



INTERIM FINANCIAL STATEMENTS

PERIOD: POUH END 2080 (14TH JANUARY 2024)

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Forward Microfinance Laghubitta Bittiya Sanstha Limited
Condensed Statement of Financial Position
As on 29th Poush 2080 (14th January 2024)

Particulars	As on 29th Poush 2080	As on 30th Poush 2079
ASSETS		
Cash and cash equivalents	682,540,731	1,416,079,030
Statutory Balances and Due from Nepal Rastra Bank	98,000,000	98,000,000
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advance to MFIs and Cooperatives	-	-
Loans and Advances to customers	19,112,055,594	19,765,565,109
Investment Securities	408,334	2,000,000
Current Tax Assets	56,257,172	23,627,846
Investment Property	-	-
Property and Equipment	198,264,595	204,962,952
Goodwill and Intangible assets	1,547,581	2,175,819
Deferred Tax Assets	110,176,274	3,264,818
Other Assets	187,613,435	44,219,263
Total Assets	20,446,863,715	21,559,894,835
	As on 29th Poush 2080	As on 30th Poush 2079
Liabilities		
Due to Bank and Financial Institutions	8,790,255,352	9,857,754,117
Due to Nepal Rastra Bank	-	-
Derivative Financial Instrument	-	-
Deposits from Customers	8,568,722,080	8,431,316,105
Borrowing	14,583,333	25,462,854
Current Tax Liabilities	-	-
Provisions	25,746,829	-
Deferred Tax Liabilities	-	-
Other Liabilities	345,185,163	481,276,215
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	17,744,492,758	18,795,809,291
Equity		
Share Capital	1,055,563,734	1,055,563,734
Share Premium	-	-
Retained Earnings	423,585,547	720,486,602
Reserves	1,223,221,676	988,035,209
Total Equity	2,702,370,957	2,764,085,544
Total Liabilities and Equity	20,446,863,715	21,559,894,835

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Condensed Statement of Profit or Loss
For the Quarter ended 29th Poush 2080 (14th January 2024)

Particulars	Quarter ended 29th Poush 2080		Quarter ended 30th Poush 2079	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	702,871,830	1,407,067,214	743,035,163	1,517,329,815
Interest Expense	402,414,880	837,086,937	468,809,530	947,382,019
Net Interest Income	300,456,950	569,980,277	274,225,633	569,947,796
Fees and Commission Income	39,214,892	87,791,005	57,681,307	115,318,817
Fees and Commission Expense	1,702,950	3,690,850	3,298,100	9,361,400
Net Fee and Commission Income	37,511,942	84,100,155	54,383,207	105,957,417
Net Interest, Fee and Commission income	337,968,892	654,080,432	328,608,839	675,905,212
Net Trading Income	-	-	-	-
Other Operating Income	164,704	495,085	533,819	1,403,457
Total Operating Income	338,133,596	654,575,517	329,142,659	677,308,669
Impairment charge/(reversal) for loans and other losses	73,033,316	378,000,756	127,925,005	213,521,910
Net Operating Income	265,100,280	276,574,761	201,217,654	463,786,759
Operating Expense				
Personnel Expenses	151,778,247	245,479,669	106,807,818	246,021,278
Other Operating Expenses	20,674,133	39,686,275	20,030,970	37,031,313
Depreciation and Amortization	7,169,360	10,754,040	368,829	3,547,699
Operating Profit	85,478,540	(19,345,223)	74,010,037	177,186,469
Non-Operating Income	180,259	180,259	-	-
Non-Operating Expense	521,364	521,364	-	-
Profit Before Income Tax	85,137,435	(19,686,328)	74,010,037	177,186,469
Income Tax Expense	31,413	6,193,627	22,200,311	53,155,941
<i>Current Tax</i>	31,413	6,193,627	22,200,311	53,155,941
<i>Deferred Tax</i>	-	-	-	-
Profit or (loss) for the period	85,106,022	(25,879,955)	51,809,726	124,030,528
Profit or (loss) attributable to:				
Equity holders of the Microfinance Institutions	85,106,022	(25,879,955)	51,809,726	124,030,528
Earnings Per Share (EPS)				
Basic EPS		(2.45)		11.75
Basic EPS (Annualized)		(4.90)		23.50
Diluted EPS (Annualized)		(4.90)		23.50

