158	1,298,050,149
Balance at 1st Shrawan, 2080	732,000,000	-	237,549,375	-	78,494,543	2,672,519	185,420,538	-	-	(81,318,857)	63,365,872.49	79,866,158.14	1,298,050,149
Adjustment	665,764,545		150,831,392		112,391,682	1,470,812	54,301,420		43,074,500	(131,839,640)		(11,195,106.30)	884,799,604
					39,937,744					36,990,456		2,947,288.40	79,875,489
Comprehensive Income for the year													-
Profit for the year										447,006,116			447,006,116
Other Comprehensive Income, Net of Tax													-
Gains/(losses) from investment in equity instruments measured at fair value													-
Gains/(losses) on revaluation													-
Actuarial gains/(losses) on defined benefit plans													-
Gains/(losses) on cash flow hedge													-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)													-
Total Comprehensive Income for the year													-
Transfer to Reserves during the year													-
General Reserve													-
Regulatory Reserve					119,593,974					(119,593,974.21)			-
Transfer from Reserves during the year													-
Contribution to the Fund			89,401,223			4,470,061	4,470,061			(98,341,346)			-
Expense from the Fund						(363,000)	7,703,091						7,340,091
Transactions with Owners, directly recognized in Equity													-
Share Issued													-
Share Based Payments													-
Dividend to Equity-Holders													-
Bonus Shares Issued													-
Cash Dividend Paid													-
Other													-
Total Contributions by and Distributions													-
Balance at 31st Ashad, 2081	1,397,764,545	-	477,781,990	-	350,417,944	8,250,392	251,895,110	-	43,074,500	52,902,755	63,365,872	71,618,340	2,717,071,449

Nerude Mirmire Laghubitta Bittiya Sanstha Ltd.

Condensed Statement of cash flows
For the Quarter ended 31st Ashad, 2081

Amount in NPR

Particulars	Up to This Quarter	Corresponding Previous Year Up to this Quarter
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	1,899,405,920	1,420,538,707
Fee and Other Income Received	46,354,721	180,762,979
Dividend Received	-	-
Receipts from Other Operating Activities	229,192,448	-
Interest Paid	(1,133,025,726)	(984,255,335)
Commissions and Fees Paid	(18,645)	(13,938,467)
Cash Payment to Employees	(516,178,069)	(393,007,176)
Other Expenses Paid	(160,263,690)	(100,212,683)
Operating Cash Flows before Changes in Operating Assets and Liabilities	365,466,959	109,888,024
(Increase) Decrease in Operating Assets		-
Due from Nepal Rastra Bank	(43,133,321)	-
Placement with Banks and Financial Institutions	160,000,000	30,000,000
Other Trading Assets	-	-
Loans and Advances to Bank and Financial Institutions	-	-
Loans and Advances to Customers	(9,817,798,007)	(140,200,029)
Other Assets	(51,014,660)	208,973
Increase (Decrease) in Operating Liabilities		-
Due to Banks and Financials Institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposit from Customers	2,675,014,906	258,039,529
Borrowings	6,168,980,097	(347,578,207)
Other Liabilities	497,916,922	(29,584,720)
Net Cash Flow from Operating Activities before Tax Paid	(44,567,103)	(119,226,429)
Income Tax Paid	(107,720,381)	(57,856,916)
Net Cash Flow from Operating Activities	(152,287,484)	(177,083,345)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(377,435,784)	-
Receipts from Sale of Investment Securities	-	-
Purchase of Property and Equipment	(338,040,561)	(16,215,637)
Receipts from Sale of Property and Equipment	-	-
Purchase of Intangible Assets	-	-
Purchase of Investment Properties	-	-
Receipts from Sale of Investment Properties	-	-
Interest Received	-	-
Dividend Received	-	-
Net Cash Used in Investing Activities	(715,476,345)	(16,215,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Issue of Debt Securities	-	-
Repayments of Debt Securities	-	-
Receipts from Issue of Subordinated Liabilities	-	-
Repayments of Subordinated Liabilities	-	-
Receipt from Issue of Shares	665,764,545	132,000,000
Dividends Paid	-	-
Interest Paid	-	-
Other Receipts/Payments	320,747,848	(136,332,724)
Net Cash from Financing Activities	986,512,393	(4,332,724)
Net Increase (Decrease) in Cash and Cash Equivalents	118,748,564	(197,631,706)
Cash and Cash Equivalents at Shrawan 01, 2080	211,782,148	409,413,854
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-
Cash and Cash Equivalents at Ashad 31, 2081	330,530,712	211,782,148

