



Gurkhas Finance Ltd.
गोर्खाज फाइनान्स लि.

(नेपाल राष्ट्र बैंकबाट “ग” वर्गको इजाजतपत्र प्राप्त संस्था)

**INTERIM FINANCIAL
STATEMENT**

As on Poush End 2081



Contents

Condensed Statement of Financial Position	3
Condensed Statement of Profit or Loss	4
Condensed Statement of Comprehensive Income	5
Ratios as per NRB Directive.....	6
Statement of Changes in Equity.....	7
Statement of Cash Flow	8
Statement of Distributable Profit or Loss	10
धितोपत्र दर्ता तथा निष्काशन नियमावली २०७३ को अनुसूची -१४ (नियम २६ को उपनियम (१) सँग सम्बन्धित) आ.व. २०८०/०८१ को दोस्रो त्रैमासिक प्रतिवेदन.....	11
Notes to the Interim Financial Statements	13

Condensed Statement of Financial Position
As on Quarter Ended Poush 2081

Amount in NPR

Particulars	As on Poush End 2081	Immediate Previous Year Ending (Audited)
Assets:		
Cash and Cash Equivalent	2,300,413,914	1,631,894,971
Due from Nepal Rastra Bank	459,015,572	829,827,552
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to Banks and FIs	605,625,684	679,841,935
Loans and Advances to Customers	6,260,224,117	6,304,787,576
Investment Securities	1,008,488,228	988,843,309
Current Tax Assets	96,761,946	33,098,602
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investment Property	390,434,577	390,434,577
Property and Equipment	146,366,973	151,627,034
Goodwill and Intangible Assets	2,377,624	2,929,785
Deferred Tax Assets	138,321,979	140,577,560
Other Assets	30,652,094	78,443,647
Total Assets	11,438,682,708	11,232,306,549
Liabilities:		
Due to Banks and FIS	139,306,122	184,637,987
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	9,801,609,832	9,525,533,382
Borrowings	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	137,266,532	166,897,982
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	10,078,182,485	9,877,069,350
Equity		
Share Capital	867,993,800	867,993,800
Share Premium	22,399,272	22,399,272
Retained Earnings	(471,598,916)	(507,287,541)
Reserves	941,706,066	972,131,668
Total Equity Attributable to Equity Holders	1,360,500,223	1,355,237,199
Non Controlling Interest	-	-
Total Equity	1,360,500,223	1,355,237,199
Total Liabilities and Equity	11,438,682,708	11,232,306,549
Contingent liabilities and commitment	106,232,075	84,905,432
Total Value of Assets Per Share	1,317.83	1,294.05
Net worth per share	156.08	155.60

**Condensed Statement of Profit or Loss
For the Quarter ended Poush 2081**

Amount in NPR

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	219,126,874	468,925,491	267,362,830	546,456,182
Interest Expenses	152,436,401	320,626,040	177,979,392	363,369,682
Net Interest Income	66,690,473	148,299,452	89,383,438	183,086,500
Fee and Commission Income	6,572,242	15,618,595	10,922,024	22,000,518
Fee and Commission Expenses	-	-	-	-
Net Fee and Commission Income	6,572,242	15,618,595	10,922,024	22,000,518
Net Interest, Fee and Commission Income	73,262,715	163,918,047	100,305,462	205,087,018
Net Trading Income	-	-	-	-
Other Operating Income	773,419	21,180,147	2,664,710	34,525,321
Total Operating Income	74,036,134	185,098,194	102,970,172	239,612,339
Impairment Charge/(Reversal) for Loans and Other Losses	64,024,391	83,010,323	(71,292,419)	(89,805,296)
Net Operating Income	10,011,743	102,087,871	174,262,591	329,417,635
Personnel Expenses	25,798,325	58,826,013	40,962,552	83,553,380
Other Operating Expenses	19,691,293	39,774,981	20,170,566	40,526,308
Depreciation and Amortization	3,336,210	6,686,363	3,870,831	7,689,529
Operating Profit	(38,814,085)	(3,199,486)	109,258,642	197,648,418
Non Operating Income	414,800	607,000	4,243,163	7,544,416
Non Operating Expenses	-	1,119,936	27,909,306	30,955,323
Profit Before Income Tax	(38,399,285)	(3,712,423)	85,592,498	174,237,510
Income tax expense				
Current Tax	(10,406,059)		11,407,737	29,585,592
Deferred Tax	(1,113,727)	(1,113,727)	14,270,012	23,046,199
Profit/(Loss) for the period	(26,879,499)	(2,598,696)	59,914,749	121,605,719
Basic Earnings Per Share				
Earnings Per Share(Annualized)		(0.60)		28.02
Diluted Earnings Per Share(Annualized)		(0.60)		28.02