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Statement of Comprehensive Income
For the Quarter ended 29th Poush 2080 (14th January 2024)

Particulars	Quarter ended 29th Poush 2080	Quarter ended 30th Poush 2079
Profit or loss for the period	(25,879,955)	124,030,528
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	-	-
Gains / (Losses) on Revaluation	-	-
Actuarial Gains / (Losses) on defined benefit plans	-	-
Income tax relating to above items	-	-
Net other Comprehensive Income that will not be reclassified to Profit or Loss		
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	-	-
Other Comprehensive income for the year, net of income tax	-	-
Total Comprehensive Income for the year	(25,879,955)	124,030,528

Forward Microfinance Laghubitta Bittiya Sanstha Limited

Ratios as per NRB Directive

Particulars	Quarter ended 29th Poush 2080		Quarter ended 30th Poush 2079	
	This Quarter	Up to this Quarter (YTD)	This Quarter	Up to this Quarter (YTD)
Capital fund to RWA		11.05%		13.05%
Non-performing loan (NPL) to total loan		7.71%		3.81%
Total loan loss provision to Total NPL		106.18%		101.78%
Cost of Funds		10.57%		11.34%
Credit to Deposit and borrowing Ratio		116.75%		111.83%
Base Rate		13.59%		13.61%
Interest Rate Spread		4.38%		3.65%

Capital Market and Other Financial Indicators	
Ratios	Figure
Liquidity ratio	7.66%
Net Assets Value per share	256.01
Total Assets Value per share	1937.06
PE Ratio	-230.45
Closing Share Price	1130
Minimum Share Price	974
Maximum Share Price	1260
Trade Count	4070
Trade days	49
Number of traded shares	207628

Forward Microfinance Laghubitta Bittiya Sanstha Limited		
Statement of Distributable profit or loss		
For the Quarter ended 29th Poush 2080		
(As per NRB Regulation)		
Particulars	Quarter ended 29th Poush 2080	Quarter ended 30th Poush 2079
Net Profit/(loss) as per Statement of Profit or Loss	(25,879,955)	124,030,528
Appropriations:		
a. General Reserve	-	(24,806,106)
b. Foreign Exchange Fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	-	(1,240,305)
e. Employees' training fund	-	-
f. Client Protection Fund	-	(1,240,305)
g. Other	-	-
Profit/(loss) before regulatory adjustment	(25,879,955)	96,743,812
Regulatory Adjustments:		
a. Interest Receivable (-)/previous accrued interest received (+)	(46,852,372)	(56,511,931)
b. Write back from restructured loans and advances	(23,455,890)	-
Net Profit or loss for the period available for distribution	(96,188,217)	40,231,881
Opening Retained Earning as on Shrawan 1	519,773,764	933,590,017
Adjustment (+/-)		
Distribution:		
Bonus shares issued	-	(211,112,747)
Cash Dividend Paid	-	(42,222,549)
Total Distributable Profit/(Loss) as on Quarter end date	423,585,547	720,486,602
Distributable Profit/(Loss) per share (Annualized)	31.02	72.07

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Statement of Cash Flows
For the Quarter ended 29th Poush 2080 (14th January 2024)

