



Independent Auditor's Report To the Fund Supervisors of NIC Asia Dynamic Debt Fund

Report on the Audit of Financial Statements

We have audited the accompanying financial statements of **NIC Asia Dynamic Debt Fund (the Scheme)**, which comprise the statement of financial position as at Ashad 32, 2079 (July 16, 2022), statement of profit or loss, statement of cash flows, statement of changes in equity for the year then ended on that date and notes to the financial statement including summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements present fairly in all material respects, the financial position of the NIC Asia Dynamic Debt Fund as at Ashad 32, 2079 (July 16, 2022) and the result of its financial performance for the year then ended in accordance with Nepal Financial Reporting Standards and Mutual Fund Regulation 2067.

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of expenses section of our report. We are independent of the Scheme, in accordance with the Code of Ethics issued by The Institute of Chartered Accountants of Nepal, and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management of NIC Asia Capital Limited ('the Company') the scheme fund manager, is responsible for the preparation and fair presentation of the financial statements in accordance with Nepal Financial Reporting Standards (NFRS) and other accounting principles generally accepted in Nepal, including the accounting policies and standards specified in the mutual fund regulations 2067, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme'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 scheme or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities

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 documents.

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

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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 organization's 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 evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme'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 disclosure in the financial statement or, if such disclosure is inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease as a going concern.
- Evaluate the overall presentation, structure and the content of the Financial Statements, including the disclosures, and whether the Financial Statements 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 Scheme to express an opinion on the Financial Statements.
- 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.

Report on Other Legal and Regulatory Requirements

As per the requirements of Section 40 (7) of the Mutual Fund Regulation, 2067, we further report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion the scheme has kept proper books of account as required by law so far, as appears from our examinations of those Books
- c) The financial statements are in agreement with the books of account.



- d) Neither we have come across any of the information about the misappropriation of fund by the fund manager or any of the representative or staffs during the course of our audit nor have we received any such information from the fund manager.
- e) No accounting fraud has been observed during the course of our audit.
- f) The Scheme has not acted in a manner to be detrimental to the interests of the participants, users and the securities market
- g) The existence, operating effectiveness and continuity of Internal control system of Fund Manager is satisfactory.



CA. Sanjeev Dhakal
Partner
S. D.& Associates
Chartered Accountants



Date: October 15, 2022
Kathmandu, Nepal

UDIN : 221015CA01077c48kA

NIC ASIA Dynamic Debt Fund
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Statement of Profit or Loss

For the Period from 1st Shrawan 2078 to 32st Ashad, 2079 (16th July, 2021 to 16th July, 2022)

In NPR

Particulars	Notes	FY 2078/79	FY 2077/78
Income			
Realised Income			
Interest Income	XI	32,292,532	13,741,914
Dividend Income	XII	218,451	73,164
Gain on Sale of Stocks	X	9,038,925	49,204,601
Other Income	XIII	96,269	96,034
Unrealised Income			
Dividend Income	XII	7,483	8,999
Fair Value Gains/(losses)	XIV	(8,609,726)	10,451,088
Total		33,043,933	73,575,800
Expenses			
Pre Operating Expenses	VIII	-	3,543,427
Operating Expenses	IX	10,599,849	6,562,390
Total		10,599,849	10,105,816
Increase/(Decrease) in Net Assets Attributable to Unit holders		22,444,084	63,469,984

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

As per our Report of even date


Ramendra Rayamajhi
Chief Executive Officer


Kapil Dhakal
Chairman



CA Sanjeev Dhakal
Principal
SD Associates
Chartered Accountants


Manish Ghimire
Chief Investment Officer


Dinesh Bhari
Director


Rupesh Luitel
Director


Rabin Sapkota
Independent Director


Suman Dangol
Independent Director

Date: 14th October 2022
Place : Kathmandu



NIC ASIA Dynamic Debt Fund
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Statement of Cash Flows
For the Period from 1st Shrawan 2078 to 32st Ashad, 2079 (16th July, 2021 to 16th July, 2022)

Particulars	FY 2078/79	FY 2079/80
<i>In NPR</i>		
A. Cash Flow from Operating Activities		
Surplus/ (Deficit) for the year	22,444,084	63,469,984
Adjustments for:		
(Increase)/Decrease in Unrealised (gain)/loss on financial assets held for trading purposes	8,609,726	(10,451,088)
Increase/(Decrease) in Liabilities	3,175,554	2,880,946
(Increase)/Decrease in Share	(38,331,267)	(62,502,704)
(Increase)/Decrease in Other Assets	(131,867,457)	(231,777,267)
Net cash generated/(used) in Operations (1)	(135,969,360)	(238,380,129)
B. Cash Flow from Investing Activities		
Net cash generated/(used) in Investing (2)	-	-
C. Cash Flow from Financing Activities		
Increase/(Decrease) in Unit Capital	(1,062,830)	496,867,710
Unit Premium Reserve	(333,977)	(352,192)
Dividend Paid during the year (net of tax)	-	-
Net cash generated/(used) in Financing (3)	(1,396,807)	496,515,518
Net Increase/(Decrease) in Cash and Cash Equivalents (1+2+3)	(137,366,166)	258,135,389
Cash and Cash Equivalents at beginning of the year/period	258,135,389	-
Cash and Cash Equivalents at end of period	120,769,223	258,135,389
Components of Cash and Cash Equivalents		
Balance with Banks	71,224,765	258,135,389

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

As per our Report of even date:


Ramendra Rayamajhi
Chief Executive Officer


Kapil Dhakal
Chairman



CA Sanjeev Dhakal
Principal
SD Associates
Chartered Accountants


Manish Ghimire
Chief Investment Officer


Dinesh Bhari
Director


Rupesh Luitel
Director


Rabin Sapkota
Independent Director


Suman Dangol
Independent Director

Date: 14th October 2022
Place: Kathmandu



NIC ASIA Dynamic Debt Fund
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Statement of Financial Position as at 32nd Ashad, 2079 (16th July, 2022)

In NPR

Particulars	Notes	31st Ashad, 2079	31st Ashad, 2078
Assets			
Non Current Assets			
Financial Asset Measured at Amortised Cost	IV	292,134,005	153,210,235
Current Assets			
Cash and Cash Equivalents	V	71,224,765	258,135,389
Other Assets	VII	11,510,719	28,567,031
Financial Assets Held at Amortised Cost	VI	60,000,000	50,000,000
Financial Assets Held at Fair Value Through Profit or Loss	III	102,675,333	72,953,792
Total		537,544,822	562,866,448
Liabilities			
Current Liabilities			
Accrued Expenses & Other Payables	II	6,056,500	2,880,946
Liabilities (Excluding Net Assets Attributable to Unitholders)		6,056,500	2,880,946
Unit Holder's Funds			
Net Assets Attributable to Unit Holders	I	531,488,321	559,985,501
Total		537,544,822	562,866,448

NAV per Share	10.72	11.27
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Explanatory Notes forms integral part of Financial Statement

