

Manjushree Finance Limited
Condensed Consolidated Statement of Financial Position
As on Quarter ended 31st Ashad 2078

Assets	NPR In Thousands	
	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	198,603	1,044,531
Due from Nepal Rastra Bank	327,399	421,525
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and Advances to B/FIs	1,752,346	995,264
Loans and advances to customers	6,205,034	5,882,919
Investment in securities	4,702,367	735,132
Current Tax Assets	-	2,340
Investment in subsidiaries	-	-
Investment in Associates	-	-
Investment property	24,946	36,346
Property and equipment	40,865	44,550
Goodwill and Intangible Assets	1,235	1,175
Deferred tax assets	9,541	-
Other assets	362,914	87,272
Total Assets	13,625,250	9,251,053
Liabilities		
Due to Bank and Financial Institutions	2,145,426	1,964,341
Due to Nepal Rastra Bank	239,959	10,907
Derivative Financial instruments	-	-
Deposit from customers	8,911,770	5,848,383
Borrowings	-	-
Current Tax Liabilities	1,220	-
Provisions	-	-
Deferred tax liabilities	6,621	33,837
Other liabilities	87,041	89,089
Debt securities issued	500,000	-
Subordinated Liabilities	-	-
Total liabilities	11,892,036	7,946,557
Equity		
Share Capital	965,395	818,131
Share Premium	-	-
Retained Earning	485,627	193,242
Reserves	282,193	293,123
Total equity attributable to equity holders	1,733,215	1,304,496
Non-controlling interests	-	-
Total equity	1,733,215	1,304,496
Total liabilities and equity	13,625,250	9,251,053

Manjushree Finance Limited
Condensed Statement of Profit or Loss

For the year Period Ended from 1st Shrawan 2077 to Ashad End 2078

NPR In Thousands

	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	236,207	949,567	271,940	1,113,504
Interest Expense	(188,891)	(668,460)	(169,352)	(719,761)
Net interest income	47,316	281,107	102,587	393,743
Fees and Commission Income	8,624	45,587	7,009	33,257
Fees and Commission Expense	-	-	-	-
Net fee and Commission income	8,624	45,587	7,009	33,257
Net interest fee and commission income	55,940	326,694	109,596	427,000
Net Trading Income				-
Other Operating Income	331,356	762,688	103,387	204,275
Total operating income	387,296	1,089,382	212,983	631,275
Impairment charge/(reversal) for loans and other losses	14,137	18,396	193	10,258
Net Operating income	373,159	1,070,986	212,790	621,016
Operating expenses				
Personal Expense	61,970	182,978	72,483	160,954
Other Operating Expenses	13,252	66,222	19,292	62,900
Depreciation and amortisation	3,146	12,393	5,888	18,386
Operating Profit	294,791	809,393	115,127	378,776
Non operating income				
Non operating expense				
Profit before income tax	294,791	809,393	115,127	378,776
Income tax expense	77,342	241,274	45,110	115,533
Current tax	82,105	244,194	46,237	116,858
Deferred tax income	(4,762)	(2,920)	(1,127)	(1,325)
Profit for the period	217,449	568,118	70,017	263,244

Manjushree Finance Limited
Statement of Other Comprehensive Income
For the year ended 31st Ashad 2078

NPR In Thousands

	2078 Ashad	2077 Ashad
Profit for the period	568,118	263,244
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	-	133,726
• Gains/(losses) on revaluation		
• Actuarial gain/(losses) on defined benefit plans	-	-
• Income tax relating to above items	-	(40,118)
Net other comprehensive income that will not be reclassified to profit or loss	-	93,608
b) Items that are or may be reclassified to profit or loss		
• Gains/(losses) on cash flow hedge		
• Exchange gains/(losses)(arising from translating financial assets of foreign operation)		
• Income tax relating to above items		
• Reclassify to profit or loss		
Net other comprehensive income that are or may be reclassified to profit or loss	-	-
c) Share of other comprehensive income of associate accounted as per equity method		
Other comprehensive income for the period, net of Income Tax	-	93,608
Total comprehensive income for the period	568,118	356,852
Total comprehensive income attributable to:		
Equity holders of the Bank	-	-
Non-controlling interest	568,118	356,852
Total Comprehensive income for the period	568,118	356,852

