

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF NIC ASIA GROWTH FUND 2

## Report on the Audit of Financial Statements

### Opinion

We have audited the accompanying financial statements of NIC Asia Growth Fund 2 ("the Mutual Fund" which comprise the statement of financial position as at Ashad 32, 2082 [July 16, 2025], the statement of profit or loss, the statement of other comprehensive income, the statement of changes in unit holders fund & the statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory notes.

In our opinion and to the best of our information and according to the explanations given to us, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the Mutual Fund as at Ashad 32, 2082 (July 16, 2025) and its financial performance, changes in Unit Holders Fund and its cash flows for the year then ended on that date in accordance with Nepal Financial Reporting Standards (NFRSs) and comply with Securities Act 2063, Security Board Regulation 2064, Mutual Fund Regulations 2067, Mutual Fund Guidelines 2069 and other prevailing legislations.

### Basis of Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Mutual Fund in accordance with the Institute of Chartered Accountant of Nepal's code of ethics for professional accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

| S.N | Key Audit Matters                                                                                                                                                                                                                                                                                                                                                                                                                | Our Audit Approach and Response                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | <b>Investment Valuation</b> <ul style="list-style-type: none"> <li>Investment of Mutual fund comprises of investments in listed securities, initial public offerings, debentures and fixed deposits. The classifications, valuations and disclosures of the aforesaid investment shall be done in line with NFRS 9 Financial Instruments; NFRS 13 Fair Value Measurements; NFRS 7 Financial Instruments: Disclosures.</li> </ul> | <p>Our audit approach regarding valuation of investment, impairment, its accounting included:</p> <ul style="list-style-type: none"> <li>We ensured classifications and accounting of investments made by Fund and its valuation were in accordance to NFRS 9 and NFRS 13 Issued by Accounting Standard Board of Nepal.</li> <li>For the investment made on quoted equity instruments, we ensured that fair valuation has</li> </ul> |

- In view of significance of amount of investment and complexity involved in valuation and treatment of such investments, we have considered it as key audit matters in our audit.

been done at the closing transaction rate in NEPSE as on 32.03.2082.

## 2. Compliances

- Mutual Fund requires to comply with the Securities Act 2063, Mutual Fund Regulation 2067, Mutual Fund Guidelines 2069.

Our audit approach regarding compliance with various laws and regulations includes the following among other things:

- In view of Significance of Compliance that needs to be adhered, we have considered as key audit matters in our audit.

- Ensured the investment made by the fund in various securities were within the limit of threshold limit prescribed by Mutual Fund Regulations 2067 (fourth amendment).

- Ensured the fees related to supervisor, Fund manager and Depository read with Section 23 of the regulations has been complied with.

## Other Information

The directors are responsible for the other information presented in the Mutual Fund's annual report. Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. We have nothing to report in this respect.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Nepal Financial Reporting Standards (NFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Mutual Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Mutual Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Mutual Fund's financial reporting process.

## Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidences that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidences obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Mutual Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our auditor's report. However, future events or conditions may cause the Mutual Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements, including the disclosures, represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Mutual Fund to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Mutual Fund audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such comment.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit we further report that:

- a) The financial statement dealt by this report are prepared in accordance with Nepal Financial Reporting Standards (NFRS); Securities Act, 2063; Securities Board Regulations, 2064; Mutual Fund Regulations, 2067; Mutual Fund Guidelines, 2069 and other prevailing laws and are in agreement with the books of account maintained by the scheme.
- b) During our examination of the books of account of the scheme, we have not come across the cases where fund manager or any of the representative or staffs has acted contrary to the provision of law or caused loss or damage to the scheme.
- c) The fund manager has maintained the required internal control system.



- d) We have not come across any cases where the scheme has conducted any activities against the interest of unit holders and the capital market.
- e) The scheme has effective internal audit system.
- f) The funds under the scheme have been invested in accordance with the mutual fund regulations 2067.
- g) The operation of the scheme were found satisfactory.

For N. B. S. M. & Associates  
Chartered Accountants



CA. Rajesh Kumar Sah, FCA  
Senior Partner  
Date : 2025/08/03

Place: Kathmandu, Nepal  
UDIN : 250818CA00546xxXAq

**NIC ASIA Growth Fund - 2**  
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Ltd.)  
Balance Sheet As at 32nd Ashad 2082 (16th July 2025)

| Particulars                        | Annexure | Ashad End 2082     | Ashad End 2081     |
|------------------------------------|----------|--------------------|--------------------|
| <i>In NPR</i>                      |          |                    |                    |
| <b>Capital and Liabilities</b>     |          |                    |                    |
| Unit Capital                       | I        | 905,000,000        | 905,000,000        |
| Reserves and Surplus               | II       | 70,042,823         | 6,113,995          |
| Current Liabilities and Provisions | III      | 11,903,902         | 5,404,870          |
| <b>Total</b>                       |          | <b>986,946,725</b> | <b>916,518,866</b> |
| <b>Assets</b>                      |          |                    |                    |
| Investments in Debentures          | IV       | -                  | -                  |
| Investment in Fixed Deposit        | V        | 125,000,000        | 125,000,000        |
| Investments in Shares              | VI       | 621,191,269        | 470,619,269        |
| Bank Balances                      | VII      | 177,852,455        | 320,874,346        |
| Other Current Assets               | VIII     | 62,903,001         | 25,252             |
| <b>Total</b>                       |          | <b>986,946,725</b> | <b>916,518,866</b> |

Schedules and Explanatory Notes forms integral part of Balance Sheet

On Behalf of NIC ASIA Capital Limited  
(Fund Management Company)

As per our Report of even date

  
.....  
Bimal Kumar Shah  
Mutual Fund - Incharge

  
.....  
Pragya Ratna Shakya  
Chief Operating Officer



  
.....  
Ramendra Rayamajhi  
Chief Executive Officer

Date: 03/08/2025  
Place : Kathmandu

**NIC ASIA Growth Fund - 2**  
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Statement of Financial Position  
As at 32nd Ashad 2082 (16th July 2025)

| Particulars                                                    | Notes | 32nd Ashad 2082    | 31st Ashad 2081    |
|----------------------------------------------------------------|-------|--------------------|--------------------|
| <b>Assets</b>                                                  |       |                    |                    |
| <b>Non Current Assets</b>                                      |       |                    |                    |
| Financial Assets Measured at Amortised Cost                    | 5     |                    |                    |
| <b>Current Assets</b>                                          |       |                    |                    |
| Cash and Cash Equivalents                                      | 3     | 177,852,455        | 320,874,346        |
| Other Assets                                                   | 6     | 62,903,001         | 25,252             |
| Financial Asset Measured at Amortised Cost                     | 7     | 125,000,000        | 125,000,000        |
| Financial Assets Held at Fair Value Through Profit or Loss     | 4     | 621,191,269        | 470,619,269        |
| <b>Total</b>                                                   |       | <b>986,946,725</b> | <b>916,518,866</b> |
| <b>Liabilities</b>                                             |       |                    |                    |
| <b>Current Liabilities</b>                                     |       |                    |                    |
| Accrued Expenses & Other Payables                              | 8     | 11,903,902         | 5,404,870          |
| Liabilities (Excluding Net Assets Attributable to Unitholders) |       | 11,903,902         | 5,404,870          |
| <b>Unit Holder's Funds</b>                                     |       |                    |                    |
| Net Assets Attributable to Unit Holders                        | 9     | 975,042,823        | 911,113,995        |
| <b>Total</b>                                                   |       | <b>986,946,725</b> | <b>916,518,866</b> |