Condensed Statement of Comprehensive Income

As on Quarter Ended Poush End 2081

Particulars	Current Year		Previous Year (Corresponding)	
	This Quarter	Upto This Quarter(YTD)	This Quarter	Upto this Quarter(YTD)
Profit for the year	(26,879,499)	(2,598,696)	59,914,749	121,605,719
Other Comprehensive Income, Net of Income Tax				
a) Items that will not be reclassified to profit or loss				
Gains/(losses) from investment in equity instruments measured at fair value	(7,818,275)	11,231,028	43,659,823	(45,824,202)
Gains/(losses) on revaluation				
Actuarial gains/(losses) on defined benefit plans				
Income tax relating to above items	2,345,483	(3,369,308)	(13,097,947)	13,747,261
Net other comprehensive income that will not be reclassified to profit or loss	(5,472,793)	7,861,720	30,561,876	(32,076,941)
b) Items that are or may be reclassified to profit or loss				
Gains/(losses) on cash flow hedge				
Exchange gains/(losses)(arising from translating financial assets of foreign operation)			-	
Income tax relating to above items				
Reclassify to profit or loss				
Net other comprehensive income that are or may be reclassified to profit or loss	-	-		-
c) Share of other comprehensive income of associate accounted as per equity method				-
Other Comprehensive Income for the year, Net of Income Tax	(5,472,793)	7,861,720	30,561,876	(32,076,941)
Total Comprehensive Income for the Period	(32,352,292)	5,263,024	90,476,625	89,528,778
Total Comprehensive Income attributable to:				
Equity-Holders of the Bank	(32,352,292)	5,263,024	90,476,625	89,528,778
Non-Controlling Interest				
Total	(32,352,292)	5,263,024	90,476,625	89,528,778

Ratios as per NRB Directive

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter(YTD)	This Quarter	Upto This Quarter(YTD)
Tier I Capital to RWA		10.03%		10.49%
Capital fund to RWA		11.49%		12.05%
Gross Non Performing Loan (NPL)		14.42%		13.73%
Net Non Performing Loan (NPL)		3.06%		3.61%
Total loan loss provision to total NPL		91.05%		87.49%
Cost of funds		6.00%		8.39%
Credit to Deposit Ratio (Calculated as per NRB Directives)		76.63%		80.57%
Base Rate		9.00%		11.58%
Interest Rate Spread		4.58%		4.56%
Return on Equity		-0.76%		17.39%
Return on Assets		-0.09%		4.70%

Notes:

1. Above Financial statements are prepared in accordance with Nepal Financial Reporting Standards(NFRS). Loan loss provision has been calculated as per NRB Directive number 2 and Impairment charge has not been calculated as per NFRS 9.
2. These figure may vary with the audited figures at the instance of external auditor and/or regulators.
3. Figure may be regrouped and rearranged wherever necessary.
4. Loan and advances to customers include loan to customers and loan to employees, accrued interest receivable and net of impairment charges.
5. Personnel expenses includes employee bonus provision.
6. Other Comprehensive income includes the fair value changes of items net of tax.



Statement of Changes in Equity
For the Period from 1st Shrawan 2081 to 29th Poush 2081

Particulars	Attributable to Equity-Holders of the Finance									
	Share Capital	Share Premium	General Reserve	Exchange Equalization	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
Balance at Shrawan 01, 2081	867,993,800	22,399,272	431,876,946	172,628	430,744,430	81,720,824		(507,287,541)	27,616,839	1,355,237,198
Comprehensive Income for the year						7,861,720				7,861,720
Profit for the year								(2,598,696)		(2,598,696)
Other Comprehensive Income, Net of Tax										
Total Comprehensive Income for the year						89,582,543				
Transfer to Reserves during the year					14,526,906			15,622,755	1,095,849	
Transfer from Reserves during the year					53,910,076			53,910,076		
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					(39,383,170)			38,287,321	1,095,849	
Balance at Poush 29, 2081	867,993,800	22,399,272	431,876,946	172,628	391,361,260	89,582,543		(471,598,916)	28,712,688	1,360,500,221