Nerude Laghubitta Bittiya Sanstha Ltd.
Condensed Statement of Comprehensive Income
As on Quarter Ended 31 Ashad, 2081

Ratios as per NRB Directive

Particulars	Current Year		Previous Year Crossponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Capital fund to RWA		9.48%	-	9.78%
Non-performing loan (NPL) to total loan		6.60%	-	5.05%
Total loan loss provision to Total NPL		43.27%	-	39.37%
Cost of Funds		8.03%	-	11.47%
Credit to Deposit and borrowing Ratio		117.31%	-	120.94%
Base Rate		14.11%	-	22.83%
Interest Rate Spread		6.92%	-	3.53%

Nerude Mirmire Laghubitta Bittiya Sastha Limited

Notes to the Interim Financial Statements

For the Quarter ended 31st Ashad, 2081

1 Reporting Entity

Nerude Mirmire Laghubitta Bittiya Sanstha Ltd. is registered under the "Company Act 2063" with the Company Registrar's office of Nepal as a micro-finance institution in Biratnagar, Morang district. Nerude Mirmire Laghubitta Bittiya Sanstha Limited ('the Microfinance') is domiciled and incorporated in Nepal under then Development Bank Act, 2052 on 27th Mansir, 2064 from Nepal Rastra Bank. The microfinance is operating as a D Class licensed financial institution as per Bank and Financial Institution Act, 2063 with 109 branches/sub-branch offices, 3 provincial offices and one central office in 31 districts and is listed on Nepal Stock Exchange.

2 Basis of Preparation

The Interim Financial statements of the Microfinance 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) and in the format issued by Nepal Rastra Bank via NRB Directives, 2079 for Micro-finance Institutions.

2.1 Statement of Compliance

The Interim financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRSs) to the extent applicable with allowed carve-outs as issued by the Accounting Standards Board (ASB) Nepal.

3 Use of Estimates, Assumptions and Judgments

The NFRS requires the Microfinance to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Microfinance applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively. 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.

4 Changes in Accounting Policies

The accounting policies are applied consistently to all the periods except where deviations have been explicitly mandated by the applicable accounting standards presented in the financial statements.

5 Significant Accounting Policies

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

5.1 Basis of Measurement

The Financial Statements of Microfinance have been prepared on the historical cost basis, except for the following material items:

- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation.

5.2 Cash & Cash Equivalent

The cash and cash equivalents include cash in hand, balances with banks and financial institutions, money at call and short notice and highly liquid financial assets with original maturity of three months or less from the acquisition date that are subject to and insignificant risk of changes in their fair values and are used by the microfinance in the management of its short-term commitments.

5.3 Financial Assets and Financial Liabilities

5.3.1 Recognition

The Microfinance 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.

5.3.2 Classification

The financial assets and liabilities are subsequently measured at amortized cost or fair value on the basis of business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets

The Microfinance classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Microfinance's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

a. Financial assets measured at amortized cost:

The Microfinance 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 in order 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.

b. Financial assets 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:

(i) Financial Assets at fair value through other comprehensive income (FVTOCI)

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

(ii) Financial asset at fair value through profit or loss (FVTPL)

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 Liabilities

Financial liabilities are classified under following as required by NFRS 9, namely:

a. 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 is recognized at profit or loss

b. Financial liabilities measured at amortized cost:

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

5.3.3 Measurement

Initial 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.

Subsequent Measurement

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 uncollectibility.

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.

5.3.4 De-recognition

De-recognition of financial assets

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

De-recognition of financial liabilities

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

5.3.5 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

Investment in Unquoted Equity Instrument are carried at cost as the market price of such shares could not be ascertained with certainty at the reporting date.

5.3.6 Impairment

At each reporting date, the Microfinance assesses whether there is objective evidence that a financial asset or the group of financial assets not carried at fair value through profit or loss are 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.

Financial assets carried at amortized cost such as loans and advances to customers as well as held-to-maturity investments are impaired, and impairment losses are recognized, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. The amount of the loss is measured as the difference between the asset's carrying amount and the deemed recoverable value of loan.