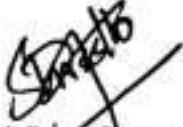
**NAV per Share** 10.77

Significant Accounting Policies and Notes 3-9 forms integral part of Statement of Financial Position

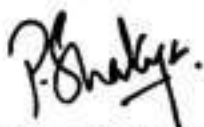
On Behalf of NIC ASIA Capital Limited  
(Fund Management Company)

  
Bimal Kumar Shah  
Mutual Fund- Incharge

  
Dinesh Bhari  
Director

  
Nidhan Srestha  
Director

Date: 03/08/2025  
Place : Kathmandu

  
Pragya Ratna Shukya  
Chief Operating Officer

  
Santosh Kumar Rath  
Chairman

  
Rabin Sapkota  
Independent Director

As per our Report of even date



  
Ramendra Rayamajhi  
Chief Executive Officer

  
Suman Dahal  
Independent Director

  
CA. Rajesh Kumar Saha  
N. B. S. M. & Associates  
Chartered Accountants

**NIC ASIA Growth Fund - 2**  
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

**Statement of Profit or Loss and Other Comprehensive Income**  
For the Period from 1st Shrawan, 2081 to 32nd Ashadh, 2082 (16th July, 2024 to 16th July, 2025)

| Particulars                                                              | Notes | FY 2081/82        | FY 2080/81        |
|--------------------------------------------------------------------------|-------|-------------------|-------------------|
| <b>Income</b>                                                            |       |                   |                   |
| <b>Realised Income</b>                                                   |       |                   |                   |
| Interest Income                                                          | 10    | 8,026,099         | 10,802,026        |
| Dividend Income                                                          | 11    | 6,978,877         | 1,097,494         |
| Income From Sale of Financial Asset at Fair Value through Profit or Loss | 12    | 41,131,029        | -                 |
| Other Income                                                             | 13    | 2,773             | 3,596             |
| <b>Unrealised Income</b>                                                 |       |                   |                   |
| Fair Value Gains/(Losses)                                                | 14    | 26,903,743        | 9,884,198         |
| <b>Total</b>                                                             |       | <b>83,042,521</b> | <b>21,787,314</b> |
| <b>Expenses and Losses</b>                                               |       |                   |                   |
| Bank Charges                                                             |       | 1,394             | 120               |
| Depository Fee                                                           | 15    | 1,929,984         | 1,062,518         |
| Fund Management Fee                                                      | 15    | 14,474,880        | 7,968,885         |
| Software Expenses                                                        |       | -                 | 67,800            |
| Publication Expenses                                                     |       | 430,618           | 97,459            |
| Scheme Audit Fee                                                         |       | 113,000           | 113,000           |
| Supervisor Fee                                                           | 15    | 964,992           | 531,259           |
| Nepse Listing Fee                                                        |       | 50,000            | -                 |
| CDSC Annual Fee                                                          |       | 120,000           | -                 |
| Transaction Cost                                                         |       | 1,028,826         | -                 |
| Pre Operating Expenses                                                   | 16    | -                 | 5,832,278         |
| <b>Total</b>                                                             |       | <b>19,113,694</b> | <b>15,673,319</b> |
| <b>Increase/(Decrease) in Net Assets Attributable to Unit holders</b>    |       | <b>63,928,827</b> | <b>6,113,995</b>  |
| Other Comprehensive Income                                               |       | -                 | -                 |
| <b>Total Comprehensive Income</b>                                        |       | <b>63,928,827</b> | <b>6,113,995</b>  |

Significant Accounting Policies and Notes 10-15 forms integral part of Statement of Profit or Loss and Other Comprehensive Income

On behalf of NIC ASIA Capital Limited  
(Fund Management Company)

  
Bimal Kumar Shah  
Mutual Fund- Incharge

  
Pragya Ratna Shukya  
Chief Operating Officer

As per our Report of even date  
  
Ramendra Rayamajhi  
Chief Executive Officer

  
Dinesh Bharti  
Director

  
Santosh Kumar Rath  
Chairman

  
Guman Dangol  
Independent Director

  
Nidhan Shrestha  
Director

  
Rabin Sapkota  
Independent Director

  
A. Ramesh Kumar  
N. B. S. M. & Associates  
Chartered Accountant

Date: 03/08/2025  
Place : Kathmandu

**NIC ASIA Growth Fund - 2**  
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Statement of Cash Flows  
For the Period from 1st Shrawan, 2081 to 32nd Ashadh, 2082 (16th July, 2024 to 16th July, 2025)

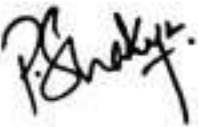
| Particulars                                                                                 | In NPR               |                      |
|---------------------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                                             | FY 2081/82           | FY 2080/81           |
| <b>A. Cash Flow from Operating Activities</b>                                               |                      |                      |
| Surplus/ (Deficit) for the year                                                             | 63,928,827           | 6,113,995            |
| Adjustments for:                                                                            |                      |                      |
| (Increase)/Decrease in Unrealised (gain)/loss on financial assets held for trading purposes | (26,903,743)         | (9,884,198)          |
| Increase/(Decrease) in Liabilities                                                          | 6,499,032            | 5,404,870            |
| (Increase)/Decrease in Share                                                                | (123,668,257)        | (460,735,070)        |
| (Increase)/Decrease in Other Assets                                                         | (62,877,749)         | (125,025,252)        |
| <b>Net cash generated/(used) in Operations (1)</b>                                          | <b>(143,021,891)</b> | <b>(584,125,654)</b> |
| <b>B. Cash Flow from Financing Activities</b>                                               |                      |                      |
| Increase/(Decrease) in Unit Capital                                                         | -                    | 905,000,000          |
| Dividend Paid during the year (net of tax)                                                  | -                    | -                    |
| <b>Net cash generated/(used) in Financing (2)</b>                                           | <b>-</b>             | <b>905,000,000</b>   |
| <b>C. Cash Flow from Investing Activities</b>                                               |                      |                      |
| <b>Net cash generated/(used) in Investing (3)</b>                                           | <b>-</b>             | <b>-</b>             |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents (1+2+3)</b>                         | <b>(143,021,891)</b> | <b>320,874,346</b>   |
| Cash and Cash Equivalents at beginning of the year/period                                   | 320,874,346          | -                    |
| <b>Cash and Cash Equivalents at end of period</b>                                           | <b>177,852,455</b>   | <b>320,874,346</b>   |
| <b>Components of Cash and Cash Equivalents</b>                                              |                      |                      |
| Balance with Banks                                                                          | 177,852,455          | 320,874,346          |