Statement of Cash Flow
For the Period from 1st Shrawan 2081 to 29th Poush 2081

Particulars	Current Year Upto this Quarter	Corresponding Previous Year Upto this Quarter
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received (+)	468,925,491	546,456,182
Fees and other income received (+)	15,618,595	22,000,518
Divided received (+)	223,628	304,655
Receipts from other operating activities (+)	36,575,114	56,221,184
Interest paid (-)	(320,626,040)	(363,369,682)
Commission and fees paid (-)	-	-
Cash payment to employees (-)	(58,826,013)	(64,233,717)
Other expense paid (-)	(39,774,981)	(40,526,308)
Operating cash flows before changes in operating assets and liabilities	102,115,795	156,852,833
(Increase)/Decrease in operating assets	316,299,850	(491,449,236)
Due from Nepal Rastra Bank	370,811,980	(5,764,007)
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	75,611,805	22,082,362
Loans and advances to customers	(14,217,914)	(493,544,386)
Other assets	(115,906,021)	(14,223,205)
Increase/(Decrease) in operating liabilities	201,113,135	460,793,293
Due to bank and financial institutions	(45,331,865)	(91,841,762)
Due to Nepal Rastra Bank	-	-
Deposit from customers	276,076,450	539,068,184
Borrowings	-	-
Other liabilities	(29,631,450)	13,566,871
Net cash flow from operating activities before tax paid	619,528,780	126,196,890
Income taxes paid (-)	-	(52,631,791)
Net cash flow from operating activities	619,528,780	73,565,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	(118,816,526)
Receipts from sale of investment securities	49,864,304	-
Purchase of property and equipment	(866,641)	(1,750,491)
Receipt from the sale of property and equipment	-	-
Purchase of intangible assets	(7,500)	(615,023)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-

Receipt from the sale of investment properties	-	42,117,187
Interest received	-	-
Dividend received	-	-
Net cash used in investing activities	48,990,163	(79,064,852)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	-
Dividends paid	-	-
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	668,518,943	(5,499,754)
Cash and cash equivalents at beginning of the year	1,631,894,971	1,761,389,429
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Cash and cash equivalents at Poush End, 2081	2,300,413,914	1,755,889,675

Statement of Distributable Profit or Loss
For the Period Ended 29th Poush 2081
(As per NRB Regulation)

Particulars	Current Year Upto this Quarter YTD	Previous Year Corresponding Quarter YTD
Net profit or (loss) as per statement of profit or loss	(2,598,696)	121,605,719
Appropriations:		
a. General reserve	-	(24,321,144)
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	-	(1,216,057)
e. Employees' training fund	(1,095,849)	(839,645)
f. Other	-	-
CSR Fund	-	5,000
Reversal of Fair Value Reserve	-	-
Profit or (loss) before regulatory adjustment	(3,694,545)	95,233,873
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(14,526,906)	(25,739,970)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
b. Short loan loss provision in investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	51,654,495	26,533,828
e. Deferred tax assets recognized (-)/ reversal (+)	2,255,581	9,298,939
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Net Profit for the Quarter End 29th Poush 2081 available for distribution	35,688,625	105,326,670
Opening Retained Earning as on Shrawan 1 2081	(507,287,541)	(624,773,621)
Adjustment(+/-)		
Distribution:		
Bonus Share Issued	-	-
Cash Dividend Paid	-	-
Total Distributable profit or (loss) as on Qtr end date	(471,598,916)	(519,446,952)
Annualised Distributable Profit/Loss per share	(54.33)	(59.84)

धितोपत्र दर्ता तथा निष्काशन नियमावली २०७३ को अनुसूची -१४ (नियम २६ को उपनियम (१) सँग सम्बन्धित)
आ.व. २०८०/०८१ को दोस्रो त्रैमासिक प्रतिवेदन

१. वित्तीय विवरण :

(क) त्रैमासिक अवधिको वासलात, नाफा नोक्सान सम्बन्धी विवरण: यस त्रयमास अवधिको वासलात, नाफा नोक्सान सम्बन्धी Unaudited Financial Results (Quarterly) यसै साथ प्रकाशित गरिएको छ । साथै, उक्त विस्तृत त्रैमासिक प्रतिवेदन यस वित्तीय संस्थाको वेबसाईट www.gurkhasfinance.com.np मा समेत राखिएको छ ।

(ख) यस अवधिको प्रमुख वित्तीय अनुपातहरू यस प्रकार रहेका छन् ।

प्रति सेयर आम्दानी	पि.ई. अनुपात	प्रति सेयर नेटवर्थ	प्रति सेयर कुल सम्पत्तीको मूल्य	तरलता अनुपात
रु (०.६०)	-	रु १५६.०८	रु १,३१७.८३	३४.२७%

२. व्यवस्थापकीय विश्लेषण :

(क) त्रैमासिक अवधिमा संस्थाको मौज्जात, आम्दानी र तरलतामा कुनै परिवर्तन भए सो को प्रमुख कारण सम्बन्धी विवरण: यस त्रैमासमा वित्तीय संस्थाबाट निक्षेप संकलनमा वृद्धि भएको छ भने कर्जा लगानी तथा सञ्चालन मुनाफामा केही कमी आएको छ ।

