First Microfinance Laghu Bitta Bittiya Sanstha Limited

Statement of Financial Position
As on 29th Poush 2080

	Note	29 Poush 2080 NPR	31 Ashadh 2080 NPR
Assets			
Cash & Cash Equivalents	4.1	650,346,010	1,168,483,850
Statutory Balances and Due from Nepal Rastra Bank	4.2	30,818,475	137,818,475
Placement with Bank & Financial Institutions	4.3	-	100,000,000
Derivative Financial Instruments	4.4	-	-
Other Trading Assets	4.5	-	-
Loans & Advances to MFIs & Cooperatives	4.6	6,351,974,176	7,656,215,812
Loans and Advances to Customers (Staff)	4.7	21,769,110	20,827,294
Investment Securities	4.8	1,305,600	1,305,600
Current Tax Assets	4.9	-	-
Investment Property	4.10	-	-
Property and Equipment	4.11	7,507,892	8,061,950
Goodwill and Intangible assets	4.12	-	-
Deferred Tax assets	4.13	3,197,446	3,197,446
Other Assets	4.14	58,952,779	38,607,236
Total Assets		**7,125,871,488**	**9,134,517,663**
Liabilities			
Due to Bank and Financial Institutions	4.15	-	-
Due to Nepal Rastra Bank	4.16	-	-
Derivative Financial Instruments	4.17	-	-
Deposits from Customers	4.18	-	-
Borrowings	4.19	5,448,417,784	7,465,041,948
Current Tax Liabilities	4.9	12,044,127	7,191,967
Provisions	4.20	-	-
Deferred Tax Liabilities	4.13	-	-
Other Liabilities	4.21	83,395,154	78,328,707
Debt Securities Issued	4.22	-	-
Subordinated Liabilities	4.23	-	-
Total Liabilities		**5,543,857,065**	**7,550,562,622**
Equity			
Share Capital	4.24	1,233,826,902	1,147,745,956
Share Premium		-	-
Retained Earnings		63,386,280	181,576,133
Reserves	4.25	284,801,241	254,632,952
Total Equity		**1,582,014,423**	**1,583,955,041**
Total Liabilities and Equity		**7,125,871,488**	**9,134,517,663**
Contingent Liabilities and Commitment	4.26	-	-
Net Assets Value Per Share		**128.22**	**128.38**

First Microfinance Laghu Bitta Bittiya Sanstha Limited

Statement of Profit or Loss

for the period from 1st Shrawan 2080 - 29th Poush 2080

	Notes	2080-81 NPR	2079-80 NPR
Interest Income	4.27	463,270,429	1,431,756,491
Interest Expense	4.28	(309,438,174)	(998,500,139)
Net Interest Income		**153,832,255**	**433,256,352**
Fee and Commission Income	4.29	13,828,351	52,787,378
Fee and Commission Expense	4.30	(1,684,313)	(11,500,869)
Net Fee and Commission Income		**12,144,038**	**41,286,509**
Net Interest, Fee and Commission Income		**165,976,293**	**474,542,861**
Net Trading Income	4.31	-	-
Other Operating Income	4.32	-	-
Total Operating Income		**165,976,293**	**474,542,861**
Impairment Charge/Reversal for Loans and Other Losses	4.33	-	(116,580,943)
Net Operating Income		**165,976,293**	**357,961,918**
Operating Expenses		**(34,011,140)**	**(71,476,893)**
Personnel Expenses	4.34	(27,237,979)	(55,779,103)
Other Operating Expenses	4.35	(5,739,907)	(13,443,120)
Depreciation and Amortisation	4.36	(1,033,254)	(2,254,670)
Operating Profit		**131,965,153**	**286,485,025**
Non Operating Income	4.37	-	-
Non Operating Expense	4.38	-	-
Profit before Income Tax		**131,965,153**	**286,485,025**
Income Tax Expense	4.39		-
Current Tax		(47,050,639)	(88,729,092)
Deferred Tax		-	398,190
Profit for The Year		**84,914,514**	**198,154,123**
Profit Attributable to:			
Equity Holders of the Financial Institution		84,914,514	198,154,123
Profit for the Year		**84,914,514**	**198,154,123**
Earnings Per Share:			
Basic Earnings Per Share		13.76	17.26
Diluted Earnings Per Share		13.76	17.26