Significant Accounting Policies forms integral part of Statement of Cash Flows

On behalf of NIC ASIA Capital Limited  
(Fund Management Company)

As per our Report of even date

  
Bimal Kumar Shah  
Mutual Fund- Incharge

  
Pragya Ratna Shakya  
Chief Operating Officer



  
Ramendra Rayamajhi  
Chief Executive Officer

  
Dinesh Bhari  
Director

  
Santosh Kumar Rath  
Chairman

  
Suman Dangol  
Independent Director

  
Nidhaan Shrestha  
Director

  
Rabin Sapkota  
Independent Director

  
CA. Rakesh Kumar  
N. B. S. M. & Associates  
Chartered Accountants

Date: 03/08/2025  
Place : Kathmandu

**NIC ASIA Growth Fund - 2**  
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

**Statement in Changes in Unit Holder's Fund**  
For the Period from 1st Shrawan, 2081 to 32nd Ashadh, 2082 (16th July, 2024 to 16th July, 2025)

| Particular                        | Unit Capital | Realized Profit | Unrealized Profit | In NPR<br>Total |
|-----------------------------------|--------------|-----------------|-------------------|-----------------|
| Opening Balance                   |              |                 |                   |                 |
| Issue of Unit Capital             |              |                 |                   |                 |
| Net Profit (Loss) Last Year       | 905,000,000  | -               | -                 | 905,000,000     |
| Net Profit (Loss) During the year | -            | -               | -                 | -               |
| Dividend Paid                     | -            | (3,770,203)     | 9,884,198         | 6,113,995       |
| Balance as on 31/03/2081          | 905,000,000  | (3,770,203)     | 9,884,198         | 911,113,995     |
| Particular                        | Unit Capital | Realized Profit | Unrealized Profit | Total           |
| Opening Balance                   |              |                 |                   |                 |
| Issue of Unit Capital             |              |                 |                   |                 |
| Net Profit (Loss) Last Year       | 905,000,000  | -               | -                 | 905,000,000     |
| Net Profit (Loss) During the year | -            | (3,770,203)     | 9,884,198         | 6,113,995       |
| Dividend Paid                     | -            | 37,025,084      | 26,903,743        | 63,928,827      |
| Balance as on 32/03/2082          | 905,000,000  | 33,254,881      | 36,787,942        | 975,042,823     |

NAV Per Share

Significant Accounting Policies forms integral part of Statement of Change in Unit Holder's Fund

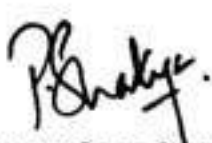
On behalf of NIC ASIA Capital Limited  
(Fund Management Company)

  
Bimal Kumar Shah  
Mutual Fund- Incharge

  
Dinesh Bhari  
Director

  
Nidhan Shrestha  
Director

Date: 03/08/2025  
Place : Kathmandu

  
Pragya Ratna Shukya  
Chief Operating Officer

  
Santosh Kumar Rathi  
Chairman

  
Rabin Sapkota  
Independent Director

As per our Report of even date



  
Ramendra Rayamajhi  
Chief Executive Officer

  
Suman Dangol  
Independent Director

  
CA. Rajesh Kumar Shah  
N. B. S. & Associates  
Chartered Accountants

**Significant Accounting Policies and Notes to the Financial Statements for the Year 1<sup>st</sup> Shrawan, 2081 to 32<sup>nd</sup> Ashad, 2082**

**1. Background**

|                               |                                                                                                                                 |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| <b>Fund:</b>                  | <b>NIC ASIA Bank Mutual Fund</b>                                                                                                |
| <b>Scheme:</b>                | <b>NIC ASIA Growth Fund 2</b>                                                                                                   |
| <b>Fund Sponsor:</b>          | <b>NIC ASIA Bank Limited (NICA)</b><br>(Licensed by NRB as Class "A" Bank)                                                      |
| <b>Fund Management:</b>       | <b>NIC ASIA Capital Limited</b><br>(A subsidiary of NIC ASIA Bank Limited)                                                      |
| <b>Fund Supervisors:</b>      | Mr. Bodh Raj Niraula<br>Mr. Aashish Adhikari<br>Mr. Shivaraj Ghimire<br>Mr. Santosh Lamichhane<br>Mr. Mahendra Nath Karmacharya |
| <b>Total Units of Scheme:</b> | 90,500,000 (Ninety Million Five Hundred Thousand units)                                                                         |
| <b>Total Unit Capital:</b>    | NPR 905,000,000 (NPR Nine Hundred Five Million Only)                                                                            |
| <b>Scheme type:</b>           | Close-Ended                                                                                                                     |

NIC ASIA Growth Fund 2 (the Scheme) under NIC ASIA Bank Mutual Fund (the Fund) is registered under Mutual Fund Regulations, 2067 as a closed-end, diversified investment scheme. The objective of the Fund is to diligently manage the fund with the aim of achieving a high return for unit holders, growth of both capital and income from investment in shares and fixed income securities and conservation of capital. The Scheme commenced its operation on 25<sup>th</sup> Mangsir 2080 (Scheme allotment date) B.S. with maturity period of 7 years (i.e., 24<sup>th</sup> Mangsir 2087 B.S.).

NIC ASIA Bank Ltd. (NICA) is the Fund Sponsor and NIC ASIA Capital Limited, a subsidiary of NICA duly licensed by Securities Board of Nepal (SEBON), has been appointed as the Fund Manager of the Scheme by the Sponsor after obtaining due approval from SEBON. Further, the Fund Manager is also providing Depository services to the unit holders of the Scheme in line with the prevailing regulations on mutual funds.

**2. Significant Accounting Policies**

**2.1. Basis of Preparation**

**2.1.1. Statement of compliance**

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards issued by Accounting Standards Board of Nepal and pronounced by the Institute of Chartered Accountants of Nepal on 13<sup>th</sup> September 2013.



*[Handwritten signatures and stamps]*

*[Handwritten signatures and dates]*

These financial statements also confirm the compliance with Securities Act, 2063, Mutual Fund Regulations, 2067, Mutual Fund Guidelines, 2069.

Financial assets held for trade are measured at Fair Value through Profit or Loss. Management uses specific valuation methodologies for unlisted equities (bonus, rights and IPO shares) which can have a material impact on financial statements.

## 2.1.2. Accounting Convention

The Financial Statements are prepared and presented under accrual basis of accounting in conformity with Nepal Financial Reporting Standards (NFRS). NFRS requires using fair value to measure assets and liabilities unless otherwise stated.

### Fair Value Measurement

NFRS 13 requires disclosure of fair value measurements by the level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

### Fair Value in an Active Market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from NEPSE and are traded frequently.