(ख) आगामी अवधिको व्यवसायिक योजना सम्बन्धमा व्यवस्थापनको विश्लेषणात्मक विवरण: आगामी दिनमा संस्थाले निक्षेपमा वृद्धि गर्ने र कर्जा निक्षेपको अनुपातलाई तोकिएको अनुपातमा कायम राखी थप कर्जा विस्तार गरी मुनाफा वृद्धि गर्ने रणनीतिक योजना व्यवस्थापनको रहेको छ ।

(ग) विगतको अनुभवबाट, संगठित संस्थाको मौज्जात, नाफा वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने घटना, अवस्था आदि भएमा सो सम्बन्धी विश्लेषणात्मक विवरण: संस्थाको नगद मौज्जात, नाफा नोक्सान वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने कुनै खास घटना वा अवस्था हाल रहेको देखिदैन ।

३. कानुनी कारवाही सम्बन्धी विवरण :

(क) त्रैमासिक अवधिमा संगठित संस्थाले वा संस्थाको विरुद्ध कुनै मुद्दा दायर भएको भए: कर्जा असुलीको क्रममा हुने मुद्दा बाहेक वित्तीय संस्थाले वा संस्था विरुद्ध कुनै मुद्दा दायर भएको छैन ।

(ख) संगठित संस्थाको संस्थापक वा संचालकले वा संस्थापक वा संचालकको विरुद्ध प्रचलित नियमको अवज्ञा वा फौजदारी अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर गरेको वा भएको भए: वित्तीय संस्थाको जानकारीमा नरहेको ।

(ग) कुनै संस्थापक वा संचालक विरुद्ध आर्थिक अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर भएको भए: वित्तीय संस्थाको जानकारीमा नरहेको ।

४. संगठित संस्थाको सेयर कारोबार सम्बन्धी विश्लेषण :

(क) धितोपत्र बजारमा भएको संगठित संस्थाको सेयरको कारोबार सम्बन्धमा व्यवस्थापनको धारणा: यस वित्तीय संस्थाको सेयर मूल्य धितोपत्र बजारको नीति नियम अनुसार खुल्ला बजारले निर्धारण गर्ने गरेको र सोही अनुसार नै कारोबार हुने गरेको छ ।

(ख) त्रैमासिक अवधिको सेयरको अधिकतम, न्युनतम, अन्तिम मूल्य, कारोबार भएको कुल दिन तथा कारोबार संख्या:

सेयरको अधिकतम मूल्य	रु. ८४०.००	सेयरको न्यूनतम मूल्य	रु. ६२०
सेयरको अन्तिम मूल्य	रु. ६५०	सेयर कारोबार भएको कूल दिन	५७ दिन
सेयरको कारोबार संख्या	१,९१०,३९४	कुल कारोबार संख्या	१६,५५२

५. समस्या तथा चुनौती :

क) आन्तरिक समस्या तथा चुनौती	ख) बाह्य समस्या तथा चुनौती	ग) रणनीति
<p>अ) कर्जा असुलीमा देखिएको चुनौती</p> <p>आ) बढ्दो सञ्चालन खर्च</p> <p>इ) घट्दो खुद व्याजदर अन्तर</p> <p>ई) सञ्चालन जोखिममा वृद्धि</p>	<p>अ) लगानीयोग्य वातावरणको अभाव ।</p> <p>आ) घरजग्गाको सुस्त कारोबारले गैह्र बैकिङ सम्पत्ति समयमा विक्री गर्न नसकिनु ।</p> <p>इ) कर्जा असुलीमा स्थानीय निकायको समन्वयकारी भूमिकाको अभाव ।</p>	<p>अ) लगानीका नयाँ क्षेत्रहरु पहिचान गरी लगानी गर्ने ।</p> <p>आ) कर्मचारीहरुको निरन्तर वृत्ति विकासमा जोड दिने ।</p> <p>इ) जोखिम पहिचान गरी जोखिम न्युनिकरण गर्ने ।</p> <p>ई) चल्ती तथा बचत निक्षेपमा जोड ।</p> <p>उ) साना तथा मझौला कर्जामा जोड ।</p> <p>ऊ) नविनतम प्रविधिहरुको प्रयोग ।</p>

६. संस्थागत सुशासन :

