



नेरुडे मिर्मिरे लघुवित वित्तीय संस्था लि.

NERUDE MIRMIRE LAGHUBITTA BITTIYA SANSTHA LTD.

नेपाल राष्ट्र बैंकबाट घ वगको इजाजतपत्र प्राप्त राष्ट्रिय स्तरको वित्तीय संस्था

केन्द्रीय कार्यालय, बनेपा-८, काभ्रेपलाञ्चोक, फोन नं. ०११-६६२२११, ६६२२१२

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UNAUDITED INTERIM FINANCIAL STATEMENTS As on Quarter Ended 31st Chaitra 2081

Unaudited Condensed Statement of Financial Position As on Quarter Ended 31st Chaitra 2081

Particulars	Amount (NPR)	
	This Quarter Ending	Immediate Previous Year Ending
Assets		
Cash and Cash Equivalents	925,726,320	330,530,712
Statutory Balances & due from Nepal Rastra Bank	91,633,321	89,133,321
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to MFIs & Co-operatives	-	-
Loans and Advances to Customers	20,182,634,324	20,142,227,618
Investment Securities	3,510,000	379,445,784
Current Tax Assets	65,120,312	(23,664,138)
Investment Property	-	-
Property and Equipment	448,892,943	455,390,775
Goodwill and Intangible Assets	29,842,961	29,842,961
Deferred Tax Assets	53,455,555	53,455,555
Other Assets	61,199,132	34,033,663
Total Assets	21,862,014,867	21,490,396,250
Liabilities		
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	6,299,097,091	6,141,362,981
Borrowings	11,150,529,142	11,028,290,087
Current Tax Liabilities	-	-
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	1,719,468,270	1,603,671,733
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	19,169,094,503	18,773,324,801
Equity		
Share Capital	1,397,764,545	1,397,764,545
Share Premium	-	-
Retained Earnings	(117,166,618)	52,902,755
Reserves	1,412,322,437	1,266,404,149
Total Equity	2,692,920,364	2,717,071,449
Total Liabilities and Equity	21,862,014,867	21,490,396,250
Net Assets Value per share	192.66	158.95

Details about the Distributable Profit for the Quarter For the Quarter Ended 31st Chaitra 2081

Particulars	Amount (NPR)
Opening Retained Earnings Before Allocation(Adjusted)	52,902,755
Net profit or (loss) as per statement of profit or loss	57,900,765
Appropriations:	
a. General reserve	(11,580,153)
b. Foreign exchange fluctuation fund	-
c. Capital redemption reserve	-
d. Corporate social responsibility fund	(579,008)
e. Employees' training fund	-
f. Client Protection Fund	(579,008)
g. Other	(84,511,552)
Profit or (loss) before regulatory adjustment	13,553,799
Regulatory adjustment :	
a. Interest receivable (-)/previous accrued interest received (+)	(130,720,417)
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 (-)/reversal (+)	-
e. Deferred tax assets recognised (-)/ reversal (+)	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-
g. Bargain purchase gain recognised (-)/reversal (+)	-
h. Actuarial loss recognised (-)/reversal (+)	-
i. Other (+/-)	-
Other	-
Loan Loss Provision Write back	-
Distributable profit or (loss)	(117,166,618)
Annualized distributable profit/loss per share	(8.38)

- Notes.**
- The above unaudited financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) and certain carve-outs issued by the Institute of Chartered Accountants of Nepal (ICAN). These figure may vary at the instances of statutory auditors and regulators
 - The Loans and advance includes interest receivable & staff Loan and are presented net of impairment loss.
 - Actuarial Valuation will be done on annual basis for Employee benefit.
 - Personnel Expenses includes staff bonus provision allocated as per rule
 - Previous Period figures are regrouped/rearranged/restructured wherever necessary for consistent presentation and comparison.
 - The above figures are subject to change as per the direction of Regulators and/of statutory auditors.
 - The detailed interim financial report has been published in our website <http://www.nerudemirmire.com.np>
 - EPS has been Calculated Following NAS 33 "Earing per share" and same has been disclosed in Notes to Account.