### Fair Value in an Inactive or Unquoted Market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques.

- Equities which are listed but no transactions are made within the last 30 days is valued at 180 days Closing Average Market price provided by NEPSE and Equities which are listed but no transactions are made within the last 180 days is valued, taking lower of cost of acquisition or netbook value of stock as published in the latest quarterly report.
- In the event of a trading halt of the scrip due to merger & acquisition, the last traded price should be taken.
- In case of unprecedented events, where no prescriptive guidelines are proposed to value securities/ portfolios. The following type of events could be classified as unprecedented events where current market information may not be available/ sufficient for valuation of securities:
  - Major policy announcements by Government or NRB or other regulatory Parties
  - Natural Disasters, Disease Outbreak, Wars, or any other events that create public disturbances which force the market to close unexpectedly.

Under such circumstances capital shall seek the guidance of the company's board in deciding an appropriate methodology for valuation of the stocks.

- However, the above events will not be accounted for valuation as above, stocks trading within 30 days.



*[Signature]*

*[Signature]*

**PA NIC ASIAN  
CAPITAL**

*[Signature]*

*[Signature]*

*[Signature]*

- IPO (Initial Public Offerings) investments shall be valued as:
  - IPO investments are investments made to apply for the securities in IPO till Listing.
  - IPO investments are valued as advance for application amount till allotment at exact amount applied for.
  - After allotment of IPO till listing and if listed but not traded, IPO investments are valued at investment value.

Right share shall be valued as: Right share after book closure but before allotment shall be valued as theoretical ex right price for the number of units eligible for rights. After allotment till listing, right share will be valued as listed equities

### 2.1.3. Responsibility for Financial Statements

The fund manager is overall responsible for the management of the fund with supervision from Fund Supervisors, the Board of Fund Manager for the preparation and presentation of Financial Statements of the fund.

### 2.1.4. Going Concern Assumption

NIC ASIA Growth Fund 2 is a closed-ended fund with maturity of seven years from the allotment of units. As the scheme is in second year of operation and since the fund managers, supervisors, and sponsors cannot liquidate the scheme before the maturity of the scheme by application of statute, the scheme's financial statements have been prepared undergoing concern assumption.

### 2.1.5. Approval of Financial Statements

The Scheme's Financial Statements were approved by the Board of Directors of the NIC ASIA Capital Limited on 18<sup>th</sup> Shrawan, 2082 being the Fund Management and Depository Company. Similarly, information regarding the approval of Financial Statements has been shared with Fund Supervisors.

### 2.1.6. Reporting Period and Approval of Financial Statements

This year's figure consists of the period from 1<sup>st</sup> Shrawan 2081 to 32<sup>nd</sup> Ashad 2082 where comparison figure consists of the period from 25<sup>th</sup> Mangsir 2080 to 31<sup>st</sup> Ashad 2081.

### 2.1.7. Functional and Presentation Currency

The functional and presentation currency is Nepali Rupee (NPR), which is the currency of the primary economic environment in which the fund operates. Financial information is presented in Nepali Rupees. There was no change in the fund's presentation and functional currency during the year under review. The figures presented in Financial Statements are rounded to nearest Nepali Rupee.

### 2.1.8. Use of Estimates, Assumptions and Judgments

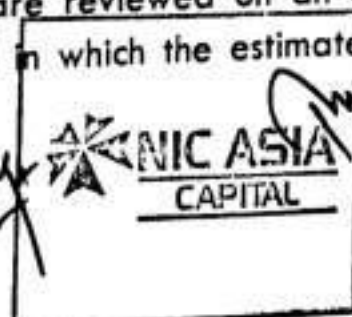
The preparation of Financial Statements in conformity with Nepal Financial Reporting Standards (NFRS) requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.



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## 1.9. Financial Instruments

The Fund's principal financial assets comprise assets such as equities, other assets, bonds and debentures, fixed deposit and cash and cash equivalents. The main purpose of these financial instruments is to generate a return on the investment made by unitholders. The Funds' principal financial liabilities comprise accrued expenses and other payables which arise directly from its operations.

### a) Classification

The fund classifies the financial asset as subsequently measured at amortized cost or fair value based on the Funds Business Model Test for managing the financial assets and the contractual cash flows characteristics of the financial assets as follows:

- **Financial assets measured at amortized cost:**

A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- **Financial assets measured at fair value:**

Financial assets other than those measured at amortized cost are measured at fair value. They are further classified into two categories as below:

- Financial assets are measured at fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Such assets are subsequently measured at fair value and changes in fair value are recognized in the Statement of Profit or Loss. It includes Investment in Equity Instruments.
- Financial assets are measured at fair value through other comprehensive income if the investment in an equity instrument that is not held for trading and at the initial recognition, the Fund makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income. However, Fund doesn't have investment satisfying the criteria to be classified as FVTOCI.

- **Financial Liabilities**

The Fund classifies its financial liabilities as follows:

- **Financial Liabilities at Fair Value through Profit or Loss:**

Financial liabilities are classified at fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs directly attributable to the acquisition are recognized in the Statement of Profit or Loss as incurred. Subsequent changes in fair value are recognized at profit or loss.

- **Financial Liabilities measured at amortized cost:**

Financial liabilities other than those measured at fair value through profit or loss are classified as subsequently measured at amortized cost using an effective interest rate method.

### b) Recognition / De-recognition

The Fund recognizes financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognizes changes in fair value of the financial assets or financial liabilities from this date.

#### De-recognition of Financial Asset

Fund derecognizes Financial Asset when the contractual right to receive cash flows from the financial asset expires or the Fund has transferred right to receive the contractual cash flows in a



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transaction in which substantially all risks and rewards of ownership of the financial assets are transferred.

Realized gains and realized losses on de-recognition are determined using the average method and are included in the profit or loss in the period in which they arise. The realized gain is the difference between an instrument's average cost and disposal amount net of cost to sale.

### De-recognition of Financial Liabilities

Financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the Statement of Profit or Loss.

## c) Measurement

### Initial Measurement

A financial asset or financial liability is measured initially at fair value. However, the transaction costs of financial assets carried at fair value through profit or loss are recorded separately under the heading "Transaction cost" in accordance with the NFRS 9 Financial Instrument.

### Subsequent Measurement

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability.

Financial assets are valued at the cost of acquisition.

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets classified as fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income. However, the equity instrument classified under this category, the transaction cost during purchase of such instruments is expense immediately in statement of profit or loss.

### Measurement of Financial Assets/Liabilities at Fair Value

The Fund measures and recognizes the following assets and liabilities at fair value on a recurring basis:

- Financial Assets / Liabilities at Fair Value
- Financial Assets / Liabilities Held for Trading

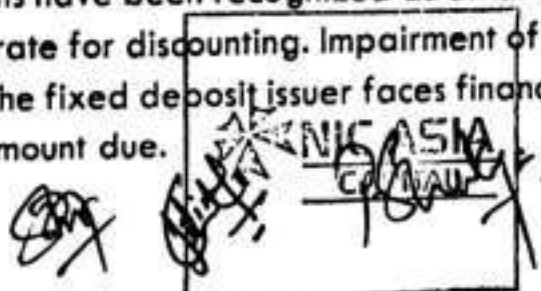
### Financial Assets Measured at Amortized Cost

Fixed Deposits are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market, and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration. Fixed deposits are initially recognized when cash is advanced to the borrowers at fair value. Fixed deposits are debt instruments and are measured at Amortized Cost Method as it meets two tests that are business model test and the cash flow test.