- क) यस संस्थाले विद्यमान ऐन कानून तथा नीति नियम र नियमनकारी निकायहरुबाट प्राप्त निर्देशनहरु मुताविक आफ्नो व्यवसाय संचालन गर्दै आएको छ ।
- ख) संस्थाको आन्तरिक नियन्त्रण प्रणालीलाई व्यवस्थित गर्न आन्तरिक लेखापरीक्षकबाट त्रैमासिक रुपमा लेखापरीक्षण गराई प्रतिवेदनमा दिइएको सुझावहरु कार्यान्वयन गर्ने तथा लेखापरीक्षण समितिले दिएका निर्देशनहरुको कार्यान्वयन गर्दै आएको छ ।
- ग) आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा नेपाल राष्ट्र बैंकबाट समय समयमा हुने निरीक्षणबाट प्राप्त सुझावहरुको पूर्ण पालना गर्दै संस्थागत सुशासनलाई सुदृढ बनाउन संचालक समिति र व्यवस्थापन प्रतिबद्ध रहेको छ ।

७. सत्य, तथ्यता सम्बन्धमा कार्यकारी प्रमुखको उद्घोषण :

आजका मितिसम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरुको शुद्धता सम्बन्धमा म व्यक्तिगत रुपमा पूर्ण उत्तरदायित्व लिन्छु । साथै म उद्घोषण गर्दछु कि मैले जाने बुझेसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरु सत्य, तथ्य र पूर्ण छन् र लगानीकर्ताहरुलाई सुसूचित निर्णय लिन आवश्यक विवरण, सूचना तथा जानकारीहरु लुकाईएको छैन ।

Notes to the Interim Financial Statements

1. Basis of Preparation

The interim financial statements of the Finance have been prepared on going concern basis and under historical conventions except where the standards require otherwise.

Further, the financial statements have been prepared on accrual basis of accounting except the cash flow information which is prepared, on a cash basis, using the direct method.

2. Statement of Compliance with NFRS

The Interim Financial Statements of the Finance have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS)-NAS 34 “Interim Financial Reporting” as published by the Accounting Standards Board (ASB) Nepal and pronounced by “The Institute of Chartered Accountants of Nepal” (ICAN) and carve out issued by the Institute of Chartered Accountants of Nepal and in compliance with BAFIA 2073 and Unified Directives 2080 issued by Nepal Rastra Bank and all other applicable laws and regulations.

The formats used in the preparation of the Financial Statements and the disclosures made therein comply with the specified formats prescribed by Nepal Rastra Bank for the preparation, presentation and publication of Interim Financial Statements.

The Condensed Interim Financial Statement comprise of:

- Condensed Statement of Financial Position
- Condensed Statement of Profit or Loss
- Condensed Statement of Comprehensive Income
- Condensed Statement of Changes in Equity
- Condensed Statement of Cash Flows
- Notes to Interim Financial Statements and
- Ratios as per NRB Directive
- Statement of Distributable Profit (As per NRB Regulation)

3. Reporting Period

Reporting Period is a period from the first day of Shrawan of any year to the last day of quarter end, i.e; Ashoj, Poush, Chaitra and Ashadh as per Nepali calendar.

	Nepali Calendar	English Calendar
Current Year Period	1 st Shrawan 2081 to	16 th July 2024 to
	29 th Poush 2081	13 th January 2025
Previous Year Period	1 st Shrawan 2080 to	17 th July 2023 to
	29 th Poush 2080	14 th January 2024

4. Functional and Presentation Currency

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

5. Comparative Information

Comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's interim financial statement and re-classified wherever necessary to conform to current period presentation. Further, audited Financials has been taken into consideration for Comparison purpose.

6. Use of Estimates, assumptions and judgments

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

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

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

7. Changes in accounting policies

The Finance has applied its accounting policies consistently from year to year except for some comparatives have been grouped or regrouped to facilitate comparison, corrections of errors and any deviations from the same have been explicitly mentioned.

8. Significant Accounting Policies

The accounting policies applied and method of computation followed in the preparation of the consolidated interim financial statement is in consistent with the accounting policies applied and method of computation followed in preparation of the annual financial statement.

8.1 Cash and Cash Equivalent

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

8.2 Financial Assets and Financial Liabilities

The Finance determines the classification of its financial instruments (assets and liabilities) at initial recognition. The classification of financial instruments is done as:

- Financial assets or liabilities held-for-trading

- Financial assets or liabilities held at fair value through profit or loss
- Financial Instruments measured at amortized cost
- Financial Investments at FVTOCI

8.2.1 Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Finance becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

8.2.2 Classification

The classification of financial instruments at initial recognition depends on the purpose and the management’s intention for which the financial instruments are acquired and their characteristics.

a. Financial assets or liabilities held-for-trading

Financial assets / liabilities held for the purpose of selling in the short term and for which there is a recent pattern of short term profit taking. The Finance has not designated any financial assets and liabilities upon initial recognition as held for trading.

b. Financial assets or liabilities designated at fair value through profit or loss

Management designates an instrument at fair value through profit or loss upon initial recognition when the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.