Particulars	Quarter ended 29th Poush 2080	Quarter ended 30th Poush 2079
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	1,332,698,369	1,427,263,194
Fees and other income received	87,791,005	115,324,317
Dividend received	-	-
Receipts from other operating activities	495,085	61,689,194
Interest paid	(816,014,879)	(1,007,673,257)
Commission and fees paid	(3,690,850)	(9,361,400)
Cash payment to employees	(245,479,669)	(225,968,749)
Other expense paid	(39,686,275)	(42,021,701)
Operating cash flows before changes in operating assets and liabilities	316,112,785	319,251,598
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	-	-
Placement with Bank and Financial Institutions	-	-
Other trading assets	-	-
Loans and advances to bank and financial institutions	-	-
Loans and advances to customers	(320,920,724)	(50,167,904)
Other assets	(159,200,678)	(2,818,294)
Increase/(Decrease) in operating liabilities		
Due to Bank and financial institutions	314,114,109	(236,827,077)
Due to Nepal Rastra Bank	-	-
Deposit from customers	153,461,133	472,214,737
Borrowings	(4,166,667)	(208,333)
Other liabilities	(40,510,202)	(64,603,261)
Net cash flow from operating activities before tax paid	258,889,757	436,841,466
Income taxes paid	(82,745,800)	(47,180,249)
Net cash flow from operating activities	176,143,957	389,661,217
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	-
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(772,486)	(11,564,873)
Purchase of intangible assets	-	-
Purchase of investment properties	-	-
Net cash used in investing activities	(772,486)	(11,564,873)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Receipts from issue of subordinated liabilities	-	-
Dividends paid	-	-
Other receipt/payment:		
Client protection fund and CSR reserve	(1,787,899)	(7,961,497)
Net cash from financing activities	(1,787,899)	(7,961,497)
Net increase (decrease) in cash and cash equivalents	173,583,572	370,134,847
Cash and cash equivalents at 1 Shrawan 2080 / 1 Shrawan 2079	508,957,159	1,045,944,183
Effect of exchange rate fluctuations on cash and cash equivalents held		
Cash and cash equivalents at Poush 29 2080 / Poush 30 2079	682,540,731	1,416,079,030

Forward Microfinance Laghubitta Bittiya Sanstha Limited										
Statement of Changes In Equity										
For the Quarter ended 29th Poush 2080 (14th January 2024)										
							Attributable to equity holders of the Microfinance			
	Share Capital	Share premium	General reserve	Exchange Equalisation Fund	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained earning	Other Reserves	Total equity
Balance at 1st Shrawan 2079	844,450,987	-	629,298,998	-	108,683,382	-	-	933,590,017	174,215,734	2,690,239,116
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at 1st Shrawan 2079	844,450,987	-	629,298,998	-	108,683,382	-	-	933,590,017	174,215,734	2,690,239,116
Comprehensive income for the year										
Profit for the year								124,030,528		124,030,528
Other comprehensive income, net of tax										
Gains/(losses) from investment in equity instruments measured at fair value.										
Gains/(losses) on revaluation										
Actuarial gains/(losses) on defined benefit plans										
Gains/(losses) on cash flow hedge										
Exchange gains/(losses) (arising from translating financial assets of foreign operation)										
Total Comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Transfer to Reserves during the year			24,806,106		56,511,931			(83,798,647)	2,480,611	
Transfer from reserve during the year										
Expenses from CPF									(7,961,551)	(7,961,551)
Transactions with owners, directly recognised in equity										
Share Issued										
Share Based Payments										
Dividends to equity holders										
Bonus shares issued	211,112,747							(211,112,747)		
Cash dividend paid								(42,222,549)		(42,222,549)
Other										
Total contributions by and distributions	211,112,747	-	24,806,106	-	56,511,931	-	-	(213,103,415)	(5,480,940)	73,846,428
Balance at 30th Poush 2079	1,055,563,734	-	654,105,103	-	165,195,313	-	-	720,486,602	168,734,793	2,764,085,544
Balance at 1st Shrawan 2080	1,055,563,734	-	633,888,827	-	388,508,274	(1,114,166)	-	519,773,764	133,418,378	2,863,457,189
Adjustment/Restatement										
Adjusted/Restated balance at 1st Shrawan 2080	1,055,563,734	-	633,888,827	-	388,508,274	(1,114,166)	-	519,773,764	133,418,378	2,863,457,189
Comprehensive income for the year										
Profit for the year								(25,879,955)		(25,879,955)
Other comprehensive income, net of tax										
Gains/(losses) from investment in equity instruments measured at fair value.										
Gains/(losses) on revaluation										
Actuarial gains/(losses) on defined benefit plans										
Gains/(losses) on cash flow hedge										
Exchange gains/(losses) (arising from translating financial assets of foreign operation)										
Total Comprehensive income for the year	-	-	-	-	-	-	-	(25,879,955)	-	(25,879,955)
Transfer to Reserves during the year					46,852,372			(70,308,262)	23,455,890	(23,455,890)
Transfer from reserve during the year										
<i>Other Components:</i>										
Interest income of CPF									1,399,764	1,399,764
Expenses from CPF and CSR									(3,187,663)	(3,187,663)
Transactions with owners, directly recognised in equity										
Share Issued										
Share Based Payments										
Dividends to equity holders										
Bonus shares issued										
Cash dividend paid										
Other										
Total contributions by and distributions	-	-	-	-	46,852,372	-	-	(96,188,217)	21,667,991	(5,999,862)
Balance at 29th Poush 2080	1,055,563,734	-	633,888,827	-	435,360,647	(1,114,166)	-	423,585,547	155,086,369	2,702,370,957