First Microfinance Laghu Bitta Bittiya Sanstha Limited

Statement of Comprehensive Income

for the period from 1st Shrawan 2080 - 29th Poush 2080

	Notes	2080-81 29th Poush 2080	2079-80 31 Ashadh 2080
Profit for the year		84,914,514	198,154,123
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		-	-
Gains (Losses) on Revaluations		-	-
Acturial Gains/(Losses) on Defined Benefit Plans		-	190,014
Income Tax Relating to above Items		-	(57,004)
Net Other Comprehensive Income that will not be Reclassified to Profit or Loss			
b) Items that are or may be Reclassified to Profit or Loss		-	-
Gains/(Losses) on Cash Flow Hedge		-	-
Exchange Gain/(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 reclssified to Profit or Loss		-	-
Other Comprehensive Income for the year, net of Income Tax		-	-
Total Comprehensive Income for the Year		**84,914,514**	**198,287,133**
Total Comprehensive Income For the Period		**84,914,514**	**198,287,133**

First Microfinance Laghu Bitta Bittiya Sanstha Limited

Statement of Changes in Equity

for the period from 1st Shrawan 2080 - 29th Poush 2080

Particular	Share capital	General Reserve	Exchange equalization Reserve	Regulatory Reserve	Employee Training Fund	Fair Value Reserve	Revaluation Reserve	Retained earnings	Client Protection Fund	CSR Reserve	Other Reserve	Total
Balance as at for Shrawan 2080	**1,147,745,956**	**238,634,012**	**-**	**3,740,530**	**240,750**	**(486,080)**	**-**	**181,576,133**	**5,729,180**	**5,809,450**	**965,110**	**1,583,955,041**
Comprehensive Income for the Year												
Profit for the Year	-	-	-	-				84,914,514				84,914,514
Adjustment/Restatement for the Year								-				-
Other Comprehensive Income, Net of tax												-
Gains(losses) from Investment in Equity						-						-
Instruments Measured at Fair Value												
Gains (Losses) on Revaluations												-
Acturial Gains/(Losses) on Defined Benefit Plans						-		-				-
Gains/(losses) on Cash Flow Hedge								-				-
Exchange Gain/(Losses)								-				-
Total Comprehensive Income for the Year								**84,914,514**				84,914,514
Transfer to Reserve During the Year												-
Transer from Reserve During the Year												-
Transaction with Owners, Directly Recognised in Equity												-
Share Issued	-		-	-				-				-
Share Based Payments												-
Dividend to Equity Holders												-
Bonus Shares Issued	86,080,946		-	-				(86,080,946)				-
Cash Dividend Paid	-							(86,080,946)				(86,080,946)
Transfer to General Reserve	-	16,982,903	-	-				(16,982,903)				-
Utilization of Customer Protection Fund	-	-	-					-	(720,828)			(720,828)
Investment Return on Client Protection Fund	-	-	-					-	180,783			180,783
Customer Protection Fund	-	-	-	-				(849,145)	849,145			-
Utilization of CSR Fund	-	-	-					-		(234,141)		(234,141)
Institution CSR Fund	-	-	-					(849,145)		849,145		-
T/F to Regulatory Reserve	-	-	-	12,261,282				(12,261,282)				-
As at 29th Poush 2080	**1,233,826,902**	**255,616,915**	**-**	**16,001,812**	**240,750**	**(486,080)**	**-**	**63,386,280**	**6,038,280**	**6,424,454**	**965,110**	**1,582,014,423**