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

As per our Report of even date


Ramesh Rayamajhi
Chief Executive Officer


Kapil Dhakal
Chairman



CA Sanjeev Dhakal
Principal
SD Associates
Chartered Accountants


Manish Ghimire
Chief Investment Officer


Dinesh Bhari
Director


Rupesh Luitel
Director


Rabin Sapkota
Independent Director


Suman Dangol
Independent Director

Date: 14/10/2022
Place: Kathmandu



NIC ASIA Dynamic Debt Fund
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Statement in Changes in Equity
For the Period from 1st Shrawan 2078 to 32st Ashad, 2079 (16th July, 2021 to 16th July, 2022)

Particular	In NPR				
	Unit Capital	Unit Premium Reserve	Realized Profit	Unrealized Profit	Total
Opening Balance	496,867,710		-	-	496,867,710
Issue of Unit Capital during the year	(1,062,830)		-	-	(1,062,830)
Net Profit (Loss) Last Year	-		53,018,896	10,451,088	63,469,984
Net Profit (Loss) During the year	-		31,053,811	(8,609,726)	22,444,084
Dividend Paid	-		(49,896,650)	-	(49,896,650)
Unit premium Reserve Surplus/ (deficit)	-	(333,977)	-	-	(333,977)
Balance as on 32/03/2079	495,804,880	(333,977)	34,176,057	1,841,361	531,488,321
No of Units					49,580,488
NAV Per Share					10.72

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

As per our Report of even date


Ramendra Rayamajhi
Chief Executive Officer


Kapil Dhakal
Chairman




Manish Ghimire
Chief Investment Officer


Dinesh Bhari
Director


Rupesh Lutel
Director


Rabin Sapkota
Independent Director


Sanjay Bangol
Independent Director

Date: 14th October 2022
Place: Kathmandu



2. 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 in shares, Bonds and debentures are valued at cost and other assets such as interest and dividend receivable, bank balances divided by total number of scheme units daily in accordance with the prevailing regulations/guidelines on mutual funds and publishes the same on its official website: www.nicasiacapital.com every day. The said information is also shared with the Fund Supervisors and the Board members of the Fund Manager. 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.

3. 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 attaching 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.

4. Taxation

Finance Act FY 2078/79 has included Mutual Fund under Section 10 of the Income Tax Act, 2058 as tax exempt entities. TDS on return from mutual fund (i.e.; dividend) paid to individual is deducted at 5% which is final withholding and to entity is 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 principal of income tax and is not subject to further tax liability for FY 2078/79.

B. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS:

Statement of Compliance

The Financial Statements have been prepared in compliance with Securities Act, 2063; Mutual Fund Regulations, 2067 and Mutual Fund Guidelines, 2069.

Compliance with Nepal Financial Reporting Standards (NFRS)

These Financial Statements have been prepared in compliance Nepal Financial Reporting Standards (NFRS). Where there is a difference in accounting / valuation suggested by SEBON and NFRS, accounting / valuation technique as per SEBON is used.

Accounting Convention

The Financial Statements are prepared and presented under the historical cost convention and on the accrual basis in conformity with Nepal Financial Reporting Standards. Except for the following items which were measured or recognized as stated.

Investment classified as FVTPL are measured at Fair value.

Use of Judgments and Estimates:

In preparing the financial statements management has made judgments and estimates and assumptions that affect the application of accounting policies and the reported amounts of



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Significant Accounting Policies and Notes to the Accounts as on 32nd Ashad, 2079

A. OVERVIEW

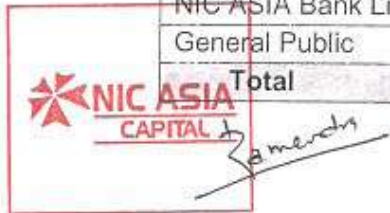
Fund:	NIC ASIA Bank Mutual Fund
Scheme:	NIC ASIA Dynamic Debt Fund
Fund Sponsor:	NIC ASIA Bank Limited (NICA) (Licensed by NRB as Class "A" bank)
Fund Management:	NIC ASIA Capital Limited (A 100% subsidiary of NIC ASIA Bank Limited)
Fund Supervisors:	Mr. Bodhraj Niraula Mr. Aashish Adhikari Mr. Shivaraj Ghimire Mr. Santosh Lamichhane Mr. Mahendra Nath Karmacharya
Total Unit Capital: (At Allotment) (At Year End)	NPR 500,000,000 (NPR Five Hundred Million Only) 495,804,880 (Four Hundred and Ninety-Five Million, Eight hundred and Four Thousand Eight Hundred and Eighty Rupees)
Scheme type:	Open-Ended

NIC ASIA Dynamic Debt Fund (the Scheme) under NIC ASIA Bank Mutual Fund (the Fund) is registered under Mutual Fund Regulations, 2067 as an open-end, diversified investment scheme. The objective of the Fund is to diligently manage the fund with the aim to achieve 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 23rd Mangshir, 2077 (Scheme allotment date) B.S. The trading was started after 3 months of the allotment date. The Scheme's Financial Statements were approved by the Board of Directors of the NIC ASIA Capital Limited on 28th Ashwin 2079 being the Fund Management and Depository Company. Similarly, information regarding approval of Financial Statements has been shared with Fund Supervisors.

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 fund.

1. The capital structure of the Scheme is as follows:

Holder	Status	No. of Units	Holding Amount @ NPR 10 Each	Holding (%)
NIC ASIA Bank Limited	Fund Sponsor	7,500,000	75,000,000	15%
General Public		42,080,488	420,804,880	85%
Total		49,580,488	495,804,880	100%



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assets, liabilities, income, expenses. The actual figure may differ from such estimates. Judgments and estimates are used to value the IPO investments.

The changes in underlying assumptions are reviewed ongoing basis and revisions to such estimates are recognized prospectively.

Equities and Liabilities

I. Net Assets Attributable to Unit Holders

A. Unit Capital

The unit capital of Fund are as follows:

In NPR

S.N.	Particulars	Ashad End 2079	Ashad End 2078
1	Unit Capital	420,804,880	421,867,710
2	Unit Seed Capital Account (NIC ASIA Bank Ltd and NIC ASIA Capital Ltd)	75,000,000	75,000,000
	Total	495,804,880	496,867,710

B. Net gain/Loss from financial assets held at fair value through profit or loss:

Net gain/loss from financial assets held at fair value through profit or loss is as follow:

In NPR

S.N.	Particulars	Ashad End 2079	Ashad End 2078
1	Accumulated Profit/ (Loss)		
	1.1. Realized Profit / (Loss)	34,176,057	53,018,896
	1.2. Unrealized Profit / (Loss)	1,841,361	10,460,088
	Total	36,017,418	63,469,984

C. Unit premium Reserve:

The Unit premium reserve amount at the end of the period is as follow:

In NPR

S.N.	Particulars	Ashad End 2079	Ashad End 2078
1	Unit Premium Reserve	(333,977)	(352,192)
	Total	(333,977)	(352,192)

II. Accrued Expenses and Other Payables:

The details of current liabilities and provisions for the period are as follows:

In NPR

S.N.	Particulars	Ashad End, 2079	Ashad End, 2078
1	Scheme Audit Fee Payable	113,000	111,500
2	Fund Management Fee Payable	2,040,846	2,106,194
3	Depository Fee Payable	272,113	280,826
4	Supervisor Fee Payable	136,056	121,172
5	TDS Payable	4,292	96,548
6	Other Current Liabilities	3,490,193	164,706
7	Total Amount	6,056,500	2,880,946

Liabilities are recognized when it is probable that an outflow of resources embodying economic benefits will result from the settlement of present obligation and the amount at which the settlement will take place can be measured reliably.