FORWARD MICROFINANCE LAGHUBITTA BITTIYA SANSTHA LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 Reporting Entity

Forward Microfinance Laghubitta Bittiya Sanstha Limited is a public limited company incorporated under the Companies Act, 2063 and licensed by Nepal Rastra Bank to conduct banking transaction as a “D” Class Financial Institution under the Bank and Financial Institution Act, 2073. The Microfinance has its registered head Office at Duhabi-2, Sunsari, Nepal. The Microfinance received the license to commence microfinance operations on Chaitra 06, 2069 BS (March 18, 2013 AD).

2 Basis of Preparation

2.1 Statement of compliance

These interim financial statements have been prepared in accordance with Nepal Financial Reporting Standards NFRSs with Carve-outs and as per the directives no. 4 of Unified Directives, 2079 issued by Nepal Rastra Bank (NRB) and should be read in conjunction with the Microfinance’s last audited annual financial statements. They do not include all of the information required for a complete set of financial statements in accordance with Nepal Financial Reporting Standards (NFRS) adopted by the Accounting Standards Board (ASB) of Nepal, pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

2.2 Reporting period

The reporting period for the Quarter 2 financial statements of Financial Year 2080/81 from 1st of Shrawan 2080 (17th of July 2023) to 29th of Poush 2080 (14th of January 2024).

2.3 Functional and presentation currency

The financial statements are presented in Nepalese Rupees (NPR) (rounded to the nearest Rupee unless otherwise stated), which is the Microfinance’s functional currency, the currency of the primary economic environment in which microfinance operates.

2.4 Accounting Standards issued but not yet effective

A number of amendments to accounting standards are effective for annual periods beginning after 1st Shrawan 2080 and earlier application is permitted. The Forward microfinance has not adopted any of the amended accounting standards in preparing these interim financial statements.

3. Segment Analysis

3.1 General Information

The Microfinance’s operational activities is managed centrally through Head Office. All strategic, financial and operational policies and operations are controlled and directed from the head office through province offices. The microfinance operates in 159 branches with province wise segments.

The Microfinance has identified following segments as reportable:

- a. Koshi Province
- b. Madhesh Province
- c. Bagmati Province
- d. Gandaki Province
- e. Lumbini Province
- f. Sudurpashchim Province

g. Karnali Province

There is no inter-unit cost transfer mechanism within the Microfinance.

The information about profit or loss, assets and liabilities for the identified reportable segments are presented below:

Particulars	Koshi Province		Madhesh Province		Bagmati Province		Gandaki Province		Lumbini Province		Karnali Province		Sudurpaschim Province		Total	
	Poush end 2080	Poush end 2079	Poush end 2080	Poush end 2079	Poush end 2080	Poush end 2079	Poush end 2080	Poush end 2079	Poush end 2080	Poush end 2079	Poush end 2080	Poush end 2079	Poush end 2080	Poush end 2079	Poush end 2080	Poush end 2079
Revenues from External customers	646,795,104	684,877,220	515,043,866	540,621,217	47,529,234	48,217,245	8,485,554	8,356,091	207,787,684	226,722,087	13,095,410	13,452,145	142,196,422	142,249,927	1,580,933,274	1,664,495,931
Intersegment revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment Profit (loss) before tax	48,379,083	59,305,299	41,403,877	30,076,916	(9,714,347)	3,033,726	(6,825,490)	(1,101,775)	(17,988,687)	(8,119,640)	587,339	(2,318,338)	7,081,396	6,783,771	62,923,172	87,659,959
Segment assets	8,715,100,761	8,756,148,011	7,141,398,141	6,946,293,997	677,262,480	612,614,322	123,976,839	109,550,105	2,837,569,248	2,944,251,901	191,432,682	184,651,186	1,825,583,694	1,874,518,013	21,512,323,844	21,428,027,535
Segment liabilities	8,715,100,761	8,756,148,011	7,141,398,141	6,946,293,997	677,262,480	612,614,322	123,976,839	109,550,105	2,837,569,248	2,944,251,901	191,432,682	184,651,186	1,825,583,694	1,874,518,013	21,512,323,844	21,428,027,535