Loans and advances to customers has insignificant value. Therefore, all loans are subject to collective impairment. These loans that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment Microfinance has categorized assets in following products:

- a) Business loan
- b) Energy loan
- c) Enterprise loan
- d) General loan
- e) Housing loan
- f) Livestock loan
- g) Microbusiness loan
- h) Public micro loan
- i) Seasonal loan
- j) Social loan
- k) Special loan

The Microfinance has opted to apply carveout on impairment of loans and receivables. Accordingly, individual and collective impairment loss amount calculated as per NFRS is compared with the impairment provision required under NRB directive no. 2, higher of the amount derived from these measures is taken as impairment loss for loans and receivables.

5.4 Property, Plant and Equipment

All property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Freehold land is not depreciated although it is subject to impairment testing. Depreciation on other assets is calculated using the written down value method to allocate their cost to their residual values over their estimated useful lives. Depreciation rate used for the calculation of depreciation are as follows:

➤ Building	5%
➤ Vehicles	20%
➤ Equipment and other	25%
➤ Computer and Accessories	25 %
➤ Furniture and Fixtures	25 %

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The value of the assets fully depreciated but continued to be in use is considered not material. The Microfinance has adopted written down value method for calculating depreciation on assets.

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

Assets with costs less than NPR 1,000 are charged off on purchase as revenue expenditure.

5.5 Goodwill/Intangible Assets

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognized as goodwill. 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.

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Microfinance and are amortized on the basis of their expected useful lives.

5.6 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

5.6.1 Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

5.6.2 Deferred Tax

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

Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the reporting date and that are expected to apply when the related deferred tax asset is realized or the deferred tax

liability is settled. Deferred tax assets are reviewed at each reporting date and reversed if it is no longer probable that the related tax benefits will be realized. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Microfinance expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

5.7 Deposit

The deposits held by the Microfinance on behalf of its customers are classified as financial liabilities and measured at amortized cost under effective interest method.

5.8 Provisions, other Liabilities Contingent Liabilities

A provision is recognized, if as a result of a past event, the Microfinance has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits 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 into account the risks and uncertainties surrounding the obligation at that date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and are reversed if there is no probability of outflow of resources.

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.

5.9 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Microfinance and the consideration can be reliably measured. The following specific recognition criteria shall also be met for revenue recognition:

5.9.1 Interest Income

Interest income on available-for-sale assets and financial assets held at amortized cost shall be recognized using the Microfinance's normal interest rate which is very close to effective interest rate using effective interest rate method. For income from loans and advances to customers, initial charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Microfinance considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

5.9.2 Fee and Commission Income.

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

5.9.3 Dividend Income.

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

5.10 Interest Expenses

Interest expense on all financial liabilities including deposits is recognized in statement of profit or loss using effective interest rate method. The Microfinance uses ASB carve- outs as mentioned above and treat coupon rate as effective interest rate.

5.11 Employee Benefits

5.11.1 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under

bonus required by the Bonus Act, 2030 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

5.11.2 Post-Employment employee benefits

Post-employment benefit plan includes the followings;

a) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the Microfinance 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.

b) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Microfinance's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

The defined benefit obligation is recognized annually on the basis of the report of qualified actuary. The Microfinance recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in OCI and all expenses related to defined benefits plans in employee benefit are expensed in profit and loss account.

The Microfinance does not have plan assets related to defined benefit plans.

Gratuity:

The Microfinance provides for gratuity on accrual basis covering eligible employees in terms of Employee Service Byelaws of the Microfinance. The Microfinance accounts for the liability for gratuity as per the actuarial valuation.

Leave Benefits:

The employees of the Microfinance are entitled to carry forward a part of their unveiled / unutilized leave subject to a maximum limit. The Microfinance accounts for the liability for accumulated leave as per the actuarial valuation.

5.12 Leases

Lease is a contract in which one party provides an asset to the other party for some consideration usually a periodic payment. The Microfinance assesses whether a contract is or contains a lease, at inception of the contract. In accordance with NFRS-16 "Leases"; the Microfinance recognizes a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. As this rate cannot be readily determined, the Microfinance uses its incremental borrowing rate. The lease liability is presented within other Liabilities in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of use asset. The depreciation starts at the commencement date of the lease. The Microfinance depreciates Right-of-use assets from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The right-of-use assets are presented Within Property, plant and Equipment in the Statement of Financial Position.