First Microfinance Laghu Bitta Bittiya Sanstha Limited

Statement of Cash Flows

for the period from 1st Shrawan 2080 - 29th Poush 2080

	2080-81 Q2	2079-80
	NPR	NPR
Cash flows from operating activities		
Interest Received	445,754,312	1,429,872,560
Fees and Other Income Received	13,828,351	52,981,515
Dividend Received	-	-
Receipts from Other Operating Activities	-	-
Interest Paid	(322,653,865)	(994,308,649)
Commission and Fees Paid	(1,684,313)	(11,500,869)
Cash Payment to Employees	(22,025,974)	(61,779,298)
Other Expenses Paid	(5,739,907)	(13,426,844)
Operating Cash Flows Before Changes in Operating Assets and Liabilities	**107,478,604**	**401,838,415**
(Increase)/Decrease in Operating Assets		
Due from Nepal Rastra Bank	-	-
Placement with Bank and Financial Institutions	100,000,000	250,000,000
Other Trading Asset	-	-
Loan and Advance to MFIs & Co-operatives	1,304,241,636	2,619,367,005
Loan and Advance to Customers (Staff)	(941,816)	(1,883,931)
Other Assets	(2,805,137)	1,006,730
Increase/(Decrease) in Operating Liabilities		
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposit from Customers	-	-
Borrowings	(2,016,624,164)	(1,992,594,603)
Other Liabilities	12,090,874	(6,420,184)
Net Cash Flow from Operating Activities Before Tax Paid	**(496,560,003)**	**1,271,313,432**
Income Taxes Paid	(42,198,479)	(93,936,836)
Net Cash from Operating Activities	**(538,758,482)**	**1,177,376,596**
Cash Flows From Investing Activities		
Purchase of Investment Securities	-	-
Receipts from Sales of Investment Securities	-	-
Increase in Placement with Banks and Financial Institutions	-	-
(Purchase)/Sale of Property and Equipment	(479,195)	(646,078)
Purchase of Intangible Assets	-	-
Receipt from Sale of Intangible Assets	-	-
Purchase of Investment Properties	-	-
Receipt from Sale of Investment Properties	-	-
Interest Received	180,783	194,137
Dividend Received	-	-
Net Cash Used in Investing Activities	**(298,412)**	**(451,941)**
Cash Flows from Financing Activities		
Receipt form Issue of Debt Securities	-	-
Repayment of Debt Securities	-	-
Receipt from Issue of Subordinated Liabilities	-	-
Repayment of Subordianted Liabilities	-	-
Receipt from Issue of Shares	-	-
Dividends Paid	(86,080,946)	(9,644,924)
Interest Paid	-	-
Other Receipt/Payments	-	-
Net Cash (used in)/from Financing Activities	**(86,080,946)**	**(9,644,924)**
Net increase/(decrease) in cash and cash equivalents	(625,137,840)	1,167,279,731
Cash and Cash Equivalents at Beginning of Year	1,306,302,325	139,022,594
Effect of Exchange Rate Changes on Cash & Cash Equivalents	-	-
Cash and Cash Equivalents at end of Year	**681,164,485**	**1,306,302,325**

First Microfinance Laghu Bitta Bittiya Sanstha Limited
Notes to the Interim Financial Statements
For the Quarter Ended 29th Poush 2080

1. Reporting Entity

First Microfinance Laghu Bitta Bittiya Sanstha Limited ('The Microfinance') domiciled and incorporated in Nepal under the Companies Act 2063 on 26th Ashwin, 2066 with the Office of Company Registrar. The Microfinance obtained license from Nepal Rastra Bank on 13th Poush, 2066 as 'D Class' financial institution to carry on wholesale micro credit lending. The Microfinance registered with the Inland Revenue Department with PAN 303854726. The Microfinance was promoted by Global IME Bank Limited, Prabhu Bank Limited, Kumari Bank Limited, Rastriya Banijya Bank Limited, ICFC Finance Limited and other reputed national personalities. The Microfinance is operating its business from Corporate Office at Gyaneshwor-30, Kathmandu.