- Business Model Test: This test is met where the purpose is to hold the asset to collect the contractual cash flows (rather than to sell it prior to maturity to realize its fair value changes).
- Cash Flow Test: This test will be met when the contractual terms of the asset give rise on specific dates to cash flows that are solely receipts of either the principal or interest.

This requires that the fair value of the fixed deposit is measured based upon expected future cash flows discounted at the original effective rate for each fixed deposit.

Valuations of other fixed deposits are done similarly as above. Fixed deposits at Banks & Financial Institutions have been recognized as an amortized cost method where interest rate is taken as effective interest rate for discounting. Impairment of financial assets measured at Amortized cost is required and done if the fixed deposit issuer faces financial difficulties and there is doubt regarding the full recovery of the amount due.



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### Receivables

Receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market, and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration. Receivables comprise interest receivables, dividend receivables, and other receivables. Receivables are initially recognized when cash is advanced to the borrowers at fair value.

Receivables are derecognized when the right to receive cash flows from the assets has expired or where substantially all risks and rewards of ownership have been transferred.

### 3. Cash and Cash Equivalent

Cash and Cash Equivalent presented in the Statement of financial position and cash flow statement represents the cash at bank and financial institution, cash in hand and highly liquid short-term investment with original maturity within ninety days. The book value of cash and cash equivalent is deemed to be the fair value of such assets. It also comprises call balance in the banks and financial institutions. They are available when the balance is called from the bank. The interest income on such a balance is recognized daily on an accrual basis based on the deal rate with the bank. The intrinsic rate and the coupon rate do not differ as the rates are changed based on the market rate.

In NPR

| S.N. | Particulars           | Ashad End 2082     | Ashad End 2081     |
|------|-----------------------|--------------------|--------------------|
| 1    | NIC Asia Bank Limited | 177,852,455        | 320,874,346        |
|      | <b>Total Amount</b>   | <b>177,852,455</b> | <b>320,874,346</b> |

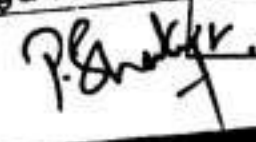
### Financial assets held at fair value through profit or loss

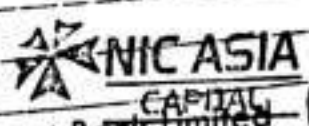
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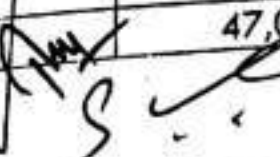
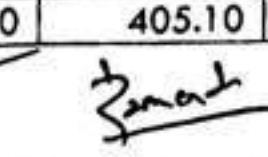
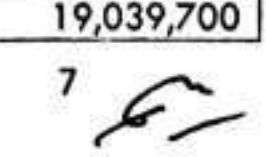
| S.N. | Name                                      | 2081-82 |                |              |
|------|-------------------------------------------|---------|----------------|--------------|
|      |                                           | Unit    | Value per unit | Value Amount |
|      | <b>LISTED</b>                             |         |                |              |
| 1    | Prabhu Bank Limited                       | 29,500  | 221.89         | 6,545,755    |
| 2    | Global IME Bank Limited                   | 10,000  | 259.57         | 2,595,700    |
| 3    | Prime Commercial Bank Limited             | 19,500  | 276.31         | 5,388,045    |
| 4    | Sanima Bank Limited                       | 14,500  | 374.77         | 5,434,165    |
| 5    | Nepal Investment Mega Bank Limited        | 36,495  | 231.02         | 8,431,075    |
| 6    | NMB Bank Limited                          | 25,000  | 269.72         | 6,743,000    |
| 7    | Nabil Bank Limited                        | 58,797  | 541.37         | 31,830,932   |
| 8    | Nepal SBI Bank Limited                    | 10,000  | 439.98         | 4,399,800    |
| 9    | Shine Resunga Development Bank Limited    | 60,371  | 431.97         | 26,078,461   |
| 10   | Mukthinath Bikas Bank Limited             | 64,500  | 405.92         | 26,181,840   |
| 11   | Lumbini Bikas Bank Limited                | 18,351  | 480.69         | 8,821,142    |
| 12   | Garima Bikas Bank Limited                 | 49,500  | 428.36         | 21,203,820   |
| 13   | Kamana Sewa Bikas Bank Limited            | 9,500   | 500.69         | 4,756,555    |
| 14   | Api Power Company Limited                 | 19,050  | 295.92         | 5,637,276    |
| 15   | Siddhartha Premier Insurance Limited      | 52,000  | 840.35         | 43,698,200   |
| 16   | Suryajyoti Life Insurance Company Limited | 30,171  | 446.69         | 13,477,084   |
| 17   | Himalayan Life Insurance Limited          | 45,775  | 407.11         | 18,635,460   |
| 18   | Asian Life Insurance Company Limited      | 52,292  | 498.36         | 26,060,241   |
| 19   | Neco Insurance Limited                    | 39,071  | 710.36         | 27,754,476   |
| 20   | National Life Insurance Company Limited   | 23,350  | 623.58         | 14,560,593   |
| 21   | Nepal Insurance Company Limited           | 33,457  | 645.18         | 21,585,787   |
| 22   | Citizen Life Insurance Company Limited    | 28,505  | 474.24         | 13,518,211   |
| 23   | IME Life Insurance Company Limited        | 29,866  | 462.02         | 13,798,689   |