Interest Rate

1. Deposit	7.5%-10%
2. Loan & Advance	15%

(धितोपत्र दर्ता तथा निष्काशन नियमावली, २०७३ को अनुसूचि १४ (नियम २६ को उपनियम (१) संग सम्बन्धित) आर्थिक वर्ष २०८१/८२ को तेश्रो त्रैमासिक अवधिको विवरण

१. वित्तीय विवरण :

(क) त्रैमासिक अवधिको वासलात, नाफा नोक्सान सम्बन्धी विवरण:

यस वित्तीय संस्थाको आ.व. २०८१/८२ को तेश्रो त्रैमासिक अपरिष्कृत (Unaudited) वित्तीय विवरणहरू वासलात, नाफा नोक्सान हिसाब, वितरण योग्य मुनाफा र सो सम्बन्धीत परिसूचकहरू नेपाल वित्तीय प्रतिवेदन मान (NFRS) बमोजिम यसै साथ प्रकाशित गरिएको छ।

(ख) प्रमुख वित्तीय अनुपातहरू :

प्रति शेयर आम्दानी (वार्धिकीकरण)	मूल्य आम्दानी अनुपात	प्रति शेयर नेटवर्थ (Net Worth per Share)	प्रति शेयर कूल सम्पत्तिको मूल्य	तरलता अनुपात
५.५२	११८.८६	१९२.६६	१,५२४.०७	१०.९६

२. व्यवस्थापकीय विश्लेषण :

(क) त्रैमासिक अवधिमा संस्थाको मौज्जात, आम्दानी र तरलतामा कुनै परिवर्तन भएको भए सोको प्रमुख कारण सम्बन्धी विवरण : समिक्षा अवधिमा दोश्रो त्रैमासिकको तुलनामा सदस्य, लगानीमा रहिरहेको रकम र बचत रकममा सामान्य वृद्धि भई सकारात्मक परिवर्तन भएको छ। विगत देखि वित्तीय क्षेत्र प्रति फैलाइएका नकारात्मक सन्देशको कारण असुलिमा देखिएको समस्या, आर्थिक संकुचनको प्रभावको कारण वित्तीय संस्थाको मौज्जात, आम्दानी र तरलतामा व्यवस्थापनले आँकलन गरे अनुसारको नतिजा प्राप्त हुन नसकेता पनि अधिल्लो त्रैमासिकको भन्दा कर्जा लगानी तथा सदस्यको बचत वृद्धि भएको छ। वित्तीय बजारमा लगानी योग्य रकममा भएको सहजता तथा कर्जा सापटीको व्याजदरमा आएको कमिको कारण कोषको लागतमा कमी भई अधिल्लो त्रैमासिकको तुलनामा संस्थाको खर्चमा कमी आएको छ। व्यवस्थापनले आन्तरिक समस्या व्यवस्थापन गरि लघुवित्त क्षेत्रमा देखिएका जोखिम साथै संचालन जोखिम आदीलाई उच्च प्राथमिकताका साथ विश्लेषण गर्दै वित्तीय कारोबारहरू संचालन गर्दै आएको छ। आगामी दिनमा वित्तीय क्षेत्रमा देखिएका समस्याहरूको क्रमशः सुधार भई संस्थाको मौज्जात, आम्दानी र तरलता सन्तोषजनक रहने व्यवस्थापनको अनुमान रहेको छ।

(ख) आगामी अवधिको व्यवसायिक योजना सम्बन्धमा व्यवस्थापनको विश्लेषणात्मक विवरण : यस वित्तीय संस्थाले देशभरका २२५ वटा शाखा कार्यालयहरू मार्फत २०१८/१९ विपन्न परिवारमा लघुवित्त सेवा प्रदान गरिरहेको छ। यस वित्तीय संस्थाले सदस्यहरूको उच्चमिश्रितता विकास गर्न, व्यवसाय विस्तार गर्न तथा क्षमता अभिवृद्धि गर्न विशेषज्ञहरूबाट समेत वित्तीय साक्षरता तथा वित्तीय सचेतना प्रदान गर्ने कार्य गरिदै आएको छ। कर्मचारीहरूलाई आवश्यक तालिम तथा अन्तरक्रियामा संलग्न गराई कर्मचारीको क्षमता, कार्यकुशलतामा अभिवृद्धि गरि उत्पादकत्व बढाउन तथा लघुवित्त कार्यक्रमलाई थप प्रभावकारी बनाउन जोड दिइनेछ। संस्थागत क्षमता अभिवृद्धि गरी कर्जामा निहोत जोखिम न्यूनिकरण तथा व्यवस्थापन गर्ने, गुणस्तरिय कर्जा विस्तार गर्ने, वित्तीय श्रोत अभिवृद्धिको लागि बचत परिचालन गर्ने र संचालन खर्च कम गर्दैजाने योजना तथा रणनीति अनुरूप कार्य गरिने छ।