2. Basis of Preparation

Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless specified.

2.1 Statement of Compliance with NFRSs

The financial statements have been prepared on a going concern basis under historical cost conventions except where the standards require otherwise. Financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS)-2018 laid down by the Institute of Chartered Accountants of Nepal (ICAN) and in compliance with the requirements of the Companies Act, 2063.

Financial statements comprise Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Accounts on the format prescribed by NRB Directive No. 4.

2.2 Reporting Period Approval of Financial Statements

Reporting Period

The Microfinance follows the Nepal Financial Year.

1. For Statement of Financial Position: - 29th Poush, 2080
2. For Statement of Profit or Loss: - Sharwan 1, 2080 to Poush 29 2080
3. For Statement of Other Comprehensive Income: - Sharwan 1, 2080 to Poush 29 2080
4. For Statement of Cash Flow: - Sharwan 1, 2080 to Poush 29 2080

2.3 Use of Estimates, Assumptions and Judgments

Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable estimates and underlying assumptions are reviewed on an ongoing basis.

Information about assumptions, estimates and judgement used in preparation of financial statements for 2079/80 that have a significant risk of resulting in a material adjustment within the next financial year are:

- Key assumptions used in discounted cash flow projections.
- Measurement of defined benefit obligations.
- Provisions, commitments and contingencies.
- Determination of net realizable value.
- Determination of useful life of the property, plants and equipment.
- Assessment of the Microfinance's ability to continue as a going concern.
- Determination of fair value of financial instruments; and property and equipment.
- Impairment of financial and non-financial assets.
- Assessment of current as well as deferred tax.

2.4 Changes in Accounting Policies

The Microfinance has consistently applied the accounting policies to all periods presented in these financial statements except for new or revised statements and interpretations implemented during the year. The nature and effect of new standards and interpretations are discussed in the note that follows.

3. Significant Accounting Policies

Principal accounting policies applied by the Microfinance in the preparation of these financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise.

3.1 Basis of Measurement

The financial statements are prepared on the historical-cost basis except for the required material items in the Statement of Financial Position where it has been disclosed as measured at fair value or otherwise.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Microfinance. Any revision to accounting estimates are recognized prospectively in the period in which the estimates are revised and in the future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in notes that follow.

3.2 Cash and Cash Equivalents

Cash and cash equivalent comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value and carried at amortized cost.

The cash and cash equivalents for the purpose of cash flow statement include cash in hand, balances with banks, money at call and money market funds and financial assets with original maturity less than 3 months from the date of acquisition.

3.3 Financial Assets and Financial Liabilities

a. Recognition

The Microfinance recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition.

Transaction costs in relation to financial assets and financial liabilities which are carried at fair value through profit or loss (FVTPL), are charged to the Statement of Profit or Loss.

b. Classification

Financial assets and liabilities are subsequently measured at amortized cost or fair value based on business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Classification of Financial assets

I. Financial Assets Measured at Amortized Cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortized cost using the effective interest rate ('EIR') method less impairment, if any. The amortization of EIR and loss arising from impairment, if any is recognized in the Statement of Profit or Loss.

II. Financial Assets Measured at Fair Value Through Other Comprehensive Income

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI).

III. Financial Assets Measured at Fair Value Through Profit or Loss

The Microfinance classifies the financials assets as fair value through profit or loss if they are held for trading or designated at fair value through profit or loss. Any other financial asset not classified as either amortized cost or FVTOCI, is classified as FVTPL.

Classification of Financial liabilities

I. Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Upon initial recognition, transaction cost directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

II. Financial Liabilities Measured at Amortized Cost

All financial liabilities other than measured at fair value though profit or loss are classified as subsequently measured at amortized cost using effective interest method.

c. Determination of Fair Value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Microfinance has access at that date. The fair value of a liability reflects its non-performance risk.