3.2 Reconciliation of reportable segment profit or loss:

Particulars	Poush end 2080	Poush end 2079
Total profit or loss before tax for reportable segments	62,923,172	87,659,959
<i>Unallocated amounts:</i>		
Other corporate and NFRS adjustment	(82,609,500)	89,526,510
Profit before tax	(19,686,328)	177,186,469

4. Related party disclosures

The related parties of the Microfinance which meets the definition of related parties as defined in “NAS 24 Related Parties Disclosure” are as follows:

i. **Transactions with Key Management Personnel (KMP)**

The details relating to compensation paid to members of the Board of directors for the quarter ended Poush 2080 were as follows:

Particulars	Amount (NPR.)
Meeting Fees	560,000
Other Expenses	195,347
Total	755,347

The details relating to compensation paid to other key management personnel other than directors were as follows:

Particulars	Amount (NPR.)
Short term employee benefits	4,869,825

5. Events after the interim period

No any significant events occurred after the interim period that require adjustment or disclosure in the interim financial statements.

6. Changes in the Composition of Entity

No any changes in the composition of entity including mergers and acquisitions have taken place during the interim period.

7. Explanatory Notes

The explanatory notes and significant disclosure relating to the financial statements are as follows:

7.1 Cash and cash Equivalent

This account shall be used for presenting the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the licensed institution in the management of its short-term commitments.

7.2 Statutory balances and Due from Nepal Rastra Bank

Statutory balances held with Nepal Rastra Bank for compulsory cash reserve, securities purchased from Nepal Rastra Bank under resale agreement and other deposits with and receivables from Nepal Rastra Bank has been presented under this account head.

7.3 Placement with Bank and Financial Institutions

Placements with domestic as well as foreign bank and financial institutions with original maturities of more than three months from the acquisition date are presented under this account head.

7.4 Derivative Financial Instruments

Derivative instruments include transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date.

However, the Microfinance does not have such instruments as on Poush end 2080.

7.5 Loans and advances to customers

Outstanding amount of all loans and advances extended to the customers other than BFIs as well as bills purchased and discounted less the amount of impairment allowances shall be presented. Loan to employees provided according to the Employees Bylaws of the Microfinance has also been presented under this head.

Particulars	Amount (NPR.)
Gross Loans and Advances to customers	20,283,520,649
Impairment allowance	1,660,894,362
Net Loans and Advances to Customers	18,622,626,288
Loans to Staff	24,160,090

7.6 Other Trading Assets

Financial assets are classified as trading assets if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short- term profit taking.

They are recognized on trade date, when the Microfinance enters into contractual arrangements with counterparties, and are normally derecognized when sold. They are initially measured at fair value, with transaction costs taken to profit or loss.

Subsequent changes in their fair values are recognized in profit or loss in 'Net trading income'. However, the Microfinance does not have such assets to be recognized as trading assets as on Poush end 2080.

7.7 Investment securities

Investments made by the Microfinance in financial instruments has been presented under this account head in three categories i.e., investment securities designated at fair value through profit or loss, investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income. Where income from the investment is received in the form of bonus shares, the valuation of investment shall be made by increasing the number of shares only without changing in the cost of investment.

7.8 Other Assets

This account will include any other tangible or intangible asset not mentioned above. Assets held for sale, non-banking assets (other than land or land and building), restricted deposits with central banks, accounts receivable, interest receivable, accrued income, prepayments and deposit are some of the items to be included under this head.

7.9 Income Tax

7.9.1 Current Tax

Current tax is the income tax expense recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or OCI in which case it is recognized in equity or in other comprehensive income. Current tax is the amounts expected 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.

7.9.2 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the group has a legal right to offset.

7.10 Due to Bank and financial institution

The balances in accounts maintained with the institution by other local and foreign banks and financial institution has been presented under this head. Interbank borrowing, interbank deposit,

balances on settlement and clearing accounts as well as other amount due to bank and financial institution has also been presented under this account head.