(ग) विगतको अनुभवबाट संगठित संस्थाको मौज्जात, नाफा वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने घटना, अवस्था आदि भएमा सो सम्बन्धी विश्लेषणात्मक विवरण : वर्तमान अवस्थामा कर्जा लगानीमा निर्धारण गरिएको व्याजदरको सीमा, कोषको श्रोतको परिनिर्भरता, लघुवित्त संस्थाहरू बीचको अस्वस्थ प्रतिस्पर्धा र फिल्डमा लघुवित्त विरुद्ध भईरहेका अस्वभाविक क्रियाकलापहरू आदि कारणले संस्थाको कारोबारमा असर परेको छ। आगामी दिनमा यस प्रकारका नाकारात्मक असर पर्नसक्ने अवस्थाहरू आउन नदिन आवश्यक नीति नियम कार्यविधि तर्जुमा गरि संस्थालाई सकारात्मक उपलब्धी सहित अधि बढाउदै लैजान व्यवस्थापन कटिबद्ध रहेको छ।

३. कानुनी कारवाही सम्बन्धी विवरण :

(क) त्रैमासिक अवधिमा संस्थाले कुनैको विरुद्धमा कुनै मुद्दा दायर गरेको छैन र संस्थाको विरुद्धमा मुद्दा दायर भएको कुनै सूचना प्राप्त भएको छैन।
(ख) संस्थाका संस्थापक वा सञ्चालकले वा संस्थापक वा सञ्चालकको विरुद्धमा प्रचलित नियमको अवज्ञा वा फौज्दारी अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर गरेको वा भएको कुनै जानकारी प्राप्त भएको छैन।
(ग) कुनै संस्थापक वा सञ्चालक विरुद्ध आर्थिक अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर गरेको वा भएको कुनै जानकारी प्राप्त भएको छैन।

४. संगठित संस्थाको शेयर कारोबार सम्बन्धी विश्लेषण :

(क) धितोपत्र बजारमा हुने शेयर कारोबार सम्बन्धमा नेपाल स्टक एक्सचेन्ज लिमिटेडमा शेयर सूचीकृत भई सन्तोषजनक कारोबार भईरहेको छ।
(ख) यस त्रैमासिक अवधिमा यस वित्तीय संस्थाको शेयरको कारोबार निम्नानुसार भएको देखिन्छ।

अधिकतम मूल्य	न्यूनतम मूल्य	अन्तिम मूल्य	कारोबार कुल दिन	कारोबार शेयर संख्या
७२४.३०	६४४.४२	६५६.४७	५६	६८४८४९

५. समस्या तथा चुनौती :

- लघुवित्त वित्तीय संस्थाहरू विरुद्ध संचालित गतिविधिहरू।
- वैक तथा वित्तीय संस्थाहरूबाट लिइने कर्जा सापटीको व्याजदरमा हुने उतार चढाव।
- व्यवसायिक गतिविधिमा संकुचन।
- बहुवैकिकको समस्या।
- कोषको श्रोतमा सिमितता/परिनिर्भरता।
- स-सानो साइजको कारोबार तथा खर्चिलो कार्यविधि।

६. संस्थागत सुशासन :

नेपाल राष्ट्र बैंकबाट जारी संस्थागत सुशासन लगायतका निर्देशनहरू पालना गर्नुको साथै विद्यमान ऐन, कानून, नीति नियमहरू आदिको पालना गर्दै संस्थागत सुशासन कायम जोड दिइएको छ। यसका लागि संस्थामा कर्मचारी सेवा विनियमावली, व्यवस्थापन सूचना प्रणाली, आन्तरिक नियन्त्रण प्रणाली तथा आन्तरिक लेखापरिक्षण कार्यविधि लगायत आवश्यक कार्यविधि तयार गरि आन्तरिक नियन्त्रण प्रणालीलाई व्यवस्थित गर्न आवश्यक विभाग तथा ईकाईहरू मार्फत आवश्यक कर्मचारी व्यवस्था गरिएको साथै आन्तरिक लेखापरिक्षक, बाह्य लेखापरिक्षक तथा नेपाल राष्ट्र बैंकबाट समय समयमा हुने निरीक्षणबाट प्राप्त सुझावहरूको पूर्ण रुपमा पालना गर्दै संस्थागत सुशासनलाई सुदृढ बनाउन लेखापरिक्षण समिति, कर्मचारी सेवा सुविधा समिति, सम्पत्ती शुद्धिकरण अनुगमन समिति र जोखिम व्यवस्थापन समिति सक्रिय रहेको छ।