Withholding Tax: -

The withholding tax are deposited within 25 days of the next month. The details of the Withholding tax payable for the period is: -

In NPR

S.No	BOID NO	Name	CGT
1	1301040000371145	Mahesh Chand	19.02
2	1301040000406819	Sunil Tiwari	67.53
3	1301040000445506	Dikesh Dangol	1.65
4	1301040000445531	Urmila Dangol	1.65
5	1301040000548278	Kiran Bagale	6.96
6	1301060000134048	Pushkal Shah	109.03
7	1301060000519386	Bikash Ranjit	5.15
8	1301060000525731	Umang Ranjit	5.15
9	1301060000525818	Looniva Ranjit	5.15
10	1301060000678181	Ram Prasad Bhusal	14.74
11	1301080000048339	Nischal Shrestha	4.88
12	1301080000429366	Jitendra Nembang	108.81
13	1301090000014682	Paras Man Singh	191.55
14	1301090000187862	Janga Bahadur Chhettri	28.90
15	1301090000240691	Pujendra Bade	12.01
16	1301090000240822	Papita Shrestha	12.01
17	1301090000242606	Pujan Bade	12.01
18	1301090001035837	Tirtha Kumar Bahndari	268.93
19	1301100000418474	Shambhu Tajpuriya	132.15
20	1301100000872006	Saroj Rana	12.76
21	1301100001285923	Ashish Chitrakar	55.08
22	1301100001288107	Renuka Devi Chitrakar	139.58
23	1301100001288179	Udaya Chitrakar	143.76
24	1301110000302261	Rabi Bhandari	14.99
25	130112000010144	Sabita Singh Dangol	433.85
26	1301120001452488	Madan Thami	59.73
27	1301120001521004	Sashank Aryal	19.27
28	1301120001620128	Krishna Paudel	4.95
29	1301120001660995	Dhundi Raj Sharma	14.24
30	1301120001669185	Sanu Kanchha Tamang	2.20
31	1301120001669356	Prabin Tamang	2.20
32	1301120001669643	Hari Maya Tamang	2.20
33	1301120001773171	Kopila Bist	2.51
34	1301120001783382	Krishtin Paudel	1.85
35	1301170000398108	Lokendra B.C	58.74
36	1301170000591936	Jamuna Dhakal	5.54
37	1301170000719835	Sunil Shrestha	15.24
38	1301170000827995	Krishna Prasad Barnawal	118.36
39	1301180000025991	Sarita Munikar	51.79
40	1301180000101122	Raju Munikar	51.79
41	1301180000126111	Rukaj Munikar	263.96
42	1301220000061103	Roman Kumpakha	14.00
43	1301220000441481	Krishna Panta	168.58

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44	1301230000130917	Suman Giri	28.75
45	1301240000011520	Bikalp Bhattarai	105.47
46	1301240000432462	Dhruba Kumar Mahat Chhetri	40.02
47	1301250000000163	Sriranjan Lacoul	82.96
48	1301260000193365	Subash Lama	22.76
49	1301260000498936	Nischal Jimée	1.75
50	1301260000530221	Sarmila Rai	143.76
51	1301280000015141	Nishan Khatri	15.80
52	1301350000036467	Rabin Paudel	60.03
53	1301370000023745	Binaya Bijukchhe	10.77
54	1301370001645139	Yubaraj Karki	136.32
55	1301370001885556	Sanjay Kumar Sah Kalwar	13.82
56	1301370001979021	Pabina Moktan	40.28
57	1301370002014256	Shyam Vagish Giri	1.81
58	1301370002359351	Kishor Acharya	5.50
59	1301510000162058	Radheshyam Dhital	24.28
60	1301530000140376	Prabin Shahi	39.29
61	1301590000128190	Bharat Limbu	1.75
62	1301610000131355	Urmila Lama	15.06
63	1301610000339020	Anita Ranabhat	1.81
64	1301610000415802	Prashamsa Chaureli	1.81
65	1301630000086043	Hemanta Subedi	1.96
66	1301630000123836	Durga Dahal	19.27
67	1301650000273849	Bhabesh Gelal	14.00
68	1301650000332089	Narayan Sapkota	7.06
69	1301650000447381	Kiran Parajuli	2.36
70	1301690000295510	Deepesh Shrestha	10.03
71	1301690000307512	Sumit Thapa Magar	5.18
72	1301700000003351	Arun Chaudhary	7.45
		Total	3,525.56

Balance Due and From Brokers: -

The Fund does all the transaction through Opal Securities. The Balance due to Broker is 3,293,396.22 (In Words: - Three Million Three Hundred and Twenty-Nine Hundred Three Thousand Three Hundred and Ninety-Six Rupees and 22/100 Paisa).

Financial Instruments

The Fund's principal financial assets comprise assets held at fair value through profit and loss, other assets, bonds and debenture, 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:



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A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold assets in order 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.

However, Financial Assets such as Bonds and Debenture are classified under financial assets measured at cost.

▪ **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 Statement of Profit or Loss.

It includes Investment in Equity Instrument.

- 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 do not have investment satisfying the criteria to be classified as Fair Value Through the Statement of Other Comprehensive Income. (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 cost is directly attributable to the acquisition are recognized in 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 effective interest 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



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in a 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

A 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 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 capitalized to the cost of the financial assets (i.e., bonds and debenture and loans & receivable).

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 asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method. Though NFRS prescribes bonds and debentures to be valued at amortized cost, these financial assets are valued at cost of acquisition as per guideline no. 22 (B) of Mutual Fund Guideline, 2069.

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, equity instrument classified under this category, the transaction cost during purchase of such instruments is capitalized while calculating the cost.

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

NFRS 13 requires disclosure of fair value measurements by 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).



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i. 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.

ii. 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 last 30 days is valued at 180 days Average Market price provided by NEPSE and Equities which are listed but no transactions are made within last 180 days is valued taking lower of cost of acquisition or net book value of the stock as published in the latest quarterly report.
- In case of trading halt of the scrip due to merger & acquisition, last traded price should be taken.
- In case of unprecedented events, where no prescriptive guidelines are proposed to value securities/ portfolios. 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.
 - Significant volatility in the capital Market.

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

- However, above events will not be accounted for valuation as above, stocks trading within 30 days.
- IPO (Initial Public Offerings) investments shall be valued as:
 - I) IPO investments are investments made to apply for the securities in IPO till Listing.
 - II) IPO investments are valued as advance for application amount till allotment at exact amount applied for.
 - III) 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

Valuation Policy for Debt Instruments: -

Valuation of Debt Instruments are measured based on Cost of the Instrument as per the Investment Policy 2073 which states that Bonds, Debentures and Treasury bills shall be valued at cost for acquisition of such instruments considering all the accrued interest / income for the period. Investments on debentures/ bonds with a premium price on the face value should be



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amortized by that excess amount paid. Firstly, value of bonds/debentures shall be booked at the purchase amount; thereafter the premium paid over the face value shall be amortized till the period of maturity on a daily basis. The amortized amount calculated will be reduced from the cost price of bonds/debentures on a daily basis. Amortization amount will respectively be treated as expenses on a daily basis.