The Finance has not designated any financial assets and liabilities upon initial recognition as at fair value through profit or loss.

c. Financial Instruments measured at amortized cost

These financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Finance has the intention and ability to hold to maturity. After initial measurement, such financial investments are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less impairment. Amortized cost is generally calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

Included in this classification are loans and advances, treasury bills, government bonds and other debt securities.

d. Financial Assets and liabilities measured at fair value through other comprehensive income.

These investments include equity and debt securities. Equity investments classified as FVOCI are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. After initial measurement, such financial investments are subsequently measured at fair value.

8.2.3 Measurement

Initial Measurement

A financial asset or financial liability is measured initially at fair value plus, 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.

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.

8.2.4 De-recognition

Financial assets are derecognized when the right to receive cash flows from the assets have expired or where the Finance has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Finance has retained control, the assets continue to be recognized to the extent of the Finance's continuing involvement. Financial liabilities are derecognized when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expired.

8.2.5 Determination of Fair value

Fair value is the amount for which an asset could be exchanged or a liability be settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair values are determined according to the following hierarchy as per NFRS 13:

Level 1 input are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The finance measures the fair value of an instrument using quoted prices in an active market if available. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transaction on arm's length basis.

Further, all unquoted equity investments are recorded at cost.

8.2.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when and only when Finance has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under NFRSs or for gains and losses arising from a group of similar transaction such as in trading activity.

8.2.7 Impairment of Financial Assets and liabilities

Loans & Advances: The Finance recognizes impairment on loans and advances as the higher of the amount computed as per the norms prescribed by the Regulator and amount determined as per paragraph 63 of NAS -39.

Under the norms prescribed by the Regulator, impairment is provisioned from 1% to 100% of the outstanding balance depending on the categorization of the individual loans & advances.

For assessment of impairment under NAS 39, the Finance reviews its individually significant loans and advances at each statement of financial position date against pre-determined criteria to assess whether an impairment loss should be recorded in the income statement. The Finance has set the criteria of significance for Individual Impairment as follows:

- i.** Top 150 Customers based on the amortized cost, outstanding as at year end date
- ii.** The loans those are overdue for more than 180 days as at year end date.

In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. All individually not significant loans and advances and those significant loans & advances not individually impaired are assessed collectively, in groups of assets with similar product nature (viz. Home Loan, Hire Purchase Loan, Short Term Loan, Term Loan and Personal Loan), to determine whether impairment need to be recognized due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Financial investments at FVOCI:

For these financial investments, the Finance assesses at each reporting date whether there is objective evidence that an investment is impaired. The Finance assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost.

In the case of equity investments, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized in other comprehensive income.

8.3 Reversal of Impairment

If the amount of an impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by

reducing the financial asset Impairment allowance account accordingly. The write-back is recognized in the Statement of Profit or Loss.

8.4 Write-off of Financial Assets Carried At Amortized Cost

Financial assets (and the related impairment allowance accounts) are normally written off either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

8.5 Collateral Valuation

The Finance seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Nepal Rastra Bank. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuator and audited financial statements.

8.6 Collateral Legally Repossessed or Where Properties Has Devolved to the Finance

Legally Repossessed Collateral represents Non-Financial Assets acquired by the Finance in settlement of the overdue loans. The assets are initially recognized at fair value when acquired. The Finance's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. The proceeds are used to reduce or repay the outstanding claim. The immovable property acquired by foreclosure of collateral from defaulting customers, or which has devolved on the Finance as part settlement of debt, has not been occupied for business use.

These assets are shown as Legally Repossessed Collateral under "Other Assets."

8.7 Trading Assets

One of the categories of financial assets at fair value through profit or loss is "held for trading" financial assets. All financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short term profit taking are trading assets.

8.8 NFRS Carve out Recognition and Measurement (Incurred Loss Model to measure the Impairment Loss on Loans and Advances)

NAS 39 Para 58 requires an entity to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.

However, as per carve out on NAS 39 Para 58, the Finance has assessed and measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

8.9 Derivative financial Instruments: -

Finance does not have any Derivative Financial Instruments

8.10 Property Plant and Equipment

8.10.1 Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Finance applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets.

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably measured.

8.10.2 Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

8.10.3 Cost Model

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

8.10.4 Revaluation Model

The Finance has not applied the revaluation model to the any class of freehold land and buildings or other assets. Such properties are carried at a previously recognized GAAP Amount.