|    |                                                        |                  |          |                    |
|----|--------------------------------------------------------|------------------|----------|--------------------|
| 24 | Reliable Nepal Life Insurance Limited                  | 22,029           | 476.68   | 10,500,784         |
| 25 | Sun Nepal Life Insurance Company Limited               | 19,500           | 490.64   | 9,567,480          |
| 26 | Sanima GIC Insurance Limited                           | 28,950           | 609.99   | 17,659,211         |
| 27 | IGI Prudential Insurance Limited                       | 33,779           | 556.99   | 18,814,565         |
| 28 | Prabhu Insurance Limited                               | 27,000           | 921.26   | 24,874,020         |
| 29 | Himalayan Everest Insurance Limited                    | 40,510           | 616.36   | 24,968,744         |
| 30 | Nepal Doorsanchar Company Limited                      | 27,795           | 877.27   | 24,383,720         |
| 31 | Kumari Sabal Yojana                                    | 3,000,000        | 10.00    | 30,000,000         |
| 32 | NIBL Stable Fund                                       | 1,500,000        | 9.89     | 14,835,000         |
| 33 | First Micro Finance Laghubitta Bittiya Sanstha Limited | 6,000            | 799.08   | 4,794,480          |
| 34 | Chhimek Laghubitta Bittiya Sanstha Limited             | 5,000            | 1,035.98 | 5,179,900          |
| 35 | Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited    | 22,726           | 884.41   | 20,099,102         |
| 36 | Nepal Investment Mega Bank Limited Promoter Share      | 12,326           | 168.00   | 2,070,768          |
| 37 | Agricultural Development Bank Limited                  | 15,410           | 327.13   | 5,041,073          |
| 38 | Pure Energy Limited                                    | 862              | 871.71   | 751,414            |
| 39 | Guardian Micro Life Insurance Limited                  | 1,471            | 2,194.29 | 3,227,801          |
| 40 | Nepal Micro Insurance Company Limited                  | 1,516            | 1,559.40 | 2,364,050          |
| 41 | Crest Micro Life Insurance Limited                     | 1,515            | 1,364.36 | 2,067,005          |
| 42 | Muktinath Mutual Fund-1                                | 250,000          | 9.90     | 2,475,000          |
| 43 | Garima Samriddhi Yojana                                | 650,000          | 9.95     | 6,467,500          |
| 44 | NMB Hybrid Fund L-II                                   | 500,000          | 9.06     | 4,530,000          |
| 45 | Om Megashree Pharmaceuticals Limited                   | 1,082            | 1,517.76 | 1,642,216          |
| 46 | Trade Tower Limited                                    | 2,094            | 100.00   | 209,400            |
|    | <b>UNLISTED</b>                                        |                  |          |                    |
| 1  | Sanvi Energy Limited - IPO                             | 1,536            | 100.00   | 153,600            |
| 2  | Him Star Urja Company Limited - IPO                    | 487              | 100.00   | 48,700             |
| 3  | Bikash Hydropower Company Limited- IPO                 | 1,855            | 100.00   | 185,500            |
| 4  | Asian Life Insurance Company Limited - Value of Right  | 26,374           | 520.03   | 13,715,271         |
| 5  | Nepal Insurance Company Limited - Value of Right       | 11,061           | 606.65   | 6,710,156          |
| 6  | Reliable Nepal Life Insurance Limited- Bonus           | 2,643            | 476.68   | 1,259,865          |
| 7  | Asian Life Insurance Company Limited - Bonus           | 4,420            | 498.36   | 2,202,751          |
| 8  | National Life Insurance Company Limited - Bonus        | 1,650            | 623.58   | 1,028,907          |
| 9  | Neco Insurance Limited - Bonus Share                   | 3,135            | 710.36   | 2,226,979          |
|    | <b>Grand Total</b>                                     | <b>6,982,277</b> |          | <b>621,191,269</b> |

| S.N. | Name                                   | FY - 2080-81 |                |              |
|------|----------------------------------------|--------------|----------------|--------------|
|      |                                        | Units        | Value per unit | Value Amount |
|      | <b>LISTED</b>                          | 35,996       | 163.70         | 5,892,545    |
| 1.   | Prabhu Bank Limited                    | 42,893       | 194.20         | 8,329,821    |
| 2.   | Global IME Bank Limited                | 71,996       | 221.80         | 15,968,713   |
| 3.   | Prime Commercial Bank Limited          | 56,498       | 279.00         | 15,762,942   |
| 4.   | Sanima Bank Limited                    | 33,601       | 175.10         | 5,882,535    |
| 5.   | Nepal Investment Mega Bank Limited     | 28,997       | 218.00         | 6,321,346    |
| 6.   | NMB Bank Limited                       | 26,885       | 524.00         | 14,088,740   |
| 7.   | Nabil Bank Limited                     | 15,505       | 328.00         | 5,085,640    |
| 8.   | Nepal SBI Bank Limited                 | 47,000       | 405.10         | 19,039,700   |
| 9.   | Shine Resunga Development Bank Limited |              |                |              |



|     |                                                                      |                  |        |                    |
|-----|----------------------------------------------------------------------|------------------|--------|--------------------|
| 10. | Muktinath Bikas Bank Limited                                         |                  |        |                    |
| 11. | Lumbini Bikas Bank Limited                                           | 48,811           | 367.00 | 17,913,637         |
| 12. | Garima Bikas Bank Limited                                            | 30,080           | 416.60 | 12,531,328         |
| 13. | Kamana Sewa Bikas Bank Limited                                       | 57,154           | 385.10 | 22,010,005         |
| 14. | Sanima Mai Hydropower Limited                                        | 12,000           | 416.00 | 4,992,000          |
| 15. | Api Power Company Limited                                            | 10,000           | 339.50 | 3,395,000          |
| 16. | Siddhartha Premier Insurance Limited                                 | 15,000           | 191.00 | 2,865,000          |
| 17. | Suryajyoti Life Insurance Company Limited                            | 24,997           | 859.90 | 21,494,920         |
| 18. | Himalayan Life Insurance Limited                                     | 6,184            | 429.90 | 2,658,502          |
| 19. | Asian Life Insurance Company Limited                                 | 25,000           | 391.00 | 9,775,000          |
| 20. | NLG Insurance Company Limited                                        | 47,792           | 623.00 | 29,774,416         |
| 21. | Neco Insurance Limited                                               | 19,502           | 794.90 | 15,502,140         |
| 22. | National Life Insurance Company Limited                              | 18,591           | 836.00 | 15,542,076         |
| 23. | Nepal Insurance Company Limited                                      | 25,586           | 595.00 | 15,223,670         |
| 24. | Citizen Life Insurance Company Limited                               | 21,213           | 880.00 | 18,667,440         |
| 25. | IME Life Insurance Company Limited                                   | 22,146           | 544.60 | 12,060,712         |
| 26. | Reliable Nepal Life Insurance Limited                                | 11,997           | 453.00 | 5,434,641          |
| 27. | Sun Nepal Life Insurance Company Limited                             | 10,800           | 458.00 | 4,946,400          |
| 28. | Sanima GIC Insurance Limited                                         | 14,981           | 511.30 | 7,659,785          |
| 29. | IGI Prudential Insurance Limited                                     | 15,000           | 577.00 | 8,655,000          |
| 30. | Prabhu Insurance Limited                                             | 12,000           | 558.00 | 6,696,000          |
| 31. | Himalayan Everest Insurance Limited                                  | 23,846           | 826.00 | 19,696,796         |
| 32. | Nepal Doorsanchar Company Limited                                    | 21,100           | 632.00 | 13,335,200         |
| 33. | Kumari Sabal Yojana                                                  | 19,795           | 845.00 | 16,726,775         |
| 34. | Sarbottam Cement Limited                                             | 3,000,000        | 10.00  | 30,000,000         |
| 35. | NIBL Stable Fund                                                     | 2,388            | 806.50 | 1,925,922          |
|     |                                                                      | 1,500,000        | 10.00  | 15,000,000         |
| 36. | Hydroelectricity Investment and Development Company Limited Promoter | 8,000            | 103.00 | 824,000            |
| 37. | First Micro Finance Laghubitta Bittiya Sanstha Limited               | 16,125           | 681.00 | 10,981,125         |
| 38. | Chhimek Laghubitta Bittiya Sanstha Limited                           | 16,445           | 900.00 | 14,800,500         |
| 39. | Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited                  | 11,208           | 853.70 | 9,568,270          |
|     | <b>UNLISTED</b>                                                      |                  |        |                    |
| 1.  | Prabhu Insurance Limited - Bonus                                     | 496              | 826.00 | 409,696            |
| 2.  | Sun Nepal Life Insurance Company Limited - Bonus share               | 3,565            | 511.30 | 1,822,785          |
| 3.  | IME Life Insurance Company Limited - Bonus Share                     | 2,999            | 453.00 | 1,358,547          |
|     | <b>Grand Total</b>                                                   | <b>5,434,172</b> |        | <b>470,619,269</b> |

#### 5. Financial Assets Held at Amortized Cost (Non-Current)

There are not any assets representing financial assets held at amortized cost currently held by the scheme.