Valuations:

Valuation of IPO of Adarsha Laghubitta Bittiya Sanstha Limited, Bindhyabasini Hydropower Development Company Limited, Himalayan Hydropower Limited, Upper Solu Hydro Electric Company Limited, Upper Hewakhola Hydropower Company Limited, Rapti Hydro & General Construction Limited and Swet-Ganga Hydropower & Construction Limited Shall be valued as exact amount applied i.e., Rs. 100 per share

S.No	Issue	Stock Name	Sector	Quantity Holdings
1	IPO	Adarsha Laghubitta Bittiya Sanstha Limited	Microfinance	67
2	IPO	Bindhyabasini Hydropower Development Company Limited	Hydro	1,500
3	IPO	Himalayan Hydropower Limited	Hydro	1,312
4	IPO	Upper Solu Hydro Electric Company Limited	Hydro	1,364
5	IPO	Upper Hewakhola Hydropower Company Limited	Hydro	1,046
6	IPO	Rapti Hydro & General Construction Limited	Hydro	1,767
7	IPO	Swet-Ganga Hydropower & Construction Limited	Hydro	1,665

III. Financial Assets Held at Fair Value Through Profit or Loss:

In NPR

S.N.	Name	Unit	As at Ashad 32, 2079		Fair Value Hierarchy
			Value Per unit	Value Amount	
	LISTED				
1	Nepal Bank Limited	11,543	298	3,439,814	Level 1
2	Sanima Bank Limited	4,680	276	1,291,680	Level 1
3	Prime Commercial Bank Ltd.	6,896	265	1,827,440	Level 1
4	Global IME Bank Limited	2,898	251	728,557	Level 2
5	Agriculture Development Bank Limited	3,981	331	1,317,711	Level 1
6	Sunrise bank Limited	4,592	207	950,544	Level 1
7	Century Commercial Bank Ltd.	8,345	183	1,527,135	Level 1
8	Nabil Bank Limited	2,637	824	2,172,888	Level 2
9	Kamana Sewa Bikash Bank Limited	1,200	350	419,880	Level 1
10	Surya Life Insurance Company Limited	3,422	387	1,324,314	Level 2
11	Asian Life Insurance Co. Limited	4,563	574	2,619,162	Level 1
12	National Life Insurance Co. Ltd.	6,545	577	3,776,465	Level 1
13	Nepal Life Insurance Co. Ltd.	1,140	747	851,580	Level 1
14	Nirdhan Utthan Laghubitta Bittiya Sanstha Limited	7,162	1,099	7,871,038	Level 1
15	Chhimek Laghubitta Bikas Bank Limited	8,844	1,100	9,728,400	Level 1
16	Mahila Lagubitta Bittiya Sanstha Limited	536	3,439	1,843,304	Level 1
17	Neco Insurance Co. Ltd.	4,648	694	3,225,712	Level 1
18	United Insurance Co. (Nepal) Ltd.	1,500	350	525,000	Level 1
19	Siddhartha Insurance Ltd.	7,117	544	3,869,513	Level 2
20	Shikhar Insurance Co. Ltd.	3,323	807	2,681,661	Level 1

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21	Prabhu Insurance Ltd.	222	428	95,016	Level 2
22	Prudential Insurance Co. Ltd.	2,578	348	897,144	Level 1
23	Premier Insurance Co. Ltd.	4,428	576	2,550,528	Level 1
24	NLG Insurance Company Ltd.	4,513	478	2,157,214	Level 1
25	Nepal Insurance Co. Ltd.	1,500	446	668,850	Level 1
26	Lumbini General Insurance Co. Ltd.	6,545	382	2,500,190	Level 2
27	IME General Insurance Ltd.	2,346	370	868,020	Level 1
28	Himalayan General Insurance Co. Ltd	2,746	520	1,427,920	Level 2
29	General Insurance Company Nepal Ltd	2,000	370	740,000	Level 1
30	Ajod Insurance Limited	1,000	448	448,000	Level 2
31	Everest Insurance Co. Ltd.	1,219	500	609,500	Level 1
32	Kumari Equity Fund	300,000	10	3,021,000	Level 1
33	Prabhu Select Fund	500,000	10	4,805,000	Level 1
34	Jeevan Bikas Laghubitta Bittiya Sanstha Limited	5,100	2,699	13,764,900	Level 1
35	Union Life Insurance Company Limited	4,195	521	2,185,595	Level 2
36	Manakamana Smart Laghubitta Bittiya Sanstha Limited	784	947	742,448	Level 1
37	Sanima Life Insurance Company Limited	4,000	346	1,383,600	Level 2
38	Manushi Laghubitta Bittiya Sanstha Limited	354	1,002	354,708	Level 1
39	RBB Mutual Fund 1	250,000	9	2,317,500	Level 1
40	Madhya Bhotekoshi Jalavidyut Company Limited	700	234	163,450	Level 1
41	Rastra Utthan Laghubitta Bittiya Sanstha Limited	750	926	694,500	Level 1
42	Jalpa Samudayik Laghubitta Bittiya Sanstha Limited	422	2,318	978,196	Level 1
43	Nesdo Sambridha Laghubitta Bittiya Sanstha Limited	829	2,280	1,890,120	Level 1
44	Rasuwadgadhi Hydropower Company Limited	5,000	273	1,365,000	Level 1
45	Green Venture Limited	502	304	152,357	Level 1
46	Balephi Hydropower Limited	1,828	240	438,172	Level 1
47	Upakar Laghubitta Bittiya Sanstha Limited	236	2,699	636,964	Level 1
48	CYC Nepal Laghubitta Bittiya Sanstha Limited	395	1,698	670,789	Level 2
49	River Falls Power Limited	2,730	222	606,060	Level 1
50	Dordi Khola Hydropower Company Limited	2,195	309	678,694	Level 1
	Sub-Total (A)	1,204,689		101,803,233	
	UNLISTED				
1	Adarsha Laghubitta Bittiya Sanstha Limited	67	100	6,700	Level 3
2	Bindhyabasini Hydropower Development Company Limited	1,500	100	150,000	Level 3
3	Himalayan Hydropower Limited	1,312	100	131,200	Level 3
4	Upper Solu Hydro Electric Company Limited	1,364	100	136,400	Level 3
5	Upper Hewakhola Hydropower Company	1,046.00	100	104,600	Level 3
6	Rapti Hydro & General Construction Limited	1,767.00	100	176,700	Level 3
7	Swet-Ganga Hydropower & Construction Ltd	1,665.00	100	166,500	Level 3
	Sub-Total (B)	8,721		872,100	
	Grand Total			102,675,333	