Ratios as per NRB Directive

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to this Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Capital fund to RWA		28.96%		16.83%
Non-performing loan (NPL) to total loan		2.34%		3.36%
Total loan loss provision to Total NPL		164.36%		125.52%
Cost of Funds		7.32%		8.09%
Credit to Deposit Ratio		68.95%		77.60%
Base Rate		8.98%		10.67%
Interest Rate Spread		4.18%		4.51%

Note

1. Above financials have been prepared in accordance with NRB Directive No. 4 and applicable Nepal Financial Reporting Standards (NFRS) issued by The Institute of Chartered Accountants of Nepal (ICAN).
2. Loans and advances are presented net of loan impairments. Loans and advance include interest receivable on loan.
3. The above figures are subject to change if directed by the Regulators and/or External Auditor.
4. Figures have been regrouped and rearranged wherever necessary
5. The detailed interim financial report has been published in the Finance's website :
www.manjushreefinance.com.np

Manjushree Finance Limited
Statement of Changes in Equity
For the year ended 31st Ashad 2078

Particulars	Attributable to Equity-Holders of the Bank											Non-Controlling Interest	Total Equity
	Share Capital	Share Advance	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total		
Balance at Shrawan 01, 2077	818,131	-	-	122,862	-	71,164	94,403	-	193,242	4,694	1,304,496	-	1,304,496
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment/Restated Balance 7s at Shrawan 01, 2077	818,131	-	-	122,862	-	71,164	94,403	-	193,242	4,694	1,304,496	-	1,304,496
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	568,118	-	568,118	-	568,118
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	(94,403)	-	-	-	(94,403)	-	(94,403)
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	-	-	(94,403)	-	-	-	(94,403)	-	(94,403)
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gain/(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	-	-	-	-	-	-	(94,403)	-	568,118	-	473,715	-	473,715
Transfer to Reserves during the year	-	-	-	113,624	-	-	-	-	(113,624)	-	-	-	-
Transfer Deferred Tax Reserve to Retained Earnings during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Creation of CSR Fund	-	-	-	-	-	-	-	-	(5,681)	5,681	-	-	-
Creation of Training Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilization of Training Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilization of CSR Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Reserves during the year due to AIR	-	-	-	-	-	(25,572)	-	-	25,572	-	-	-	-
Transfer from Reserves during the year due to NBA	-	-	-	-	-	(10,260)	-	-	10,260	-	-	-	-
Transfer from Reserves during the year due to deferred Tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with Owners, directly recognized in Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount transferred from premium to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued Expenses-Tax Impact	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	147,264	-	-	-	-	-	-	-	(147,264)	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	(44,997)	-	(44,997)	-	(44,997)
Gain on Disposal of Share Classified into OCI	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Tax on Gain on Disposal of Share Classified into OCI	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Contributions by and Distributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at Asar 31, 2076	965,395	-	-	236,485	-	35,332	-	-	485,627	10,375	1,733,215	-	1,733,215

Manjushree Finance Limited
Condensed Consolidated Statement of Cash Flows (Unaudited)
For the Period (16 July 2020 to 15 July 2021) ended 31st Ashad 2078

	NPR In Thousands	
	Up to This Quarter	Corresponding Previous Year Up to This Quarter
Cash flows from operating activities		
Interest Received	986,609	947,197
Fee and other income received	45,587	33,257
Dividend Received	-	3,207
Receipts from other operating activities	-	-
Interest paid	(647,450)	(719,720)
Commission and fee paid	-	-
Cash payments to employee	(123,179)	(94,503)
Other expense paid	(145,530)	(56,293)
Operating cash flows before change in operating assets and liabilities	116,037	113,146
(Increase)/Decrease in operating assets	(1,410,224)	(412,364)
Due from Nepal Rastra Bank	94,125	(68,951)
Placement with bank and financial institutions	-	-
Other Trading assets	-	-
Loan and advances to bank and financial institutions	(775,478)	(217,834)
Loan and advances to customer	(193,620)	(105,695)
Other Assets	(535,251)	(19,884)
Increase/(Decrease) in operating liabilities	3,471,476	(953,440)
Due to bank and financial institutions	181,085	(2,012,284)
Due to Nepal Rastra Bank	229,052	(193)
Deposits from customers	3,063,387	1,059,037
Borrowings	-	-
Other Liabilities	(2,048)	-
Net Cash flow from operating activities before tax paid	2,177,288	(1,252,658)
Income taxes paid	(275,692)	(77,547)
Net Cash flow from operating activities	1,901,597	(1,330,205)
Cash flows from investing activities		
Purchase of investment securities	(3,967,234)	502,219
Receipts from sale of investment securities	759,070	201,031
Purchase of plant and equipment	(8,552)	(17,397)
Receipt from sale of property and equipment	(54)	221
Purchase of intangible assets	(829)	(450)
Receipt from sale of intangible assets	-	(450)
(Purchase)/Sale of investment properties	11,400	-
Receipt from the sale of investment properties	-	-
Interest received	-	-
Dividend received	3,672	-
Net cash used in investing activities	(3,202,528)	685,173
Cash flows from financing activities		
Receipt from issue of debt securities	500,000	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	(0)	-
Dividend paid	(44,997)	(78,798)
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	455,003	(78,798)
Net increase/(decrease) in cash and cash equivalents	(845,928)	(723,829)
Cash and Cash Equivalents at Shrawan 01, 2077	1,044,531	1,768,360
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Closing Cash and Cash Equivalents	198,603	1,044,531