On revaluation of an asset, any increase in the carrying amount is recognized in 'Other comprehensive income' and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

8.10.5 Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Finance and it can be reliably measured. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

8.10.6 Depreciation

Depreciation is calculated by using the written down value method on cost or valuation of the Property & Equipment other than freehold land and leasehold properties. Depreciation on leasehold properties is calculated by using the straight line method on cost or valuation of the property. The rates of depreciations are given below:

Asset Category	Estimated useful life (years)	Salvage Value
Building	50	5%
Leasehold Properties	Lease period	0%
Computer & Accessories	5	0%
Vehicle	10	5%
Furniture & Fixture	7	3%
Machinery	10	5%
Equipment & Others	3-5	0%

Depreciation on newly acquired property and equipment's are charged from the date of booking. Depreciation of property and equipment ceases when it is de-recognized at the time of its disposal.

8.10.7 Changes in Estimates

The asset's methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

8.10.8 Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

8.10.9 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of an asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Finance incurs in connection with the borrowing of funds.

8.10.10 De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

8.11 Goodwill and Intangible Assets

8.11.1 Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Finance in previous annual Financial Statements or interim Financial Statements are not recognized as part of the cost of an intangible asset at a later date.

8.11.2 Computer Software & Licenses

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Finance, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

8.11.3 Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Goodwill is measured at cost less accumulated impairment losses.

8.11.4 Amortization of Intangible Assets

Intangible Assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the finance. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Finance assumes that there is no residual value for its intangible assets.

Asset Category	For the period ended 13th January 2025	For the period ended 14th January 2024
Computer Software	5 Years	5 Years

8.11.5 De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on de recognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

8.12 Investment Property

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

Investment properties are initially measured at cost, including transaction costs. Subsequently all investment properties (without exception) are reported at fair value with any gains or losses in fair value

reported in the income statement as they arise. The fair value used is that which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction and should reflect market conditions at the balance sheet date.

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

8.13 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. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

8.14 Current Tax

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

8.15 Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except: Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in Subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

8.16 Deposits and liabilities

Deposit and liabilities are the Finance's sources of funding. Deposits include noninterest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The fair value of fixed interest bearing deposits is considered as the interest receivable on these deposits plus carrying amount of these deposits. The fair value of debt securities issued is also considered as the carrying amount of these debt securities issued. Sub-ordinate liabilities are liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors.

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

8.17 Provisions

A provision is recognized if, as a result of a past event, the Finance 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 in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Finance from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provisions are not recognized for future operating losses.

Before a provision is established, the Finance recognizes any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

8.18 Revenue Recognition

As per NAS 18 “Revenue” Revenue is recognized to the extent that it is probable that the economic benefits will flow to Finance and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

8.18.1 Interest Income

For all financial assets measured at amortized cost, interest bearing financial assets classified as available-for-sale interest income is recorded using the rate that closely approximates the EIR because the Finance considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Similarly, interest bearing financial assets classified as Fair value through Profit and loss Effective interest is not recognized on such instruments. As transaction cost on such instruments are directly recognized in the statement of Profit and loss.

Further, as per the carve out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately and separate EIR computation for every customer seems impracticable, such transaction costs of all previous years has not been considered when computing EIR. Due to impracticability, such relevant costs are ignored, due to which EIR rate equals to the rate provided to customers and therefore, income recognized by system on accrual basis has been considered as income.

8.18.2 Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income.

Fees and other commission income are recognized on accrual basis.

8.18.3 Dividend Income

Dividend income is on equity instruments are recognized in the statement of profit and loss within other income when the Finance’s right to receive payment is established.

8.18.4 Net Trading Income

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

8.18.5 Net Income from other financial instrument at fair value through Profit or Loss

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No other financial instrument is designated at fair value through profit or loss. The Finance has no income under the heading net income from other financial instrument at fair value through profit or loss.

8.18.6 Interest Expense

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate, interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated

future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

8.18.7 Employee Benefits

Employee benefits include:

- Short-term employee benefits such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
 - i. Wages, salaries and social security contributions;
 - ii. Paid annual leave and paid sick leave;
 - iii. Profit sharing and bonuses, and
 - iv. Non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;

Short term employee benefits are measured on an undiscounted basis and are expenses as the related service is provided.

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

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an Finance pays fixed contribution into a separate Finance (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

Gratuity

An actuarial valuation is carried out every year to ascertain the full liability under gratuity. The calculation is performed using project unit credit method. However, actuarial valuation has not been done in quarterly financials and hence will be adjusted in Annual Financials.

Unutilized Accumulated Leave

Finance's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Finance's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Finance's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise. However, actuarial valuation has not been done in quarterly financials and hence will be adjusted in Annual Financials.