S.N.	Name	As at Ashad 31, 2078			
		Unit	Value per unit	Value Amount	Fair Value Hierarchy
LISTED					
1	Nepal Bank Limited	7,640	443	3,384,520	Level 1
2	Sanima Bank Limited	4,000	485	1,940,000	Level 1
3	Prime Commercial Bank Ltd.	4,750	479	2,275,250	Level 1
4	Global IME Bank Limited	1,000	441	441,000	Level 1
5	Agriculture Development Bank Limited	2,500	479	1,197,500	Level 1
6	Sunrise bank Limited	2,500	363	907,500	Level 1
7	Century Commercial Bank Ltd.	6,000	291	1,746,000	Level 1
8	Nabil Bank Limited	1,000	1,359	1,359,000	Level 1
9	Kamana Sewa Bikash Bank Limited	2,500	580	1,450,000	Level 1
10	Surya Life Insurance Company Limited	1,000	922	922,000	Level 1
11	Asian Life Insurance Co. Limited	1,250	1,348	1,685,000	Level 1
12	National Life Insurance Co. Ltd.	5,500	1,151	6,330,500	Level 1
13	Nepal Life Insurance Co. Ltd.	1,000	1,919	1,919,000	Level 1
14	Nirdhan Utthan Laghubitta Bittiya Sanstha Limited	1,000	1,600	1,600,000	Level 1
15	Chhimek Laghubitta Bikas Bank Limited	2,000	1,738	3,476,000	Level 1
16	Mahila Lagubitta Bittiya Sanstha Limited	364	4,870	1,772,680	Level 1
17	Neco Insurance Co. Ltd.	3,500	1,348	4,718,000	Level 1
18	United Insurance Co. (Nepal) Ltd.	1,500	715	1,072,500	Level 1
19	Siddhartha Insurance Ltd.	1,500	1,058	1,587,000	Level 1
20	Shikhar Insurance Co. Ltd.	2,556	1,952	4,989,312	Level 1
21	Prabhu Insurance Ltd.	200	960	192,000	Level 1
22	Prudential Insurance Co. Ltd.	2,250	810	1,822,500	Level 1
23	Premier Insurance Co. Ltd.	1,250	1,170	1,462,500	Level 1
24	NLG Insurance Company Ltd.	3,730	1,220	4,550,600	Level 1
25	Nepal Insurance Co. Ltd.	1,500	1,022	1,533,000	Level 1
26	Lumbini General Insurance Co. Ltd.	1,500	780	1,170,000	Level 1
27	IME General Insurance Ltd.	1,500	1,209	1,813,500	Level 1
28	Himalayan General Insurance Co. Ltd	2,500	768	1,920,000	Level 1
29	General Insurance Company Nepal Ltd	2,000	693	1,386,000	Level 1
30	Ajod Insurance Limited	1,000	813	813,000	Level 1
31	Everest Insurance Co. Ltd.	1,151	749	862,099	Level 1
32	Kumari Equity Fund	300,000	11	3,150,000	Level 1
33	Prabhu Select Fund	500,000	10	5,070,000	Level 1
Sub-Total (A)		871,641		70,517,961	
UNLISTED					
1	Himalayan General Insurance Company Limited- Bonus	75	768	57,600	Level 1
2	IME General Insurance- Bonus share	175	1,209	211,575	Level 1
3	Jeevan Bikash Laghubitta Bittiya Sanstha-IPO	3,000	100	300,000	Level 3
4	Lumbini General Insurance Co Limited- Bonus Share	100	780	78,000	Level 1
5	Manakamana Smart Laghubitta Bittiya Sanstha-IPO	696	100	69,600	Level 3

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6	Neco Insurance- Bonus share	542	1,348	730,616	Level 1
7	Prudential Insurance Company Limited- Bonus Share	160	810	129,600	Level 1
8	Siddhartha Insurance- Bonus Share	180	1,058	190,440	Level 1
9	Union Life Insurance Company Limited - IPO	6,000	100	600,000	Level 3
10	Mailung Khola Jal Bidhyut Pariyojana Limited-IPO	684	100	68,400	Level 3
	Sub-Total (B)	10,928		2,435,831	
	Grand Total	882,569		72,953,792	

IV. Financial Asset Measured at Amortized Cost (Non-Current)

Bonds and Debenture are classified under financial assets measured at cost.

In NPR

S.N.	Particulars	Unit	Price	Ashad End, 2079
	Non-Current Assets	4,498	1,049	4,717,910
1	10% Himalayan Bank Debenture 2083	756	1,044	788,926
2	10% Laxmi Bank Debenture 2086	9,314	1,040	9,684,457
3	10% Nepal SBI Bank Debenture 2086	9,960	1,047	10,427,047
4	10% Prabhu Bank Debenture 2084	5,655	1,038	5,872,609
5	10% Sanima Debenture 2085 - Listed	365	1,014	370,221
6	10% Sunrise Debenture 2080	16,082	1,000	16,082,000
7	10.25% Civil Bank Debenture 2088	4,205	1,035	4,350,309
8	10.25% Global Ime Bank Ltd. Debenture	1,240	1,040	1,290,061
9	10.25% KBL Debenture 2086	1,075	1,025	1,101,788
10	10.25% Machhapuchchhre Bank Debenture 2085	825	1,048	864,982
11	10.25% NBBL Debenture 2085	875	1,027	898,376
12	10.25% Prabhu Bank Debenture 2086	615	1,043	641,188
13	10.25% SBL Debenture 2083 - Listed	5,649	1,046	5,906,458
14	10.25% Sunrise Debenture 2083	4,480	1,042	4,669,089
15	10.35% ADBL Krisi Bank Rinpatra 2083	370	1,060	392,275
16	10.5 % Nepal Investment Debenture	740	1,046	774,121
17	10.5% SBL Debenture 2082	50,000	1,000	50,000,000
18	10.50% Century Debenture 2088	25,000	1,000	25,000,000
19	10.75 % SBL Debenture 2089	25	1,175	29,381
20	12% ICFC Finance Debenture 2083	5,000	1,000	5,000,000
21	8.5% Global Ime Bank Ltd. Debenture 2086/87	8,000	1,000	8,000,000
22	8.5% Machhapuchchhre Debenture 2087	50	868	43,423
23	8.5% Nepal Investment Bank Bond 2084	40,000	1,000	40,000,000
24	8.5% Prabhu Bank Debenture 2087	18,212	1,000	18,212,000
25	8.5% RBBL Debenture 2083	3,000	1,000	3,000,000
26	8.75 % GBBL Debenture 2085	17,911	1,000	17,911,000
27	9% Jyoti Bikas Bank Bond 2087	7,477	1,000	7,477,000
28	9% Kamana Sewa Bikas Bank Ltd Debenture 2087	3,784	1,000	3,784,000
29	9% Shangrila Development Bank Debenture 2087	21,994	1,001	22,011,074
30	9.5% Manjushree Finance Ltd. Debenture 2085	22,833	1,000	22,834,309
31	9.5% NCC Rinpatra 2086	4,498	1,049	4,717,910
	Total Amount	289,990		292,134,005



