



INTERIM FINANCIAL STATEMENTS

PERIOD: ASHAD END 2081 (15th JULY 2024)

Inclusions:

1. Condensed Statement of Financial Position
2. Condensed Statement of Profit or loss
3. Statement of Comprehensive income
4. Statement of Distributable profit or loss
5. Key Indicators
6. Statement of Cash flows
7. Statement of changes in equity
8. Significant accounting policies and notes to the interim financial statements.

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Condensed Statement of Financial Position
As on 31st Ashad 2081 (15th July 2024)

Particulars	Ashad 2081	Ashad 2080 (Audited)
ASSETS		
Cash and Cash equivalent	1,289,157,332	508,957,159
Statutory Balances and Due from Nepal Rastra Bank	98,000,000	98,000,000
Placement with Bank & Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advance to MFIs and Cooperatives	-	-
Loans and Advances to customers	19,897,259,820	19,095,107,886
Investment Securities	408,334	408,334
Current Tax Assets	-	-
Investment Property	-	-
Property and Equipment	212,395,149	207,672,598
Goodwill and Intangible assets	4,282,819	2,121,132
Deferred Tax Assets	223,580,213	110,176,274
Other Assets	146,900,234	28,412,757
Total Assets	21,871,983,901	20,050,856,139
Particulars	Ashad 2081	Ashad 2080 (Audited)
Liabilities		
Due to Bank and Financial Institutions	9,486,983,159	8,476,141,243
Due to Nepal Rastra Bank	-	-
Derivative Financial Instrument	-	-
Deposits from Customers	8,962,018,015	8,415,260,947
Borrowing	12,500,000	18,750,000
Current Tax Liabilities	23,887,409	20,295,001
Provisions	17,185,285	87,705,458
Deferred Tax Liabilities		
Other Liabilities	319,241,442	302,664,678
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	18,821,815,309	17,320,817,328
Equity		
Share Capital	1,055,563,734	1,055,563,734
Share Premium		
Retained Earnings	266,503,573	519,773,764
Reserves	1,728,101,285	1,154,701,313
Total Equity	3,050,168,592	2,730,038,811
Total Liabilities and Equity	21,871,983,901	20,050,856,139

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Condensed Statement of Profit or Loss
For the year ended 31st Ashad 2081 (15th July 2024)

Particulars	Ashad 2081	Ashad 2080 (Audited)
Interest Income	2,894,437,136	2,965,491,558
Interest Expense	1,677,138,778	1,838,416,615
Net Interest Income	1,217,298,358	1,127,074,943
Fees and Commission Income	203,163,397	119,838,348
Fees and Commission Expense	7,516,150	14,055,410
Net Fee and Commission Income	195,647,247	105,782,938
Net Interest, Fee and Commission income	1,412,945,605	1,232,857,881
Net Trading Income	-	-
Other Operating Income	1,031,907	1,652,706
Total Operating Income	1,413,977,512	1,234,510,586
Impairment charge/(reversal) for loans and other losses	385,984,396	540,132,800
Net Operating Income	1,027,993,116	694,377,786
Operating Expense		
Personnel Expenses	461,359,082	466,959,733
Other Operating Expenses	56,905,828	69,454,027
Depreciation and Amortization	46,194,249	41,909,160
Operating Profit	463,533,957	116,054,866
Non-Operating Income	184,259	-
Non-Operating Expense	521,364	2,215,774
Profit Before Income Tax	463,196,852	113,839,092
Income Tax Expense	141,799,474	35,203,700
<i>Current Tax</i>	256,806,903	129,093,001
<i>Deferred Tax (income)/expense</i>	(115,007,429)	(93,889,301)
Profit for the year	321,397,379	78,635,392
Profit attributable to:		
Equity holders of the Microfinance Institution	321,397,379	78,635,392
Profit for the period	321,397,379	78,635,392
Earnings Per Share (EPS)		
Basic Earnings per share	30.45	7.45
Diluted Earnings per share	30.45	7.45

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Statement of Comprehensive Income
For the year ended 31st Ashad 2081 (15th July 2024)

Particulars	Ashad 2081	Ashad 2080 (Audited)
Profit for the year	321,397,379	78,635,392
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	-	(1,591,666)
Gains / (Losses) on Revaluation	-	-
Actuarial Gains / (Losses) on defined benefit plans	5,344,968	(41,815,514)
Income tax relating to above items	(1,603,490)	13,022,154
Net other Comprehensive Income that will not be reclassified to Profit or Loss	3,741,478	(30,385,026)
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	3,741,478	(30,385,026)
Total Comprehensive Income for the year	325,138,856	48,250,366

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Statement of Distributable profit or loss
For the year ended 31st Ashad 2081 (15th July 2024)
(As per NRB Regulation)

