



INTERIM FINANCIAL STATEMENTS

PERIOD: CHAITRA END 2080 (12th APRIL 2024)

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Forward Microfinance Laghubitta Bittiya Sanstha Limited
Condensed Statement of Financial Position
As on Chaitra 30 2080 (12th April 2024)

Particulars	Chaitra 2080	Chaitra 2079
ASSETS		
Cash and cash equivalents	419,301,710	570,657,347
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	19,823,596,362	19,545,986,371
Investment Securities	408,334	2,000,000
Current Tax Assets	10,432,512	58,189,170
Investment Property	-	-
Property and Equipment	212,409,998	205,242,458
Goodwill and Intangible assets	3,455,018	1,440,215
Deferred Tax Assets	110,176,274	3,264,819
Other Assets	154,979,630	45,589,967
Total Assets	20,832,759,837	20,530,370,346
Particulars	Chaitra 2080	Chaitra 2079
Liabilities		
Due to Bank and Financial Institutions	8,842,906,132	8,997,482,178
Due to Nepal Rastra Bank	-	-
Derivative Financial Instrument	-	-
Deposits from Customers	8,767,639,039	8,450,120,167
Borrowing	14,583,333	20,833,333
Current Tax Liabilities	-	-
Provisions	25,746,829	-
Deferred Tax Liabilities	-	-
Other Liabilities	338,817,110	332,416,458
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	17,989,692,443	17,800,852,137
Equity		
Share Capital	1,055,563,734	1,055,563,734
Share Premium	-	-
Retained Earnings	338,707,258	678,814,334
Reserves	1,448,796,402	995,140,142
Total Equity	2,843,067,394	2,729,518,209
Total Liabilities and Equity	20,832,759,837	20,530,370,346

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Condensed Statement of Profit or Loss
For the Period ended Chaitra 30 2080 (12th April 2024)

Particulars	Chaitra 2080	Chaitra 2079
Interest Income	2,127,594,171	2,226,299,036
Interest Expense	1,249,380,929	1,399,053,088
Net Interest Income	878,213,242	827,245,948
Fees and Commission Income	146,465,561	164,485,307
Fees and Commission Expense	4,950,300	11,672,894
Net Fee and Commission Income	141,515,261	152,812,414
Net Interest, Fee and Commission income	1,019,728,503	980,058,362
Net Trading Income	-	-
Other Operating Income	686,431	643,809
Total Operating Income	1,020,414,934	980,702,171
Impairment charge/(reversal) for loans and other losses	421,513,790	485,578,281
Net Operating Income	598,901,144	495,123,890
Operating Expense		
Personnel Expenses	341,442,433	358,772,062
Other Operating Expenses	67,415,654	63,329,174
Depreciation and Amortization	14,338,720	10,277,142
Operating Profit	175,704,337	62,745,512
Non-Operating Income	184,259	452,210
Non-Operating Expense	521,364	868,000
Profit Before Income Tax	175,367,232	62,329,722
Income Tax Expense	58,804,096	18,698,917
<i>Current Tax</i>	<i>58,804,096</i>	<i>18,698,917</i>
<i>Deferred Tax</i>	<i>-</i>	<i>-</i>
Profit for the year	116,563,136	43,630,806
Profit attributable to:		
Equity holders of the Microfinance Institutions	116,563,136	43,630,806
Profit for the period	116,563,136	43,630,806
Earnings Per Share (EPS)		
Basic EPS	11.04	4.13
Basic EPS (Annualized)	14.72	5.51
Diluted EPS (Annualized)	14.72	5.51

Forward Microfinance Laghubitta Bittiya Sanstha Limited Statement of Comprehensive Income For the Period ended Chaitra 30 2080 (12th April 2024)		
Particulars	Chaitra 2080	Chaitra 2079
Profit for the year	116,563,136	43,630,806
Other Comprehensive income for the year, net of income tax	-	-
Total Comprehensive Income for the year	116,563,136	43,630,806