Statement of distributable profit and loss
As on Quarter Ended Ashad End 2078
(As per NRB Regulation)

	Current Year
Opening Retained Earning	193,242
Net profit or (loss) as per statement of profit or loss	568,118
<u>Appropriations:</u>	
<i>a. General reserve</i>	(113,624)
<i>b. Foreign exchange fluctuation fund</i>	
<i>c. Capital redemption reserve</i>	
<i>d. Corporate social responsibility fund</i>	(5,681)
<i>e. Employees training fund</i>	
<i>f. Dividend Distribution of Previous Year</i>	(192,261)
<i>g. Other</i>	
Profit or (loss) before regulatory adjustment	449,795
<u>Regulatory adjustment:</u>	
<i>a. Interest receivable(-)/previous accrued interest received(+)</i>	25,572
<i>b. Short loan loss provision in accounts(-)/reversal(+)</i>	
<i>c. Short provision for losses on investment(-)/reversal(+)</i>	10,260
<i>d. Short loan loss provision on Non Banking Assets (-)/reversal(+)</i>	
<i>e. Deferred tax assets recognized (-)/reversal(+)</i>	-
<i>f. Goodwill recognized (-)/impairment of Goodwill(+)</i>	
<i>g. Bargain purchase gain recognized(-)/reversal(+)</i>	
<i>h. Actuarial loss recognized(-)/reversal(+)</i>	
<i>i. Other(+)/(-)</i>	
<i>Fair Value Reserve</i>	
Distributable profit or (loss)	485,627

Notes to the Interim Financial Statements

1. Basis of preparation

The Interim Financial Statements of the Finance for the Fourth quarter of current FY 2077-2078 ending 15th July 2021 (31st Ashad 2078) have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS) - NAS 34 “Interim Financial Reporting” as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

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

The Condensed Consolidated Interim Financial Statement comprise of:

- Condensed Consolidated Statement of Financial Position,
- Condensed Consolidated Statement of Profit or Loss,
- Condensed Consolidated Statement of Comprehensive Income,
- Condensed Consolidated Statement of Changes in Equity,
- Condensed Consolidated Statement of Cash Flows,
- Ratios as per NRB Directive

1.1 Reporting Period

The Finance follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows:

Relevant Financial Statement	Nepalese Calendar Date/Period	English Calendar Date/Period
Statement of Financial Position	31 st Ashad,2078	15 th July 2021
Statement of Profit/Loss	1 st Shrawan 2077 to 31 st Ashad,2078	16 th July ,2020 to 15 th July ,2021

1.2 Functional and Presentation Currency

The Nepalese Rupees (NRs), being the currency of primary economic environment under which finance operates, has been used as the functional currency. The Interim Financial information has been presented in Nepalese Rupees and has been shown in actual figure, unless indicated otherwise.

1.3 New standards in issue but not yet effective

The interim financial statement of the Finance have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) to the extent applicable and as issued by Accounting Standard Board-Nepal.

1.4 Comparative Information

Comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's interim financial statement and reclassified whenever necessary to conform to current period presentation.