Particulars	Ashad 2081	Ashad 2080 (Audited)
Net Profit/(loss) as per Statement of Profit or Loss	321,397,379	78,635,392
Appropriations:		
a. General Reserve	(64,279,476)	(15,727,078)
b. Foreign Exchange Fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(3,213,974)	(786,354)
e. Employees' training fund	-	-
f. Client Protection Fund	(3,213,974)	(786,354)
g. Other	-	-
Profit/(loss) before regulatory adjustment	250,689,955	61,335,606
Regulatory Adjustments:		
a. Interest Receivable (-)/previous accrued interest received (+)	(151,564,216)	(137,583,852)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	(1,114,166)
d. Short provision for possible losses on Non-Banking Assets (-)/reversal (+)	-	-
e. Deferred Tax Assets recognized (-)/reversal (+)	(113,403,939)	(106,911,455)
f. Goodwill recognized (-)/Impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognized (-)/reversal (+)	-	-
h. Actuarial Loss recognized (-)/reversal (+)	3,741,478	(29,270,860)
i. Write back from restructured loans and advances transferred to reserve	(247,955,091)	(9,343,798)
j. Write back from restructured loans and advances transferred from reserve	3,288,914	-
k. CSR Expense directed to CSR fund	1,931,173	1,859,967
Net Profit for the period available for distribution	(253,271,726)	(221,028,559)
Opening Retained Earning as on Shrawan 1	519,773,764	994,045,534
Adjustment (+/-)		
Prior year tax	-	92,085
Others	1,535	-
Distribution:		
Bonus shares issued	-	(211,112,746)
Cash Dividend Paid	-	(42,222,549)
Total Distributable Profit/(Loss) as on Ashad end	266,503,573	519,773,764
Distributable Profit/(Loss) per share	25.25	49.24

Forward Microfinance Laghubitta Bittiya Sanstha Limited				
Ratios as per NRB Directives				
Particulars	Period ended 31st Ashad 2081		Period ended 31st Ashad 2080	
	This Period	Up to this Period (YTD)	This Period	Up to this Period (YTD)
Capital fund to RWA		10.22%		11.77%
Non-performing loan (NPL) to total loan		6.81%		4.26%
Total loan loss provision to Total NPL		117.15%		150.70%
Cost of Funds		9.67%		10.29%
Credit to Deposit and borrowing Ratio		113.26%		118.09%
Base Rate		12.61%		13.86%
Interest Rate Spread		5.31%		4.70%

Capital Market and other Financial Indicators	
Ratios	Figure
Liquidity ratio	6.98%
Net Assets Value per share	288.96
Total Assets Value per share	2072.07
PE Ratio	46.41
Closing Share Price	1413
Minimum Share Price	1088
Maximum Share Price	1535
Trade Count	6916
Trade days	61
Number of traded shares	465021

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Statement of Cash Flows
For the year ended 31st Ashad 2081 (15th July 2024)

Particulars	Ashad 2081	Ashad 2080 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	2,653,859,015	2,750,270,629
Fees and other income received	203,163,397	207,345,406
Dividend received	-	-
Receipts from other operating activities	1,031,907	695,000
Interest paid	(1,654,677,531)	(1,833,581,679)
Commission and fees paid	(7,516,150)	(14,055,410)
Cash payment to employees	(448,728,666)	(569,654,349)
Other expense paid	(54,974,655)	(99,139,894)
Operating cash flows before changes in operating assets and liabilities	692,157,318	441,879,703
(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	(947,895,315)	421,542,431
Other assets	(118,487,478)	7,210,323
Increase/(Decrease) in operating liabilities		
Due to Bank and financial institutions	1,010,841,916	(1,587,232,483)
Due to Nepal Rastra Bank	-	-
Deposit from customers	546,757,068	456,337,923
Borrowings	(6,250,000)	(6,250,000)
Other liabilities	(83,688,570)	(112,990,195)
Net cash flow from operating activities before tax paid	1,093,434,940	(379,502,298)
Income taxes paid	(253,214,496)	(77,662,244)
Net cash flow from operating activities	840,220,444	(457,164,542)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	-
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(53,078,487)	(15,509,077)
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	-	-
Dividend received	-	-
Net cash used in investing activities	(53,078,487)	(15,509,077)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(42,222,549)
Other receipt/payment:	-	-
Client protection fund and CSR reserve	(6,941,783)	(22,090,856)
Net cash from financing activities	(6,941,783)	(64,313,405)
Net increase (decrease) in cash and cash equivalents	780,200,173	(536,987,024)
Cash and cash equivalents at 1 Shrawan 2080 / 1 Shrawan 2079	508,957,159	1,045,944,183
Cash and cash equivalents at Ashad end 2081/Ashad end 2080	1,289,157,332	508,957,159