7.11 Due to Nepal Rastra Bank

This account head shall also contain the amount of payable to Nepal Rastra Bank. Amount payable to NRB shall include amount of refinance facilities, standing liquidity facility, lender of last resort, sale and repurchase agreements, deposit from NRB etc.

7.12 Deposits from Customers

All deposit accounts other than deposit from BFIs (local and foreign) and NRB has been presented under this account head.

7.13 Fees and Commission Expense

Payment on account of fee and commission for services obtained by the Microfinance has been presented under this account head. This account head shall include card related fees, guarantee commission, brokerage expenses etc.

7.14 Net trading income

Trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities has been presented under this account head.

7.15 Other operating income

Receipt of all other operating income not specifically provided under the income heads above has been booked and presented under this head. This includes foreign exchange revaluation gain, gain/loss on sale of investment at fair value through other comprehensive income, dividend on investment at fair value through other comprehensive income, gain/loss on sale of property and equipment, gain/loss on sale of investment properties, lease income, gain/loss on sale of gold and silver, etc.

7.16 Impairment charge/(reversal) for loan and other losses

It includes impairment charge/reversal on loan and advances to customers, loan and advances to bank and financial institutions, investment securities, placement with bank and financial institutions, property and equipment, goodwill and intangible assets, investment properties etc.

7.17 Personnel Expense

All expenses related to employees of the Microfinance has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, employee bonus, Finance expense under NFRSs, cash-settled share-based payments etc.

7.18 Other operating expense

All operating expense other than those relating to personnel expense are recognized and presented under this account head. The expenses covered under this account head includes office administration expense, other operating and overhead expense, directors' emoluments, remuneration and non-audit

fee paid to auditors, professional and legal expense, branch closure cost expense, redundancy cost expense, expense of restructuring, impairment of non-financial assets, expense of corporate social responsibility, onerous lease provisions etc.

7.19 Depreciation & Amortisation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation measured and recognized as per NFRSs on property and equipment, and investment properties, and amortization of intangible assets has been presented under this account head.

7.20 Non-operating income and expense

The income and expenses that have no direct relationship with the operation of transactions of the Microfinance has been presented under this head. The income/expense covered under this account head includes loan written off, recovery of loan written-off, redundancy provision, expense of restructuring etc.

7.21 Income tax Expense

The amount of income tax on net taxable profit has been recognized and presented under this account head. This account head shall include current tax expense and deferred tax expense/deferred tax income.

7.22 Share capital and reserves

Share capital

The amount of paid-up share capital of the licensed institution shall be mentioned under this head. Amount credited in share capital by issuing bonus shares utilizing the accumulated profit and reserves shall also be disclosed under this heading.

Retained Earnings

The accumulated profits which have not been distributed to shareholders and has been ploughed back in the licensed institution's operations and is free for distribution of dividend to the shareholders shall be presented under this heading

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 is set aside to the general reserve.

Movement in statutory general reserve during this fiscal year is presented in Statement of Changes in equity.

Corporate Social Responsibility Fund

1% of net profit and 10% of additional amount of Cash Dividend and Bonus Shares if declared and distributed in excess of 15% as provisioned is set aside in the fund as per the NRB Directives for the purpose of corporate social responsibility.

Employee Training Fund

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

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.

Movement in Regulatory reserves during this fiscal year is presented in Statement of Changes in equity.

Actuarial Gain/Loss Reserve

The amount of actuarial gains/losses both positive or negative to this reserve as per the directives of NRB for the purpose of implementation of NFRS and which shall not be regarded as free reserve for distribution of dividend are recorded in this reserve. The reserve includes actuarial gain/(loss) net of tax on defined benefit plan.

Client protection fund

Client protection fund is created at 1% of net profit. In addition to this 35% of additional amount of cash dividend and bonus shares if declared and distributed in excess of 15% as provisioned is also allocated to this fund as per NRB Directives.

Restructured loan write back reserve

The amount of write back income from the restructured loans and advances, net of income tax has been kept aside to this reserve by debiting the retained earnings. The amount will be credited back to retained earnings once the loan instalment from the restructured loan become continuously regular for 6 months.

7.23 Earnings per share including diluted

Basic earnings per share is computed by dividing the profit/(loss) for the year by the weighted average number of equities shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit/(loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.