2. Statement of Compliance with NFRSs

The interim financial statement of group which comprise of Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Profit or Loss, Condensed Consolidated Statement of Comprehensive Income, Ratios, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and Notes to the consolidated Interim Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board and carve out issued by the Institute of Chartered Accountants of Nepal and in compliance with BAFIA 2073 and Unified Directive 2077 issued by Nepal Rastra Bank and all other applicable laws and regulations.

3. Use of Estimates, Assumptions and Judgments

The Management of the Finance has made judgments, estimations and assumptions which affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses that is required for the preparation of interim condensed financial statements in conformity with Nepal Financial Reporting Standards (NFRS). The Management believes that the estimated used in preparation of financial statements are prudent and reasonable. Estimates and underlying assumptions are reviewed on an ongoing basis. Necessary revisions to accounting estimates are recognized in the period in which such estimates are revised and in any future periods affected. Actual results may differ from these estimates. Any revision in accounting estimate is recognized prospectively in present and future periods as required under NAS 08 Accounting Policies, Changes in Accounting Estimates and Error.

Significant estimates, assumptions and judgments used in applying accounting policies which have material effect in financial statements are:

- Impairment on loans and advances (Provision for loan calculated as per NRB)
- Determination of fair value of financial instruments
- Assessment of Finance's ability to continue as going concern.

4. Changes in Accounting Policies

There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year ended Poush2076.

5. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and deviations if any have been disclosed accordingly.

5.1 Basis of Measurement

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Investment Property measured at Fair Value.

5.2 Cash and Cash equivalent

Cash and cash equivalents include cash in hand, unrestricted balances with finances and money at call and at short notice and highly liquid financial assets with original maturities of three month or less from the date of acquisition that are subject to insignificant risk of changes in their fair value and are used by the finance in the management of short term commitments.

5.3 Financial Instruments- Initial recognition and subsequent measurement

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

5.4 Loans and advances to customers and BFIs

Loans and advances to customers and BFIs comprises of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market which includes short term lending, term based lending, mortgage lending, personal lending loans to employees and others. Loans and advances are presented on net of the total loan loss provision on the basis of directive number 2 issued by Nepal Rastra Bank. These loans are categorized under pass, watch list, sub-standard, doubtful and loss category. Loan loss provisions are provided on the basis of percentage of total loan outstanding on the basis of their overdue days and other criteria set out in the directive.

5.5 Trading Assets

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized at fair value and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit

or loss. All changes in fair value are recognized as part of net trading income in profit or loss as regarded as fair value through profit & loss account.

5.6 Property and Equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or methodology, as appropriate, and treated as changes in accounting estimates. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the finance and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

5.7 Goodwill and Intangible Assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the finance. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

5.8 Investment Property

Non-Banking Assets which are acquired as part of recovery of loans are classified as investment property and are carried at cost. The Finance's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the repossessed value. Land and Building of repossessed collateral are classified as investment property.

5.9 Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Tax) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income.

a) Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates

and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

b) Deferred Tax

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in Subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

5.10 Deposits

The Finance accepts deposits from its customers under savings account, current account, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Finance and represents the amount owed by the Finance to the customer.

5.11 Provisions

Provisions are recognized when the Finance has a present obligation (legal or constructive) as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Finance determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

5.12 Share capital and Reserves

Ordinary share capital represents the par value of ordinary shares issued. Share issuance cost which were incurred for raising the capital has not been shown as deduction from share capital but are charged to statement of profit or loss. Share premium represents the excess consideration received by the bank over the par value of ordinary shares issued, and is classified as equity.

Statutory reserves represents the mandatory reserves maintained by the bank as per Nepal Rastra Bank Directives. This includes general reserve, exchange equalization reserve, capital redemption reserve, investment adjustment reserve, interest capitalized reserves, corporate social responsibility reserve, training and development reserve and other reserves as notified by Nepal Rastra Bank. These reserves are not available for distribution of dividend to the shareholders. Retained earnings represents the cumulative net earnings or profit after accounting for dividends to shareholders and mandatory reserves required as per directives issued by Nepal Rastra Bank before distributing dividend. Retained earnings represents the cumulative net earnings or profit after accounting for dividends to shareholders and mandatory reserves required as per directives issued by Nepal Rastra Bank.

5.13 Financial guarantee and loan commitment

Financial guarantees are contracts that require the Finance to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment

when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

5.14 Revenue Recognition

Interest income includes interest income on the basis of accrual basis from loan and advance to borrowers, loans, investment in government securities, and investment in development bond.