Forward Microfinance Laghubitta Bittiya Sanstha Limited										
Statement of Changes In Equity										
For the year ended 31st Ashad 2081 (15th July 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								92,085		92,085
Adjusted/Restated balance at 1st Shrawan 2079	844,450,988	-	618,161,749	-	113,627,940	-	-	994,137,619	171,422,269	2,741,800,565
Comprehensive income for the year										
Profit for the year								78,635,392	-	78,635,392
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									(29,270,860)	(29,270,860)
Gains/(losses) on cash flow hedge										
Exchange gains/(losses) (arising from translating financial assets of foreign operation)										
Total Comprehensive income for the year	-	-	-	-	-	(1,114,166)	-	-	(29,270,860)	(30,385,026)
Transfer to Reserves during the year			15,727,078		274,880,334			(301,523,918)	10,916,506	(0)
Transfer from reserve during the year										
Expenses from CPF and CSR								1,859,967	(19,649,538)	(17,789,571)
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	-	15,727,078	-	274,880,334	(1,114,166)	-	(474,363,855)	(38,003,891)	(11,761,754)
Balance at 31st Ashad 2080	1,055,563,734	-	633,888,827	-	388,508,274	(1,114,166)	-	519,773,764	133,418,378	2,730,038,811
Balance at 1st Shrawan 2080	1,055,563,734	-	633,888,827	-	388,508,274	(1,114,166)	-	519,773,764	133,418,378	2,730,038,811
Adjustment/Restatement								1,535		
Adjusted/Restated balance at 1st Shrawan 2080	1,055,563,734	-	633,888,827	-	388,508,274	(1,114,166)	-	519,775,299	133,418,378	2,730,038,811
Comprehensive income for the year										
Profit for the year								321,397,379	-	321,397,379
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									3,741,478	3,741,478
Gains/(losses) on cash flow hedge										
Exchange gains/(losses) (arising from translating financial assets of foreign operation)										
Total Comprehensive income for the year	-	-	-	-	-	-	-	321,397,379	3,741,478	325,138,856
Transfer to Reserves during the year			64,279,476		261,226,678			(579,889,192)	254,383,039	(247,955,091)
Transfer from reserve during the year								3,288,914		3,288,914
<i>Other Components:</i>										
Interest income of CPF									4,012,416	4,012,416
Expenses from CPF and CSR								1,931,173	(10,954,200)	(9,023,027)
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	-	-	64,279,476	-	261,226,678	-	-	(253,271,726)	251,182,733	320,128,246
Balance at 31st Ashad 2081	1,055,563,734	-	698,168,303	-	649,734,952	(1,114,166)	-	266,503,573	384,601,111	3,050,168,592

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 issued by the Accounting Standard Board Nepal 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).

The comparative period figures for Ashad 2080 are stated as per audited financials and current period for Ashad 2081 are unaudited.

2.2 Reporting period

The reporting period for the Quarter 4 financial statements of Financial Year 2080/81 is from 1st of Shrawan 2080 (equating English Calender 17th of July 2023) to 31st of Ashad 2081 (equating English Calender 15th of July 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	
	Ashad end 2081	Ashad end 2080	Ashad end 2081	Ashad end 2080	Ashad end 2081	Ashad end 2080	Ashad end 2081	Ashad end 2080	Ashad end 2081	Ashad end 2080	Ashad end 2081	Ashad end 2080	Ashad end 2081	Ashad end 2080	Ashad end 2081	Ashad end 2080
Revenues from External customers	1,325,305,088	1,342,027,913	1,141,977,670	1,075,524,768	114,158,226	95,483,657	26,227,430	16,011,637	480,404,945	439,353,168	29,277,560	26,184,057	277,529,425	283,622,949	3,394,880,344	3,278,208,148
Intersegment revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment Profit/(loss) before tax	323,413,040	230,310,930	277,581,257	239,624,855	22,890,209	15,549,446	3,427,077	(2,073,348)	86,576,526	(5,057,653)	8,034,569	570,784	61,208,263	28,028,838	783,130,940	506,953,851
Segment assets	9,128,487,017	8,404,107,215	7,506,422,122	6,784,563,270	701,764,665	607,629,266	128,393,895	109,667,773	2,892,581,313	2,801,437,897	187,169,585	180,751,204	1,802,776,830	1,769,675,629	22,347,595,427	20,657,832,253
Segment liabilities	9,128,487,017	7,285,192,254	7,506,422,122	5,794,603,733	701,764,665	516,638,258	128,393,895	92,429,505	2,892,581,313	2,486,193,006	187,169,585	150,432,594	1,802,776,830	1,576,778,071	22,347,595,427	17,902,267,420

3.2 Reconciliation of reportable segment profit or loss:

Particulars	Ashad end 2081	Ashad end 2080
Total profit or loss before tax for reportable segments	783,130,940	506,953,851
<i>Unallocated amounts:</i>		
Other corporate and NFRS adjustments	(319,934,088)	(393,114,760)
Profit before tax	463,196,852	113,839,092

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 Ashad 2081 were as follows:

Particulars	Amount (NPR.)
Meeting Fees	1,240,000
Other Expenses	594,276
Total	1,834,276

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

Particulars	Amount (NPR.)
Short term employee benefits	9,626,923

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 Ashad end 2081.

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 disbursed as per the Employees Bylaws of the Microfinance has also been presented under this head.

Particulars	Amount (NPR.)
Gross Loans and Advances to customers	20,909,255,140
Impairment allowances (Higher of amount as per NRB Directives and NAS 39 Incurred loss model)	(1,668,878,002)
Net Loans and Advances to Customers	19,240,377,137
Loans to Staff	25,404,191

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 Ashad end 2081.

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.

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.