8.19 Other Operating Expenses.

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

8.20 Share capital and reserves

Share capital and reserves are different classes of equity claims. Equity claims are claims on the residual interest in the assets of the entity after deducting all its liabilities. Changes in equity during the reporting period comprise income and expenses recognized in the statement of financial performance; plus, contributions from holders of equity claims, minus distributions to holders of equity claims.

8.21 Earnings per share

Finance 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 Finance by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

9. Segment Reporting

As Per NFRS 8, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Finance has identified reportable segment on basis of business on the nature of banking operations. It helps management to assess the performance of the business segments. The business segments identified are Banking (including Loans and Deposits), Cards, Remittance and Treasury.

**A. Information about reportable segments**

Particulars	Banking	Treasury	Card	Remittance	All Others	Total
(a) Revenue from external customers	437,556,137	63,458,138	102,553	138,628	5,075,776	506,331,233
(b) Intersegment revenues						0.00
(c) Net Revenue	437,556,137	63,458,138	102,553	138,628	5,075,776	506,331,233
(d) Interest Revenue	425,907,652	43,017,839	-	-	-	468,925,491
(e) Interest Expense	320,626,040					320,626,040
(f) Net interest revenue (b)	105,281,612	43,017,839				148,299,452
(g) Depreciation and Amortization	6,686,363					6,686,363
(h) Segment profit/(loss)	98,595,249	43,017,839	0	0	0	141,613,088
(i) Entity's interest in the profit or loss of associates accounted for using equity method						0.00
(j) Other material non-cash items:						0.00
(k) Impairment of assets	1,000,391,917					1,000,391,917
(l) Segment assets	10,261,220,407	1,008,488,228		1,712,254	167,261,819	11,438,682,708
(m) Segment liabilities	9,940,915,953		1,768,515		135,498,017	10,078,182,485

B. Reconciliation of reportable segment profit or loss

Particulars	Current Quarter
Total Profit before tax for reportable segment	(3,712,423)
profit before tax for other segment	-
Elimination of intersegment profit	-
Elimination of discontinued operation	-
Uncollected Amounts:	-
- Other Corporate Expenses	-
Profit before tax	(3,712,423)

10. Concentration of Borrowings, Credits and Deposits
A. Concentration of Borrowings

Particulars	As on Poush End 2081	As on Poush End 2080
Borrowings from 10 largest lenders	-	-
Percentage of borrowings from ten largest lenders to total depositors	-	-

B. Concentration of Credit Exposures

Particulars	As on Poush End 2081	As on Poush End 2080
Total Credit to twenty largest borrowers		
a. As per group (related party)	1,046,603,810.48	1,080,878,552.29
b. As per individual customer	939,072,381.64	967,050,466.10
Percentage of exposures to twenty largest borrowers to Total Loans and Advances		
a. As per group (related party)	13.74%	15.33%
b. As per individual customer	12.33%	13.71%

C. Concentration of Deposits

Particulars	As on Poush End 2081	As on Poush End 2080
Total Deposit from twenty largest depositors	-	-
a. Group-wise	1,719,451,221.51	1,731,616,469.80
b. As per individual customer	1,040,845,240.17	1,206,363,245.40
Percentage of deposits from twenty largest depositors to Total Deposits		
a. Group-wise	17.30%	19.78%
b. As per individual customer	10.47%	13.78%

11. Related party disclosures

The related parties of the Finance which meets the definition of related parties as defined in "NAS 24 Related Party Disclosures" are as follows-
As per Para 9 of NAS 24

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Mr Gaurab Budhathoki	Chairman
Ms Kalpana Khapung	Director
Mr Yubaraj Rai	Director
Mr Narendra Kumar Agrawal	Director
Ms Neelam Bohara	Director
Mr Mukunda Shrestha	Acting Chief Executive Officer

Compensation to the Members of the Board

All the members of the Board are non-executive directors and no executive compensation is paid to the directors. Specific non-executive allowances paid to the directors till current period ended Poush 2081 are as under.

Particulars	Amount
Board Meeting Fees	460,000.00
Committee Sitting Fee	175,000.00
Board Meeting Expenses	140,953.78
BOD Travelling Expenses	114,128.43
Total	890,082.21

These allowances are approved by the Annual General Meeting of the finance.

12. Dividend paid (aggregate or per share) separately for ordinary shares and other shares

The Finance has not proposed any dividend in this year.

13. Issued, repurchases and repayments of debt and equity securities

There is no issues, repurchase and repayments of debt and equity securities during the interim period as on Poush End 2081.

14. Events after Interim Period

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

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

15. Effect of changes in the composition of the entity during the interim period including merger and acquisition

There is no any merger and acquisition effecting the changes in the composition of the entity during the interim period on Ashoj End 2081.

*****The End*****