Interest income is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Fees and commission income earned from services that are provided over a certain period of time which includes fees and commission collected from issuance of, guarantees are recognized on time proportion basis. And net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends.

5.15 Interest Expenses

Interest expense is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. Expenses for promotion and incentives provided to bring the deposits are not included in the calculation of effective interest rate because of the immaterial nature and allocation of the cost to individual deposit is not feasible.

5.16 Personnel Expenses

The cost of all short-term employee benefits is recognized as an expense during the period in which the employee renders the related service. Accruals for employee entitlements to salaries, bonus and annual leave represent the amount which the finance has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates. Annual staff bonus of 10% have been computed as per Bonus Act on the profit for the period before tax.

Defined Benefit Plans- Gratuity and unutilized accumulated leave

Gratuity has been calculated on the basis of HR Byelaws of the company which may be differs from Actuarial Valuation which is in the process.

5.17 Other Operating Expenses

Other Operating expenses are incurred and accounted on an accrual basis and are charged to income statement unless those expenses form the capital nature.

5.18 Depreciation and Amortization

Depreciation is calculated by using the straight line method on cost or carrying value of property, plant & equipment other than freehold land. Fixed Assets are depreciated on the basis of expected useful life on Straight Line Method (SLM) basis. Land is not depreciated. Management has determined the expected life of the fixed assets for depreciation purpose as follows:

S.N.	Assets Types	Depreciation Rate
1.	Leasehold	5 years
2.	Vehicle	7 years
3.	Furniture & Fixture	5 years
4.	Office Equipment	5 years
5.	Computer	5 years
6.	Computer Software	5 years

5.19 Earnings per Share

Finance presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Finance by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

6. Segment Reporting:

The bank's operation are managed centrally through head office. All strategic, financial and operational policies and operations are controlled and directed from head office. The bank operates in all provinces 1, 2, 3, 4, 5, and 7. The management of the bank is on the basis of various types of operations supported by ancillary support services.

Information about profit or loss, assets and liabilities

Figure In NPR '000

	Particulars	Province no 1	Province no 2	Bagmati	Lumbini	Sudur Paschim	Ganadaki	Total
A	Revenues from external customers	151,224.39	47,720.91	577,854.73	124,763.55	65,244.27	28,346.30	995,154.15
B	Intersegment revenues		-					-
C	Net Revenue	151,224.39	47,720.91	577,854.73	124,763.55	65,244.27	28,346.30	995,154.15
D	Interest revenue	144,296.97	45,534.87	551,383.87	119,048.28	62,255.50	27,047.79	949,567.28
E	Interest expense	74,464.48	23,123.20	449,093.90	68,676.87	26,470.39	26,631.29	668,460.13
F	Net interest revenue	69,832.49	22,411.66	102,289.97	50,371.41	35,785.12	416.49	281,107.14
G	Depreciation and amortization	1,883.29	594.30	7,196.40	1,553.76	812.53	353.01	12,393.29
H	Segment profit /(loss)	67,949.19	21,817.37	95,093.57	48,817.65	34,972.59	63.48	268,713.85
i	Entity's interest in the profit or loss of associates accounted for using equity method							-
j	Other material non-cash items:							-
	Provision for loan loss	2,795.46	882.15	10,681.96	2,306.32	1,206.08	524.00	18,395.96
k	Impairment of assets	-	-	-	-	-		-
l	Segment assets	2,015,354.87	635,972.56	7,701,022.13	1,662,713.54	869,504.98	377,768.75	13,262,336.83
m	Segment liabilities	1,324,737.63	411,366.25	7,989,467.92	1,221,774.88	470,913.31	473,775.86	11,892,035.85

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

a) Revenue

Figure In NPR '000

Total revenues for reportable segment	995,154
Other revenues	-
Elimination of intersegment revenues	-
Entity's revenues	995,154

(b) Profit or loss

Total profit or loss for reportable segments	268,714
Other profit or loss	-
Elimination of intersegment profits	-
Unallocated amounts:	
Profit before income tax	268,714

(c) Assets

Total assets for reportable segments	13,262,337
Other assets	-
Unallocated amounts	
Entity's assets	13,262,337

(d) Liabilities

Total liabilities for reportable segments	11,892,036
Other liabilities	-
Unallocated liabilities	
Entity's liabilities	11,892,036