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S.N.	Particulars	Unit	Price	Ashad End 2078
	Non-Current Assets			
1	10% Himalayan Bank Debenture 2083	4,498	1,055	4,746,740
2	10% Laxmi Bank Debenture 2086	406	1,050	426,443
3	10% Nepal SBI Bank Debenture 2086	6,284	1,043	6,553,584
4	10% Prabhu Bank Debenture 2084	6,905	1,055	7,287,068
5	10% Sanima Debenture 2085 - Listed	4,550	1,043	4,747,733
6	10% Sunrise Debenture 2080	365	1,020	372,137
7	10.25% Global IME Bank Debenture	4,105	1,050	4,311,622
8	10.25% KBL Debenture 2086	1,040	1,057	1,099,018
9	10.25% Machhapuchchhre Bank Debenture 2085	775	1,046	810,755
10	10.25% NBBL Debenture 2085	825	1,054	869,205
11	10.25% Prabhu Bank Debenture 2086	475	1,054	500,700
12	10.25% SBL Debenture 2083 - Listed	365	1,051	383,521
13	10.25% Sunrise Debenture 2083	3,624	1,056	3,828,529
14	10.35% ADBL Kriasi Bank Rinpatra 2083	1,175	1,055	1,239,792
15	10.5 % Nepal Investment Bank Debenture	345	1,075	370,831
16	10.5% SBL Debenture 2082	440	1,074	472,544
17	12% ICFC Finance Debenture 2083	25	1,202	30,058
18	8.5% Global IME Bank Ltd. Debenture 2086/87	5,000	1,000	5,000,000
19	8.5% Prabhu Bank Debenture 2087 (PBD87)	40,000	1,000	40,000,000
20	8.5% RBBL Debenture 2083	18,212	1,000	18,212,000
21	9% Kamana Sewa Bikas Bank Debenture 2087	7,477	1,000	7,477,000
22	9.5% Manjushree Finance Ltd. Debenture 2085	21,994	1,001	22,012,957
23	9.5% NCC Rinpatra 2086	22,458	1,000	22,458,000
	Total Amount	151,343		153,210,235

V. Cash and Cash Equivalent:

Cash and cash equivalent for the purpose of the statement of cash flow comprises:

In NPR

S.N.	Particulars	Ashad End, 2079	Ashad End, 2078
1	Cash at Bank	71,224,765	258,135,389
2	Cash in Hand	-	-
	Total	71,224,765	258,135,389

Cash and cash equivalent assets' fair value equals to the book value as such assets. It comprises call balance in the banks and financial institutions. They are available as and when the balance is called from the bank. The interest income on such balance is recognized daily on 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.

VI. Financial Assets Held at Amortized Cost (Current)

Fixed Deposit Investment of the fund comprises:

In NPR

S.N.	Particulars	Ashad End, 2079	Ashad End, 2078
1	Jyoti Bikash Bank Limited	30,000,000	30,000,000
2	NIC Asia Bank Limited	-	20,000,000
3	Sunrise Bank Limited	20,000,000	-
4	Mahalaxmi Bikas Bank Limited	10,000,000	-
	Total Amount	60,000,000	50,000,000

VII. Other Assets:

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

In NPR

S. N	Particulars	Ashad End, 2079	Ashad End, 2078
1	Broker Receivables-Opal Securities Investment Pvt Ltd	39,026	17,107,541
2	Dividend Income Receivables	16,482	8,999
3	Interest Income Receivables	8,879,510	3,061,691
4	IPO Advance RBB Mutual Fund 1	-	2,500,000
5	IPO Advance - Mailung Khola Jal Vidhyut Company Limited	-	888,800
6	Shangrilla Bank Debenture- IPO Advance	-	5,000,000
7	IPO Advance- Mandakini Hydropower	1,229,600	-
8	IPO Advance- Dhaulagiri Laghubitta	346,100	-
9	IPO Advance- 10.25% Sanima Debenture 2089	1,000,000	-
	Total Amount	11,510,718	28,567,031

Unit Premium Reserve

Unit Premium reserve is created on every purchase and redemption of units of NIC Asia Dynamic Debt Fund at the prevailing NAV on the date in excess or shortfall of Face value of the units. The Unit premium reserve amount at the end of the period is (3,33,976.64) (In words: - Three lakh Thirty-Three Thousand Nine Hundred Seventy-Six and 64/100 Only)

Investment Income

- 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.
- Dividend income is recognized on the ex-dividend date.

Expenses and Service Fees

All Expenses are accounted on accrual basis. Following Fees incurred by the Scheme:

Upto Ashad End

- Fund Management Fees: 1.5% of Net Assets Value (NAV) *
- Depository Fees: 0.20% of NAV *
- Fund Supervisor Fees: 0.10% of NAV *

* NAV for this purpose is computed on the basis of quarterly average of daily NAV. The fee is booked quarterly at the end of the First, Second, third and fourth quarter of the financial year (at the end of Ashwin, Poush, Chaitra and Ashad, 2079).

Employees Related Expenses:

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

VIII. Pre-Operating Expenses

In NPR

S. N	Particulars	Ashad End, 2079	Ashad End, 2078
1	Pre-Operating Expenses	-	3,543,427
	Total Amount	-	3,543,427



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IX. Operating Expenses

In NPR

S. N	Particulars	Ashad End, 2079	Ashad End, 2078
1	Report Publication Expenses	-	12,000
2	Notice Publication Expenses	142,775	79,530
3	Scheme Fund Size Increment Fee	-	500,000
4	Scheme Audit Expenses	113,000	113,000
5	Bank Charges	5,588	822
6	Book Building Application Fee	10,000	10,000
7	Software Charge- AMC	99,440	-
8	Bonds and Debenture Amortization	306,760	-
9	Annual and Software fee- CDSC	220,000	-
	Total Amount	897,563	715,352

Fund Management, Depository and Supervisor Fee

Total Fund Management, Depository and Fund Supervisor Fees is calculated and recognized as per the mutual Fund Regulation, 2069. The total fees charged for 2078.79 and 2077.78 are as follows: -

In NPR

F/Y	Fund Management Fee	Depository Fee	Supervisor Fee
2078.79	8,085,238	1,078,032	539,016
2077.78	4,875,531	649,671	324,835

X. Net realized Gains/Losses on Financial Assets at Fair Value through Profit or Loss

In NPR

S.N.	Particulars	Ashad End, 2079	Ashad End, 2078
1	Gain on Sale of Stocks	9,038,925	49,204,601
	Total Amount	9,038,925	49,204,601

XI. Interest Income from Cash and Cash Equivalent

In NPR

S.N.	Particulars	Ashad End, 2079	Ashad End, 2078
1	Interest Income from Bank Deposit and Debentures	32,292,532	13,741,914
	Total Amount	32,292,532	13,741,914

XII. Dividend Income

In NPR

S.N.	Particulars	Ashad End, 2079	Ashad End, 2078
1	Dividend Income Realized	218,451	73,164
2	Dividend Income Unrealized	7,483	8,999
	Total Amount	225,934	82,163

XIII. Other Income

In NPR

S.N.	Particulars	Ashad End 2079	Ashad End 2078
1	Exit Load Incomes	96,269	64,308
2	Other Income	-	31,726
	Total Amount	96,269	96,034



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XIV. Net Unrealized Gains/Losses on Financial Assets at Fair Value through Profit or Loss