Forward Microfinance Laghubitta Bittiya Sanstha Limited Statement of Distributable profit or loss For the Period ended Chaitra 30 2080 (12th April 2024) (As per NRB Regulation)		
Particulars	Chaitra 2080	Chaitra 2079
Net Profit/(loss) as per Statement of Profit or Loss	116,563,136	43,630,806
Appropriations:		
a. General Reserve	(23,312,627)	(8,726,161)
b. Foreign Exchange Fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(1,165,631)	(436,308)
e. Employees' training fund	-	-
f. Client Protection Fund	(1,165,631)	(436,308)
g. Other	-	-
Profit/(loss) before regulatory adjustment	90,919,246	34,032,028
Regulatory Adjustments:		
a. Interest Receivable (-)/previous accrued interest received(+)	(102,489,377)	(95,927,933)
b. Short loan loss provision in accounts(-)/reversal(+)	-	-
c. Short provision for possible losses on investment(-)/reversal(+)	-	-
d. Short provision for possible losses on Non-Banking Assets (-)/reversal(+)	-	-
e. Deferred Tax Assets recognized (-)/reversal(+)	-	-
f. Goodwill recognized (-)/Impairment of Goodwill(+)	-	-
g. Bargain purchase gain recognized (-)/reversal(+)	-	-
h. Actuarial Loss recognized (-)/reversal(+)	-	-
i. Write back from restructured loans and advances	(169,496,375)	-
Net Profit for the period available for distribution	(181,066,506)	(61,895,904)
Opening Retained Earning as on Shrawan 1	519,773,764	994,045,534
Adjustment (+/-)		
Distribution:		
Bonus shares issued	-	(211,112,746)
Cash Dividend Paid	-	(42,222,549)
Total Distributable Profit/(Loss) as on Quarter end date	338,707,258	678,814,334
Distributable Profit/(Loss) per share (Annualized)	26.37	62.35

Forward Microfinance Laghubitta Bittiya Sanstha Limited				
Ratios as per NRB Directives				
Particulars	Period ended 30th Chaitra 2080		Period ended 30th Chaitra 2079	
	This Period	Up to this Period (YTD)	This Period	Up to this Period (YTD)
Capital fund to RWA		10.48%		13.10%
Non-performing loan (NPL) to total loan		8.26%		5.88%
Total loan loss provision to Total NPL		98.52%		102.29%
Cost of Funds		9.70%		10.44%
Credit to Deposit and borrowing Ratio		118.86%		116.97%
Base Rate		12.25%		13.80%
Interest Rate Spread		5.29%		4.55%

Capital Market and Other Financial Indicators	
Ratios	Figure
Liquidity ratio	4.88%
Net Assets Value per share	269.34
Total Assets Value per share	1973.61
PE Ratio	76.00
Closing Share Price	1119
Minimum Share Price	976
Maximum Share Price	1198
Trade Count	4376
Trade days	58
Number of traded shares	242597

Forward Microfinance Laghubitta Bittiya Sanstha Limited		
Condensed Statement of Cash Flows		
For the Period ended Chaitra 30 2080 (12th April 2024)		
Particulars	Chaitra 2080	Chaitra 2079
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	1,964,912,620	2,074,032,476
Fees and other income received	146,465,561	164,937,517
Dividend received	-	-
Receipts from other operating activities	686,431	95,190,354
Interest paid	(1,215,068,937)	(1,441,234,285)
Commission and fees paid	(4,950,300)	(11,672,894)
Cash payment to employees	(341,442,433)	(439,628,689)
Other expense paid	(67,415,654)	(64,197,174)
Operating cash flows before changes in operating assets and liabilities	483,187,289	377,427,306
(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	(987,657,820)	(51,544,868)
Other assets	(126,566,874)	7,275,415
Increase/(Decrease) in operating liabilities		
Due to Bank and financial institutions	366,764,889	(1,065,891,549)
Due to Nepal Rastra Bank	-	(98,000,000)
Deposit from customers	352,378,091	491,018,800
Borrowings	(4,166,667)	(4,166,667)
Other liabilities	(60,118,189)	(126,598,350)
Net cash flow from operating activities before tax paid	23,820,719	(470,479,913)
Income taxes paid	(89,531,610)	(47,284,549)
Net cash flow from operating activities	(65,710,890)	(517,764,463)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	-
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(20,410,006)	(12,138,525)
Receipt from the sale of property and equipment	-	-
Purchase of intangible assets	-	-
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	-
Interest received	-	-
Dividend received	-	-
Net cash used in investing activities	(20,410,006)	(12,138,525)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of shares	-	-
Dividends paid	-	(29,785,322)
Other receipt/payment:		
Client protection fund and CSR reserve	(3,534,553)	(13,598,527)
Net cash from financing activities	(3,534,553)	(43,383,849)
Net increase (decrease) in cash and cash equivalents	(89,655,449)	(573,286,836)
Cash and cash equivalents at 1 Shrawan 2080 / 1 Shrawan 2079	508,957,159	1,143,944,183
Cash and cash equivalents at Chaitra end 2080/Chaitra end 2079	419,301,710	570,657,347