Fair value measurement hierarchy is as follows:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 valuations are those where significant inputs are not based on observable market data.

d. Impairment

At each reporting date, the Microfinance assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

I. Impairment of Financial Assets Class-1 (ACTPL)

Individual Impairment Test

The Microfinance reviews its individually significant financial assets at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. The Management's judgement is extensively used in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the provisions made. The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about the number of factors including a borrower's financial situation and the net realizable value of any underlying assets.

II. Impairment of Financial Assets Class-2 (FVTOCI)

Objective evidence of impairment of financial assets is a significant or prolonged decline in its fair value below its cost. Impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and the current fair value, less any impairment loss recognized previously in profit or loss.

3.4 Property and Equipment

a) Recognition and Measurement

Property and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Microfinance and the cost of the asset can be reliably measured. The cost includes expenditures that are directly attributable to acquisition of the assets.

Depreciation-Rate & Amortization

Property, plant and equipment are depreciated from the date they are available for use, on straight line method over estimated useful lives as determined by the Management. Depreciation is recognized in profit or loss. Charging of depreciation is ceased from the earlier of the date from which the asset is classified as held for sale or is derecognized.

For assets purchased/sold during the year, depreciation is provided up to the date of use on pro-rata basis.

Assets	Useful Life	Rate of Depreciation
Motor Car	8 Years	12.5%
Motor Bike	7 Years	14.3%
Furniture and Fixtures	9 Years	11.11%
Hording Board	2 Years	50%
Computers and Office Equipment	5 Years	20%
Air Conditioner	10 Years	10%
Leasehold Improvements	Life of the Lease Period	
Intangible Assets	5 years	20%

3.5 Income Tax

The Microfinance is subject to tax laws of Nepal. Income taxes have been calculated as per the provisions of the Income Tax Act, 2058.

a. Current Tax

Current tax is the amount of tax payable based on the taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the Statement of Profit or Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

b. Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements Deferred income tax is determined using tax rate applicable to the Microfinance as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

3.6 Provision

Provisions are recognized when the Microfinance has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic resources will be required to settle the obligation and when the amount can be reliably estimated.

Amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as assets if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A disclosure for contingent liabilities is made where there is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

- present obligation that arises from past events but is not recognized because:
    - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Commitments- Where the Microfinance has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not and the Microfinance has not made payments at the reporting date, those instruments are included in these financial statements as commitments.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

3.7 Revenue Recognition

Revenue comprises interest income, fees, commission and non-operating income. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Microfinance and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The bases of incomes recognition are as below:

a. Interest Income

For all financial assets measured at amortized cost, interest bearing financial assets are classified as fair value through other comprehensive income, interest income is recorded using the that closely approximates the EIR because the Microfinance considers that the cost of exact calculation of effective interest rate method exceed the benefit that would be derived from such compliance. EIR is the rate that accurately discounts estimated future cash payments or receipts through the expected life of financial instruments or shorter period, which is appropriate, to the net carrying amount of the financial assets or financial liabilities.

Interest income presented in the Statement of Profit or Loss includes accrual Interest income on financial assets measured at amortized cost. These financial assets include loans and advances including staff loans.

b. Fee and Commission Income

Fees and commission income that are integral to the effective interest rate on financial assets are included in measurement of effective interest rate. Other fees and commission income includes loans service fee, prepayment fee, penal charges etc.

3.8 Interest Expenses

Interest expense on all financial liabilities are recognized in the Statement of Profit or Loss. The interest expenses so recognized closely approximates the interest expenses that would have been derived under effective interest rate method. The difference is not considered material.

3.9 Employee Benefits

a. Short Term Employee Benefits

The Microfinance's short-term employee benefits mainly include wages, salaries, allowances, social security expenses, bonuses as provided in the law and other employee related expenses. Short term employee benefits are measured on an undiscounted basis and are charged to Statement of Profit or Loss as and when the related service is provided.

b. Long Term Employee Benefits

I. Defined Contribution Plans

The contributions to defined contribution plans are recognized in profit or loss as and when the services are rendered by employees which the Microfinance contributes fixed percentage of the salary to the Employee's Provident Fund. The Microfinance has no further obligations under these plans beyond its periodic contributions.

II. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Microfinance's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on corporate bonds, that have maturity dates approximating the terms of the Microfinance's obligation and that are denominated in the currency in which the benefits are expected to be paid.

3.10 Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a. The Microfinance as a Lessee

- At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability.
- At the commencement date, a lessee shall measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the lessee; and (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

- At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate.
- Subsequent measurement of the right-of-use asset

After the commencement date, a lessee shall measure the right-of-use asset applying a Cost Model.

b. Cost Model

To apply a cost model, a lessee shall measure the right-of-use asset at cost: (a) less any accumulated depreciation and any accumulated impairment losses; and (b) adjusted for any re-measurement of the lease liability specified in paragraph 36(c). A lessee shall apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, subject to the requirements in paragraph 32.

c. Subsequent Measurement of Lease Liability

After the commencement date, a lessee shall measure the lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) re-measuring the carrying amount to reflect any reassessment or lease modifications specified in paragraphs 39–46, or to reflect revised in-substance fixed lease payments. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, a lessee shall recognize in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards, both: (a) interest on the lease liability; and (b) variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

3.11 Share Capital and Reserve

The Microfinance classifies the capital instruments as equity instruments or financial liabilities in accordance with the substance with the contractual terms of the instruments. Equity is defined as residual interest in total assets of an entity after deducting all its liabilities. Common shares are classified as equity of the Microfinance and distributions thereon are presented in statement of changes in equity.

Incremental costs directly attributable to issue of an equity instruments are deducted from the initial measurement of the equity instruments.

The reserves include regulatory and other reserves excluding retained earnings.

3.12 Earnings Per Share (EPS) Including Diluted EPS

Basic earnings per share is computed by dividing the profit/(loss) for the year by the weighted average number of equity 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,

There are no instruments, such as convertibles, that would require dilution of EPS, therefore diluted EPS has not been computed and disclosed.

4. Related Party Disclosure

Accounting Policy

The Microfinance identifies the following as the related parties

I. Shareholders having shareholding of 4% or more during the year.
II. Subsidiary of major shareholders.
III. Directors of the Microfinance and their close family members, if any
IV. Key managerial personnel and their close family members, if any

4.1 Transaction with Major Shareholders & Subsidiary of Significant Shareholders

Global IME Capital and Global IME Laghubitta Bittiya Sanstha Ltd. are subsidiaries of Global IME Bank, a significant shareholder. Transaction with the related party during the reporting period is presented below:

NPR '000'

Transaction during the year	Global IME Bank	Prabhu Bank	Kumari Bank	ICFC Finance	Global IME Capital	Global IME Laghubitta
Borrowings (Poush End)	16,87,181	5,46,040	1,44,643		-	-
Interest Exp. on Borrowings	61,343	26,703	4,888	1,407	-	-
Bank Balance (Poush End)	3,63,952	9,646	4,293	1,01,493	-	-
Loans and Advances	-	-	-	-	-	-
Interest Income on Loans	-	-	-	-	-	-
Other Transactions	0	134	100	0	74	-

4.2 Transaction with Directors of the Microfinance & Key Managerial Personnel.

Particulars	**29th Poush 2080**
Director's Fee	423,000
Meetings Expenses	93,905
Communication & Papers Allowances	105,000
Total	**621,905**

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

(*Amount in NPR)*

S.N.	Name	Position	Remuneration
1	Numanath Poudel	CEO	19,18,500
2	Dana Raj Pant	Deputy CEO	13,26,368
3	Other Management Personnel (4 staff)	Management	45,26,677
Total			**77,71,545**

Benefits are paid to the CEO as per the Contract. Vehicle facilities are provided to the present CEO.

There has been no payment or transactions with the close family member of the Directors and Key Managerial Person