७. सत्य, तथ्यता सम्बन्धमा कार्यकारी प्रमुखको उद्घोषण :

आजका मिति सम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरूको शुद्धता सम्बन्धमा म व्यक्तित्व रुपमा उत्तरदायित्व लिन्छु। साथै म यो उद्घोषण गर्दछु कि मैले जाने बुझिसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरू सत्य, तथ्य र पूर्ण छन् र लगानी कर्ताहरूलाई सुसूचित निर्णय लिन आवश्यक कुनै विवरण, सूचना तथा जानकारीहरू लुकाइएको छैन।

Condensed Statement of Profit and Loss For the Quarter Ended on 31st Chaitra 2081

Particulars	Amount (NPR)			
	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
Interest Income	706,946,708	2,066,507,851	683,872,955	1,392,140,688
Interest Expense	323,375,142	1,049,087,921	285,815,919	751,545,259
Net Interest Income	383,571,566	1,017,419,929	398,057,036	640,595,429
Fee and Commission Income	57,528,803	133,752,375	(19,215,599)	102,889,302
Fee and Commission Expense	1,322,247	7,160,640	967,613	7,698,241
Net Fee and Commission Income	56,206,556	126,591,736	(20,183,212)	95,191,061
Net Interest, Fee and Commission Income	439,778,122	1,144,011,665	377,873,824	735,786,491
Net Trading Income	-	-	-	-
Other Operating Income	-	-	68,209,930	68,209,930
Total Operating Income	439,778,122	1,144,011,665	446,083,754	803,996,421
Impairment Charge/ (Reversal) for Loans and Other Losses	67,163,672	329,617,218	81,288,771	157,038,795
Net Operating Income	372,614,450	814,394,447	364,794,983	646,957,626
Operating Expense				
Personnel Expenses	179,536,967	588,225,475	101,728,521	306,050,014
Other Operating Expenses	46,308,203	141,588,008	48,577,653	80,782,949
Depreciation & Amortisation	3,291,776	9,771,669	(6,342,568)	3,852,360
Operating Profit	143,477,504	74,809,295	220,831,377	256,272,303
Non Operating Income	3,049,371	9,008,978	27,023,905	27,023,905
Non Operating Expense	-	-	-	-
Profit Before Income Tax	146,526,875	83,818,274	247,855,282	283,296,208
Income Tax Expense				
Current Tax	25,917,509	25,917,509	74,356,585	84,988,862
Deferred Tax	-	-	-	-
Profit for the Year	120,609,367	57,900,765	173,498,698	198,307,345
Profit Attributable to:				
Equity-holders of the Financial Institution	120,609,367	57,900,765	173,498,698	198,307,345
Non-controlling interest	-	-	-	-
Profit for the Year	120,609,367	57,900,765	173,498,698	198,307,345

Condensed Statement of Comprehensive Income

Particulars	Amount (NPR)			
	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
Profit for the Period	120,609,367	57,900,765	173,498,698	198,307,345
Total Comprehensive Income	120,609,367	57,900,765	173,498,698	198,307,345
Total Comprehensive Income for the Period	120,609,367	57,900,765	173,498,698	198,307,345
Earning Per Share				
Basic Earning per Share	-	5.52	-	32.81
Diluted earnings per share	-	5.52	-	32.81

Ratios as per NRB Directives

Particulars	Current Year		Previous Year Corresponding	
	Upto This Quarter		Upto This Quarter	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
Capital fund to RWA	8.45%		9.42%	
Non-performing loan (NPL) to total loan	14.81%		8.83%	
Total loan loss provision to Total NPL	31.77%		26.11%	
Cost of Funds	7.36%		9.67%	
Credit to Deposit and borrowing Ratio	115.66%		325.00%	
Base Rate	13.20%		14.02%	
Interest Rate Spread	7.63%		5.33%	

Nerude Mirmire Laghubitta Bittiya Sastha Limited

Notes to the Interim Financial Statements

For the Quarter ended 31st Chaitra, 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 225 branches/sub-branch offices, 5 provincial offices and one central office 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 though 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, 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 be spent 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 instruments 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 funds are 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 reserves include 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.

8 Merger and Acquisition

No Merger and Acquisition occurred during the Period Up to Chaitra 31st 2081.

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.