Forward Microfinance Laghubitta Bittiya Sanstha Limited										
Statement of Changes In Equity										
For the Period ended Chaitra 30 2080 (12th April 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	844,450,988	-	618,161,749	-	113,627,940	-	-	994,045,534	171,422,269	2,741,708,480
Adjustment/Restatement										-
Adjusted/Restated balance at 1st Shrawan 2079	844,450,988	-	618,161,749	-	113,627,940	-	-	994,045,534	171,422,269	2,741,708,480
Comprehensive income for the year										-
Profit for the year								43,630,806	-	43,630,806
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			8,726,161		95,927,933			(105,526,710)	872,616	(0)
Transfer from reserve during the year										-
Expenses from CPF and CSR									(13,598,527)	(13,598,527)
Transactions with owners, directly recognised in equity										-
Share Issued										-
Share Based Payments										-
Dividends to equity holders										-
Bonus shares issued	211,112,746							(211,112,746)		-
Cash dividend paid								(42,222,549)		(42,222,549)
Other										-
Total contributions by and distributions	211,112,746	-	8,726,161	-	95,927,933	-	-	(315,231,200)	(12,725,910)	(12,190,270)
Balance at 30th Chaitra 2079	1,055,563,734	-	626,887,910	-	209,555,873	-	-	678,814,334	158,696,359	2,729,518,209
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								116,563,136	-	116,563,136
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	-	-	-	-	-	-	-	116,563,136	-	116,563,136
Transfer to Reserves during the year			23,312,627		102,489,377			(297,629,642)	171,827,638	(169,496,375)
Transfer from reserve during the year										-
<i>Other Components:</i>										-
Interest income of CPF									2,988,298	2,988,298
Expenses from CPF and CSR									(6,522,851)	(6,522,851)
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	-	-	23,312,627	-	102,489,377	-	-	(181,066,506)	168,293,085	281,321,668
Balance at 30th Chaitra 2080	1,055,563,734	-	657,201,455	-	490,997,651	(1,114,166)	-	338,707,258	301,711,463	2,843,067,394

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 3 financial statements of Financial Year 2080/81 is from 1st of Shrawan 2080 (equating English Calender 17th of July 2023) to 30th of Chaitra 2080 (equating English Calender 12th of April 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		Sudurpashchim Province		Total	
	Chaitra end 2080	Chaitra end 2079	Chaitra end 2080	Chaitra end 2079	Chaitra end 2080	Chaitra end 2079	Chaitra end 2080	Chaitra end 2079	Chaitra end 2080	Chaitra end 2079	Chaitra end 2080	Chaitra end 2079	Chaitra end 2080	Chaitra end 2079	Chaitra end 2080	Chaitra end 2079
Revenues from External customers	986,026,435	940,569,080	770,081,091	752,685,905	71,780,300	64,671,497	12,757,123	11,071,264	306,087,283	304,785,183	18,092,422	17,364,350	218,823,975	200,237,803	2,383,648,629	2,291,385,682
Intersegment revenues																
Segment Profit/(loss) before tax	261,349,777	406,930,643	124,692,031	312,073,542	5,688,105	24,069,234	(4,506,080)	1,475,991	4,308,623	63,547,121	496,702	2,092,201	59,679,211	81,723,515	452,008,369	891,902,246
Segment assets	9,024,818,017	8,627,169,453	7,394,170,005	6,930,468,214	698,264,862	614,063,695	125,681,161	110,121,554	2,890,102,257	2,918,441,862	188,708,508	186,840,513	1,841,627,417	1,826,063,822	22,163,372,226	21,213,169,114
Segment liabilities	9,024,818,017	8,627,169,453	7,394,170,005	6,930,468,214	698,264,862	614,063,695	125,681,161	110,121,554	2,890,102,257	2,918,441,862	188,708,508	186,840,513	1,841,627,417	1,826,063,822	22,163,372,226	21,213,169,114

3.2 Reconciliation of reportable segment profit or loss:

Particulars	Chaitra end 2080	Chaitra end 2079
Total profit or loss before tax for reportable segments	452,008,369	891,902,246
<i>Unallocated amounts:</i>		
Other corporate and NFRS adjustment	(276,641,136)	(829,572,524)
Profit before tax	175,367,232	62,329,722

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 Chaitra 2080 were as follows:

Particulars	Amount (NPR.)
Meeting Fees	600,000
Other Expenses	346,172
Total	946,172

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

Particulars	Amount (NPR.)
Short term employee benefits	7,062,960

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 Chaitra 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	20,949,782,425
Impairment allowances (Higher of amount as per NRB Directives and NAS 39 Incurred loss model)	(1,704,407,396)
Net Loans and Advances to Customers	19,245,375,029
Loans to Staff	24,639,411

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 Chaitra 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 deposits 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. The expenses made in social responsibility has been adjusted through this fund.

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. The expenses relating to the client protection and interest income from the investment of fund as per NRB Directives has been adjusted through this fund.

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 installment 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.