In NPR

S.N.	Name	As at Ashad 32, 2079				
		Unit	Value per unit	Value Amount	Cost Price	Total Cost
	LISTED					
1	Nepal Bank Limited	11,543	298	3,439,814	336	3,882,937
2	Sanima Bank Limited	4,680	276	1,291,680	279	1,303,898
3	Prime Commercial Bank Ltd.	6,896	265	1,827,440	335	2,312,636
4	Global IME Bank Limited	2,898	251	728,557	296	856,733
5	Agriculture Development Bank Limited	3,981	331	1,317,711	369	1,469,108
6	Sunrise bank Limited	4,592	207	950,544	259	1,187,464
7	Century Commercial Bank Ltd.	8,345	183	1,527,135	229	1,913,781
8	Nabil Bank Limited	2,637	824	2,172,888	929	2,450,932
9	Kamana Sewa Bikash Bank Limited	1,200	350	419,880	300	359,658
10	Surya Life Insurance Company Limited	3,422	387	1,324,314	744	2,547,148
11	Asian Life Insurance Co. Limited	4,563	574	2,619,162	871	3,972,983
12	National Life Insurance Co. Ltd.	6,545	577	3,776,465	985	6,446,726
13	Nepal Life Insurance Co. Ltd.	1,140	747	851,580	1,757	2,003,510
14	Nirdhan Utthan Laghubitta Bittiya Sanstha Limited	7,162	1,099	7,871,038	1,060	7,589,285
15	Chhimek Laghubitta Bikas Bank Limited	8,844	1,100	9,728,400	1,114	9,854,299
16	Mahila Lagubitta Bittiya Sanstha Limited	536	3,439	1,843,304	68	36,400
17	Neco Insurance Co. Ltd.	4,648	694	3,225,712	1,028	4,778,675
18	United Insurance Co. (Nepal) Ltd.	1,500	350	525,000	572	857,328
19	Siddhartha Insurance Ltd.	7,117	544	3,869,513	849	6,041,688
20	Shikhar Insurance Co. Ltd.	3,323	807	2,681,661	1,154	3,836,155
21	Prabhu Insurance Ltd.	222	428	95,016	646	143,515
22	Prudential Insurance Co. Ltd.	2,578	348	897,144	595	1,535,150
23	Premier Insurance Co. Ltd.	4,428	576	2,550,528	918	4,065,304
24	NLG Insurance Company Ltd.	4,513	478	2,157,214	979	4,419,401
25	Nepal Insurance Co. Ltd.	1,500	446	668,850	664	995,903
26	Lumbini General Insurance Co. Ltd.	6,545	382	2,500,190	704	4,605,062
27	IME General Insurance Ltd.	2,346	370	868,020	633	1,484,268
28	Himalayan General Insurance Co. Ltd	2,746	520	1,427,920	659	1,808,704
29	General Insurance Company Nepal Ltd	2,000	370	740,000	627	1,254,541
30	Ajod Insurance Limited	1,000	448	448,000	690	689,624
31	Everest Insurance Co. Ltd.	1,219	500	609,500	567	690,856
32	Kumari Equity Fund	300,000	10	3,021,000	10	3,000,000
33	Prabhu Select Fund	500,000	10	4,805,000	10	5,000,000
34	Jeevan Bikas Laghubitta Bittiya Sanstha Limited	5,100	2,699	13,764,900	59	300,000
35	Union Life Insurance Company Limited	4,195	521	2,185,595	100	419,500
36	Manakamana Smart Laghubitta Bittiya Sanstha Limited	784	947	742,448	86	67,035
37	Sanima Life Insurance Company Limited	4,000	346	1,383,600	100	400,000
38	Manushi Laghubitta Bittiya Sanstha Limited	354	1,002	354,708	100	35,400
39	RBB Mutual Fund 1	250,000	9	2,317,500	10	2,500,000
40	Madhya Bhotekoshi Jalavidyut Company Limited	700	234	163,450	100	70,000
41	Rastra Utthan Laghubitta Bittiya Sanstha Limited	750	926	694,500	100	75,000
42	Jalpa Samudayik Laghubitta Bittiya Sanstha Limited	422	2,318	978,196	100	42,200
43	Nesdo Sambridha Laghubitta Bittiya Sanstha Limited	829	2,280	1,890,120	100	82,900

44	Rasuwadhi Hydropower Company Limited	5,000	273	1,365,000	358	1,787,566
45	Green Venture Limited	502	304	152,357	100	50,200
46	Balephi Hydropower Limited	1,828	240	438,172	100	182,800
47	Upakar Laghubitta Bittiya Sanstha Limited	236	2,699	636,964	100	23,600
48	CYC Nepal Laghubitta Bittiya Sanstha Limited	395	1,698	670,789	100	39,500
49	River Falls Power Limited	2,730	222	606,060	100	273,000
50	Dordi Khola Hydropower Company Limited	2,195	309	678,694	100	219,500
	Sub-Total (A)	1,204,689		101,803,233		99,961,871
	UNLISTED					
1	Adarsha Laghubitta Bittiya Sanstha Limited	67	100	6,700	100	6,700
2	Bindhyabasini Hydropower Development Company Limited	1,500	100	150,000	100	150,000
3	Himalayan Hydropower Limited	1,312	100	131,200	100	131,200
4	Upper Solu Hydro Electric Company Limited	1,364	100	136,400	100	136,400
5	Upper Hewakhola Hydropower Company Limited	1,046	100	104,600	100	104,600
6	Rapti Hydro & General Construction Limited	1,767	100	176,700	100	176,700
7	Swet-Ganga Hydropower & Construction Limited	1,665	100	166,500	100	166,500
	Sub-Total (B)	8,721		872,100		872,100
	Grand Total	1,213,410		102,675,333		100,833,971
	Unrealized Gain / (Loss)					1,841,361
	Less: Previous Year Unrealized Gain/(Loss)					10,451,088
	Unrealized Gain / (Loss) This Year					(8,609,726)

In NPR

S.N.	Name	As at Ashad 31, 2078				
		Unit	Value per unit	Value Amount	Cost Price	Total Cost
	LISTED					
1	Nepal Bank Limited	7,640	443	3,384,520	397	3,035,299
2	Sanima Bank Limited	4,000	485	1,940,000	326	1,303,898
3	Prime Commercial Bank Ltd.	4,750	479	2,275,250	407	1,934,809
4	Global IME Bank Limited	1,000	441	441,000	339	339,326
5	Agriculture Development Bank Limited	2,500	479	1,197,500	450	1,124,406
6	Sunrise bank Limited	2,500	363	907,500	299	746,554
7	Century Commercial Bank Ltd.	6,000	291	1,746,000	251	1,503,173
8	Nabil Bank Limited	1,000	1,359	1,359,000	1,326	1,325,820
9	Kamana Sewa Bikash Bank Limited	2,500	580	1,450,000	355	887,755
10	Surya Life Insurance Company Limited	1,000	922	922,000	827	826,950
11	Asian Life Insurance Co. Limited	1,250	1,348	1,685,000	1,168	1,459,897
12	National Life Insurance Co. Ltd.	5,500	1,151	6,330,500	1,172	6,446,726
13	Nepal Life Insurance Co. Ltd.	1,000	1,919	1,919,000	2,004	2,003,510
14	Nirdhan Utthan Laghubitta Bittiya Sanstha Limited	1,000	1,600	1,600,000	1,301	1,301,085
15	Chhimek Laghubitta Bikas Bank Limited	2,000	1,738	3,476,000	1,386	2,772,352
16	Mahila Lagubitta Bittiya Sanstha Limited	364	4,870	1,772,680	100	36,400
17	Neco Insurance Co. Ltd.	3,500	1,348	4,718,000	1,365	4,778,675
18	United Insurance Co. (Nepal) Ltd.	1,500	715	1,072,500	572	857,328