5.13 Share Capital and Reserves

5.13.1 Share Capital

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

5.13.2 Reserves

The reserve includes regulatory and free reserves.

a) Statutory General Reserves

20% of the net profit as stated in Bank and financial Institution Act, 2073 and 50% of additional amount of Cash Dividend and Bonus Shares if declared and distributed in excess of 15% as provisioned in 1.13 of Directive 2079 is set aside to the general reserve.

b) Corporate Social Responsibility Fund

1% of net profit is set aside in the fund as per the NRB Directives for the purpose of corporate social responsibility. In addition to this, 10% of dividend in excess of 15% is also allocated to this fund as per NRB directive 2079.

c) Employee Training Fund

The fund is created for the purpose of employee training. As per the directives to microfinance by NRB, the microfinance needs to spend at least 3% of last fiscal year's total personnel expenses for the development and trainings of the employees. Further if the microfinance couldn't spend up to the limit of 3%, the shortfall amount shall be transferred to the Employee Training Fund and shall be used for employee trainings in subsequent years.

d) Regulatory Reserve

The amount that is allocated from profit or retained earnings of the microfinance to this reserve as per the directives of NRB for the purpose of implementation of NFRS and which shall not be regarded as free for distribution of dividend shall be presented under this reserve. The amount allocated to this reserve shall include interest income recognized but not received in cash, difference of loan loss provision as per NRB directive and impairment on loan and advance as per NFRSs (in case lower impairment is recognized under NFRSs), amount equals to deferred tax assets, actual loss recognized in other comprehensive income, amount of goodwill recognized under NFRSs etc.

e) Investment Adjustment Reserve

It is a reserve created on investment in equity or debt instrument as per the directives issued by NRB and the amount is equal to the amount of investment in equity or debenture instrument.

f) Client protection fund

Client protection fund is created at 1% of net profit. In addition to this, 35% of dividend in excess of 15% is also allocated to this fund as per NRB Directive 2079

g) Other reserve

Other reserve includes training fund reserve and actuarial gain/loss reserve. Training fund reserve is created as per the NRB directive

Actuarial gain or loss that represents change in actuarial assumptions used to value employee obligations and is presented under this account head.

5.14 Earnings per Share (EPS) including diluted EPS

Microfinance 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 Microfinance 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.

6 Segment Information

A component of the Microfinance that engages in business activities from which it may earn revenues and incur losses, including revenue and expenses that relate to transactions with any other components of the microfinance, whose operating results are reviewed regularly by the management to make decisions about resources allocation to each segment and assess its performance, and for which discrete financial information is available is termed as operating segment. Microfinance has identified segments based on the geographic location of its offices. Income and expenses directly associated with each segment are included in determining business segment performance.

7 Related Party Disclosures

In the Ordinary course of its business operations the Financial Institution has conducted commercial transactions with parties who are defined as related parties in NAS 24 "Related Party Disclosure". All those transactions were conducted on an arm's length price basis.

Compensation of Board of Directors

Particulars	Amount
Meeting Fee	10,05,000.00
Total	10,05,000.00

Compensation of Chief Executive Officer

Particulars	Amount
Short-Term Employee Benefits	30,00,000.00
Retirement Benefits	1,80,000.00
Others	4,44,390.38
Total	36,24,390.38

8 Merger and Acquisition

The Microfinance has entered into Memorandum of understanding relating to merger with Mirmire Laghubitta Bittiya Sanstha Ltd. on 2079/09/11 and final approval for merger from Nepal Rastra Bank is received on 2080/07/03. Nerude Laghubitta have acquired Mirmire Laghubitta Limited with the agreed swap ratio. The Joint transaction commenced from 30th Falgun 2080. The total assets size, liabilities, capital and reserves of Mirmire at the date of acquisition was added to the accounts of Nerude Mirmire Laghubitta.

9 Dividends paid/proposed

None

10 Issues, repurchases and repayments of debt and equity securities

None.

11 Events after interim period

No events requiring the adjustment as per NAS 10 "Events occurring after Reporting Period" are observed after the interim period.