#### 6. Other Assets:

The fair value of other current assets is not materially different to their carrying values.

In NPR

| S.N. | Particulars          | Ashad End 2082    | Ashad End 2081 |
|------|----------------------|-------------------|----------------|
| 3    | Broker Receivables   | 62,819,025        | 7,228          |
| 3    | Dividend Receivables | 83,976            | 18,024         |
|      | <b>Total Amount</b>  | <b>62,903,001</b> | <b>25,252</b>  |

ASIA CAPITAL



## 5. Fund Management, Depository & Supervisor Fees

All expenses are recorded on an accrual basis in the income statement. The following fees are incurred by the Scheme as per Clause 8.6 of the prospectus.

- (a) Fund Management fees: 1.5% of NAV
- (b) Fund Supervisor Fees: 0.1% of NAV
- (c) Depository Fees: 0.2% of NAV

NAV (Net Asset Value) for this purpose is computed based on quarterly average of weekly NAV as per mutual fund regulation, 2067 rule 23(1). The fee for FY 2081/82 is booked at the end of Ashad.

| Particular      | Ashad End, 2082 | Ashad End, 2081 |
|-----------------|-----------------|-----------------|
| Fund Management | 14,474,880      | 7,968,885       |
| Depository      | 1,929,984       | 1,062,518       |
| Supervisory Fee | 964,992         | 531,259         |
| Total           | 17,369,856      | 9,562,662       |

## 16. Pre-Operating Expenses

This includes those expenses that were made before fund came into operation and issued IPO for public. Details of these expenses are as below:

| Particular         | Ashad End, 2082 | Ashad End, 2081 |
|--------------------|-----------------|-----------------|
| Pre-Operating Cost | -               | 5,832,278       |
| Total              | -               | 5,832,278       |

## 17. Other Information

### 17.1. Securities Transactions

Transactions in securities are accounted for on a trade date basis. The Scheme uses the weighted average cost method for determining the capital gain or loss on sale of investment. The cost of investment includes brokerage transactions charges, SEBON charges and central depository services (CDS) related charges.

### 2. Risk Management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's investment policy. It also seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair market value of those positions.

The management of these risks is carried out by NIC ASIA Capital Limited, the fund management company. The fund supervisors provide principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and non-derivative financial instruments and the investment of excess liquidity.

The Fund uses different methods to measure and mitigate different types of risk to which it is exposed.

#### 2.1 Market Risk:

##### Price Risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. The paragraph below sets out how this component of price risk is managed and measured. Investments are classified in the statement of financial position as at



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## Financial Assets Held at Amortized Cost (Current)

| Particulars                          | Ashad End, 2082    | Ashad End, 2081    |
|--------------------------------------|--------------------|--------------------|
| Fixed Deposit- NIC Asia Bank Limited | 125,000,000        | 125,000,000        |
| <b>Total Amount</b>                  | <b>125,000,000</b> | <b>125,000,000</b> |

## Financial Liabilities

Financial Liabilities are measured at amortized cost using an effective interest rate method. Financial liabilities are subsequently measured at amortized cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognized in the statement of profit or loss over the period of the borrowings using the effective interest rate method.

Financial liabilities are derecognized when the liabilities are discharged. Financial liability is written off when the obligation is discharged, cancelled or expires.

The accrued expenses and other payables are the financial liabilities to be discharged by the scheme.

| S.N. | Particulars                 | Ashad End 2082    | Ashad End 2081   |
|------|-----------------------------|-------------------|------------------|
| 1    | Broker Payable              | 6,262,240         | -                |
| 2    | Time Media                  | 70,600            | 38,421           |
| 3    | Scheme Audit Fee Payable    | 111,500           | 111,500          |
| 4    | Fund Management Fee Payable | 3,570,785         | 3,363,590        |
| 5    | Depository Fee Payable      | 476,105           | 448,479          |
| 6    | Supervisor Fee Payable      | 205,426           | 193,506          |
| 7    | TDS Payable                 | 99,379            | 97,225           |
| 8    | Other Current Liabilities   | 1,767             | 1,152,150        |
| 9    | Right Advance Payable       | 1,106,100         | -                |
|      | <b>Total Amount</b>         | <b>11,903,902</b> | <b>5,404,870</b> |

## Net Asset attributable to Unit holder's Fund

| Particulars  | Ashad End, 2082    | Ashad End, 2081    |
|--------------|--------------------|--------------------|
| Fund Capital | 905,000,000        | 905,000,000        |
| Reserve      | 70,042,823         | 6,113,995          |
| <b>Total</b> | <b>975,042,823</b> | <b>911,113,995</b> |

## Fund Capital

The capital of the Scheme comprises of the following

| Particulars               | Ashad End, 2082    | Ashad End, 2081    |
|---------------------------|--------------------|--------------------|
| Unit Capital Account      | 750,749,300        | 750,749,300        |
| Unit Seed Capital Account | 154,250,700        | 154,250,700        |
| <b>Total</b>              | <b>905,000,000</b> | <b>905,000,000</b> |

## Reserve

Reserve is the cumulative net earnings or profit after accounting for dividends and is sometimes referred to as the earnings surplus. Reserve balance is the net earnings after dividend that is available for reinvestment in the company's core business or to pay down its debt. It is recorded under equity on the balance sheet.



| Particulars                       | Ashad End, 2082 | Ashad End, 2081 |
|-----------------------------------|-----------------|-----------------|
| Opening Reserve                   |                 |                 |
| Dividend Paid                     | 6,113,995       | -               |
| Add: Current Year Profit          | -               | -               |
| NFRS and Prior Period Adjustments | 63,928,827      | 6,113,995       |
| Total                             | 70,042,823      | 6,113,995       |

10. Interest Income from Financial Assets

Interest income is recognized in profit or loss for all financial instruments using the quoted interest rate and such interest income on assets held at fair value through profit or loss is included in the net gains/ (losses) on financial instruments.