19	Siddhartha Insurance Ltd.	1,500	1,058	1,587,000	1,084	1,625,989
20	Shikhar Insurance Co. Ltd.	2,556	1,952	4,989,312	1,471	3,759,455
21	Prabhu Insurance Ltd.	200	960	192,000	718	143,515
22	Prudential Insurance Co. Ltd.	2,250	810	1,822,500	682	1,535,150
23	Premier Insurance Co. Ltd.	1,250	1,170	1,462,500	1,122	1,401,922
24	NLG Insurance Company Ltd.	3,730	1,220	4,550,600	1,185	4,419,401
25	Nepal Insurance Co. Ltd.	1,500	1,022	1,533,000	664	995,903
26	Lumbini General Insurance Co. Ltd.	1,500	780	1,170,000	692	1,038,516
27	IME General Insurance Ltd.	1,500	1,209	1,813,500	945	1,417,168
28	Himalayan General Insurance Co. Ltd	2,500	768	1,920,000	723	1,808,704
29	General Insurance Company Nepal Ltd	2,000	693	1,386,000	627	1,254,541
30	Ajod Insurance Limited	1,000	813	813,000	690	689,624
31	Everest Insurance Co. Ltd.	1,151	749	862,099	600	690,856
32	Kumari Equity Fund	300,000	11	3,150,000	10	3,000,000
33	Prabhu Select Fund	500,000	10	5,070,000	10	5,000,000
				-		-
	Sub-Total (A)	871,641		70,517,961		61,464,704
	UNLISTED					
1	Himalayan General Insurance- Bonus	75	768	57,600	-	-
2	IME General Insurance- Bonus share	175	1,209	211,575	-	-
3	Jeevan Bikash Laghubitta Bittiya Sanstha-IPO	3,000	100	300,000	100	300,000
4	Lumbini General Insurance Co Limited-Bonus	100	780	78,000	-	-
5	Manakamana Smart Laghubitta Bittiya Sanstha-IPO	696	100	69,600	100	69,600
6	Neco Insurance- Bonus share	542	1,348	730,616	-	-
7	Prudential Insurance Company Limited-Bonus	160	810	129,600	-	-
8	Siddhartha Insurance- Bonus Share	180	1,058	190,440	-	-
9	Union Life Insurance Company Limited - IPO	6,000	100	600,000	100	600,000
10	Mailung Khola Jal Vidhyut Company Limited - IPO	684	100	68,400	100	68,400
	Sub-Total (B)	10,928		2,435,831		1,038,000
	Grand Total	882,569		72,953,792		62,502,704
	Unrealized Gain / (Loss)					10,451,088
	Less: Previous Year Unrealized Gain/(Loss)					-
	Unrealized Gain / (Loss) This Year					10,451,088

Financial 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 the NIC ASIA Capital Limited, the fund management company. The fund supervisors provide principles for overall risk management,



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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.

Market Risk

a. 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. 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 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 daily by the Fund Management Company.

b. Foreign Exchange Rate Risk

The Fund is not exposed to the 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.

Investment Threshold

As per the Mutual Fund Regulation, 2067 investment in fixed deposit cannot be made more than 15% of Gross Net Asset Value of the scheme. Scheme has invested 8.93% of Gross NAV in Fixed Deposit as of Asadh End, 2079.

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 Management Company monitors the Fund's credit position on a daily basis. The Fund can maximize the returns derived for the level of risk to



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which the Fund is exposed. The table below is a summary of the significant sector concentrations within the listed equity portfolio.

In NPR

Sector	Buying Amount	Market Value	Profit/(Loss)	Proportion
Commercial Banks	15,377,490	13,255,769	-2,121,721	15%
Development Banks	359,658	419,880	60,222	0%
Life Insurance	15,789,866	12,140,716	-3,649,150	16%
Microfinance	18,110,218	38,820,659	20,710,441	18%
Non-Life Insurance	37,206,174	23,264,268	-13,941,906	37%
Mutual Fund	10,500,000	10,143,500	-356,500	11%
Hydropower	2,618,466	3,758,441	1,139,975	3%
Total	99,961,871	101,803,233	1,841,361	100%

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.

The Fund is exposed to daily cash redemptions of redeemable units. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market or can be readily disposed.

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 on a daily basis.

Related Party Transactions

Related Parties:

- I. Fund Sponsor: NIC ASIA Bank Limited
- II. Fund Manager and Depository: NIC ASIA Capital Limited, a subsidiary of the Sponsor.
- III. Shareholders holding substantial interest in the Fund Manager:
 - NIC ASIA Bank Limited
- IV. Subsidiaries of Major Shareholders of Fund Manager with whom the Fund transacted:
 - None

The Scheme has entered into transactions with related parties which are required to be disclosed in accordance with Accounting Standard – on 'Related Party Disclosures'.

- a. Unit Holding of NIC ASIA Bank Limited (Fund Sponsor) amounts to NPR 75,00,000 (at par value of NPR 10 per unit)
- b. NIC ASIA Dynamic Debt Fund have earned interest amounting to NPR 6,633,868.61 (Six Million Six Hundred Thirty-Three Thousand Eight Hundred Sixty-Eight and 61/100 Rupees Only) from NIC ASIA Bank Limited.
- c. Fund Management and Depository Fee incurred by NIC ASIA Dynamic Debt Fund during the year amounts to NPR. 9,163,270.00 (out of which NPR. 2,312,958.37 is still payable to 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.



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Movement of Unit Capital

The movement of the Unit capital during the period is given below.

Opening Units	49,686,771
Purchase During the Financial Year	728,146
Sell During the Financial Year	834,429
Closing Units	49,580,488

NAV Details: -

The details of the First NAV Certified by auditor and the NAV at the end of the Financial Year is as follows: -

Date	NAV
15/07/2021	11.27
16/07/2022	10.72

Reporting

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

Proposed Dividend

The Fund has proposed dividend of 6% of NIC ASIA Dynamic Debt Fund including applicable taxes.

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

As per our Report of even date


Ramendra Rayamajhi
Chief Executive Officer


Kapil Dhakal
Chairman


CA Sanjeev Dhakal
Principal
SD associates
Chartered Accountants




Manish Ghimire
Chief Investment Officer


Dinesh Bhari
Director


Rupesh Luitel
Director


Rabin Sapkota
Independent
Director


Suman Dangol
Independent
Director

Date: 14th October 2022

Place: Kathmandu, Nepal