| Particulars                   | Ashad End, 2082 | Ashad End, 2081 |
|-------------------------------|-----------------|-----------------|
| Bank Interest Income Realized |                 |                 |
| Total                         | 8,026,099       | 10,802,026      |
|                               | 8,026,099       | 10,802,026      |

1. Dividend Income

Dividend income on Financial Assets held for trade is recognized, as and when, the right to receive is established.

| Particulars                | Ashad End, 2082 | Ashad End, 2081 |
|----------------------------|-----------------|-----------------|
| Dividend Income Realized   | 6,894,901       | 1,079,471       |
| Dividend Income Unrealized | 83,976          | 18,023          |
| Total                      | 6,978,877       | 1,097,494       |

12. Income From Sale of Financial Asset at Fair Value through Profit or Loss

Gain/(Loss) on sale of financial assets held for trade is recorded in the income statement.

| Particulars             | Ashad End, 2082 | Ashad End, 2081 |
|-------------------------|-----------------|-----------------|
| Capital Gain            | 41,131,029      | -               |
| Net Capital Gain/(Loss) | 41,131,029      | -               |

13. Other Income

| Particulars             | Ashad End, 2082 | Ashad End, 2081 |
|-------------------------|-----------------|-----------------|
| Other Income            | 2,773           | 3,596           |
| Net Capital Gain/(Loss) | 2,773           | 3,596           |

14. Unrealized Gain/(Loss) on Financial Asset Held for Trade.

It refers to changes in the fair value of financial assets recorded as unrealized gain/ (loss) in the income statement.

| Particulars                                              | Ashad End, 2082 | Ashad End, 2081 |
|----------------------------------------------------------|-----------------|-----------------|
| Unrealized Gain/(Loss) on Financial Asset Held for Trade | 26,903,743      | 9,884,198       |
| Net Capital Gain/(Loss)                                  | 26,903,743      | 9,884,198       |



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fair value through profit or loss and assets. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the management company.

The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Management Company.

#### Investment Threshold

As per the Mutual Fund Regulation, 2067 investment in bank deposit cannot be made more than 15% of Gross Net Asset Value of the scheme. However, to manage the surplus fund and generate a certain yield, the Scheme has deposited the surplus cash in call accounts.

#### b. Foreign Exchange Rate Risk

The Fund is not exposed to fluctuations in exchange rates. The fund's all investments and transactions are denominated in NPR.

#### c. Cash Flow and Fair Value Interest Rate Risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the fund to fair value interest rate risk. The fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The fund has direct exposure to interest rate changes on the valuation and cash flows of its interest-bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the fund invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model.

#### 17.2.2 Liquidity Risk:

Liquidity risk is the risk that the fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

NIC ASIA Growth Fund 2 is listed in Nepal Stock Exchange. The fund's listed securities are considered readily realizable, as all are listed on the Nepal Stock Exchange.

In accordance with the fund's policy, the Management Company monitors the fund's liquidity position daily.

#### 17.2.3 Credit Risk:

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from the fund's investments in debt securities.

Credit risk on cash and cash equivalents, other receivable balances. In accordance with the Fund's policy, the capital monitors the fund's credit position daily. The fund can maximize the returns derived for the level of risk to which the fund is exposed.

#### 17.2.4 Operational Risk:

Operational risk is the type of risk with the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks. NIC ASIA Capital Limited seeks to minimize the exposure to operational risks, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. NIC ASIA Capital Limited has adopted risk management practices that define how risks are managed and how risk management policies are assured and how governance is exercised as well as the key roles required managing the underlying process.



### 17.3. Taxation

The Finance Act FY 2078/79 included Mutual Funds under Section 10 of the Income Tax Act, 2058 as tax-exempt entities. TDS on return from the mutual fund (i.e., dividend) paid to an individual is deducted at 5% which is final withholding, and to an entity tax deducted at 15% (which is not final withholding). Therefore, the fund management is of the view that return from the Scheme is duly taxed as per the principle of income tax and is not subject to further tax liability for FY 2081/82.

### 17.4. Net Asset Value (NAV) per unit

The Fund Manager calculates the NAV per unit of the Scheme by deducting the Schemes' liabilities over market value of the total investment and other assets such as interest and dividend receivable, bank balances divided by total number of scheme units on a weekly basis in accordance with the prevailing regulations/guidelines on mutual funds and publishes the same on its official website: [www.nicasia-capital.com](http://www.nicasia-capital.com) every week. The said information is also shared with the Fund Supervisors. Further, the NAV and Income Statement as at end of every Nepali calendar month is published on a national daily newspaper with prior notification of the same forwarded to the Fund Supervisors & SEBON in writing.

### 17.5. Net Assets Attributable to Unit Holders

Each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units, and each unit has the same rights attached to it as all other units of the Fund. The Fund considers its net assets attributable to unit holders as capital (which includes unit capital, realized and unrealized gain), notwithstanding net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly daily as the Fund is subject to daily changes in Market Price of Share at Nepal Stock Exchange.

### 17.6. Reporting

The Fund Manager has been reporting its Fund Management Activities to its Board and the Fund Supervisor on monthly basis while the statutory reports are also forwarded in line with the prevailing regulations/guidelines on mutual funds

### 17.7. Related Party Transactions

As identified by the management and relied upon by the auditors, the following parties' transactions has been entered by the scheme which are required to be disclosed in accordance with Accounting Standard – on 'Related Party Disclosures'.

| Name of the Related Party                                                | Nature of the Relationship  | Nature of the transaction                          | Amount (NPR) |
|--------------------------------------------------------------------------|-----------------------------|----------------------------------------------------|--------------|
| NIC ASIA Bank Limited                                                    | Fund Sponsor                | Unit Holding (at par value of NPR 10 per unit)     | 150,000,000  |
|                                                                          |                             | Call account deposit as on Ashad end 2082          | 177,852,455  |
|                                                                          |                             | Interest earned from call deposit for FY 2081/82   | 2,463,352    |
|                                                                          |                             | Interest earned from Fixed Deposits for FY 2081/82 | 5,562,747    |
| NIC ASIA Capital Limited (a subsidiary of sponsor NIC ASIA Bank Limited) | Fund Manager and Depository | Fund Management and Depository Fee                 | 16,404,864   |
|                                                                          |                             | Unit Holding (at par value of NPR 10 per unit)     | 4,250,700    |
|                                                                          |                             | Payable as on Ashad end 2082                       | 4,046,890    |

Further, the following disclosures are made:

- Shareholders holding substantial interest in the Fund Manager: NIC ASIA Bank Limited
- Subsidiaries of Major Shareholders of Fund Manager with whom the Fund transacted: None

17.8.  
17.9.

**Employee Related Expenses**

There are no current and future employee-related expenses and liabilities as the fund is managed by NIC ASIA Capital Limited.

**Contingent Liability**

There is no contingent liability in respect of underwriting commitments, uncalled liability on partly paid shares and other commitments.

*[Signature]*

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*P. P. Shrestha*

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*Zamenda*

*[Signature]*



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