

INDEPENDENT AUDITOR'S REPORT

To the Fund Supervisors of NIC ASIA Flexi Cap Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **NIC ASIA Flexi Cap Fund (the Scheme)**, which comprise the Statement of Financial Position as at 32nd Ashad 2079, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Unit Holder's Fund and Statement of Cash Flows for the period then ended, and notes to the financial statements, including a summary of Significant Accounting Policies and Notes to Accounts.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NIC ASIA Flexi Cap Fund as at 32nd Asadh 2079, and its financial performance and its cash flows for the period then ended in accordance with Nepal Financial Reporting Standards (NFRS) and Mutual Fund Regulations, 2067.

Basis for 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 Scheme in accordance with the Institute of Chartered Accountants of Nepal's *Code of Ethics for Professional Accountants 2018* together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our 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 that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. Such other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read such information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management of the NIC Asia Capital Limited, the scheme manager is responsible for the preparation and fair presentation of the financial statements in accordance with Nepal Financial Reporting Standards, 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 a part of audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statement whether due to fraud or error, design and perform audit procedure responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Scheme'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 disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as going concern.
- Evaluate the overall presentation, structure and 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.

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.

CA. Shankar Thapa,
Partner,
Shankar Associates,
Chartered Accountants

UDIN: 221014CA00914886zm

Place: Kathmandu
Date: October 14, 2022

NIC ASIA Flexi Cap Fund
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Statement of Financial Position
As at 32nd Asadh, 2079 (16th July, 2022)

Particulars	Notes	Amount In NPR	
		FY 2078/79	FY 2077/78
Assets			
Current Assets			
Cash and Cash Equivalents	3	725,977,717	-
Financial Assets Held at Fair Value Through Profit or Loss	4	210,957,342	-
Other Assets	5	1,593,000	-
Financial Asset Measured at Amortised Cost	6	110,000,000	-
Non Current Assets			
Financials Assets Measured at Amotised Cost	7	-	-
Total Assets		1,048,528,060	-
Liabilities			
Current Liabilities			
Accrued Expenses & Other Payables	8	31,499,149	-
Total Liabilities (Excluding Net Assets Attributable to Unit Holders)		31,499,149	-
Unit Holder's Funds			
Net Assets Attributable to Unit Holders	9	1,017,028,911	-
Total		1,048,528,060	-

NAV per Unit

9.97

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)

As per our Report of ^{even date}


Ramendra Rayamajhi
Chief Executive Officer


Kapil Dhakal
Chairman


CA. Shankar Thapa, FCA
Partner,
Shankar Associates,
Chartered Accountants


Manish Ghimire
Chief Investment Officer


Dinesh Bhari
Director


Rupesh Luitel
Director


Rabin Sapkota
Independent Director


Sunah Dangol
Independent Director

Date: 14th October 2022
Place : Kathmandu



NIC ASIA Flexi Cap Fund
(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 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

Particulars	Notes	Amount in NPR	
		FY 2078/79	FY 2077/78
Income			
Realised Income			
Interest Income	10	536,637	-
Dividend Income	11	-	-
Income From Sale of Financial Asset at Fair Value through Profit or Loss	12	-	-
Unrealised Income			
Unrealized Gain/(Loss) on Financial Asset at Fair Value through Profit or Loss	13	5,629,291	-
Total		6,165,928	-
Expenses and Losses			
Bank Charges		125	-
Depository Fee	14	182,967	-
Fund Management Fee	14	1,372,251	-
Publication Expenses		20,000	-
Scheme Audit Fee		56,500	-
Supervisor Fee	14	91,483	-
Pre Operating Expenses	15	7,413,691	-
Total		9,137,017	-
Increase/(Decrease) in Net Assets Attributable to Unit holders		(2,971,089)	-
Other Comprehensive Income		-	-
Total Comprehensive Income		(2,971,089)	-

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)


Ramendra Rayamajhi
Chief Executive Officer


Manish Ghimire
Chief Investment Officer


Rupesh Luitel
Director


Kapil Dhakal
Chairman


Dinesh Bhari
Director


Rabin Sapkota
Independent Director

As per our Report of even date


CA. Shankar Thapa
Partner
Shankar Associates,
Chartered Accountants




Sujan Dangol
Independent Director

Date: 14th October 2022
Place : Kathmandu



NIC ASIA Flexi Cap Fund
(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Statement of Cash Flows

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

Amount In NPR

Particulars	FY 2078/79	FY 2077/78
A. Cash Flow from Operating Activities		
Surplus/ (Deficit) for the year	(2,971,089)	-
Adjustments for:		
(Increase)/Decrease in Unrealised (gain)/loss on financial assets held for trading purposes	(5,629,291)	-
Increase/(Decrease) in Liabilities	31,499,149	-
(Increase)/Decrease in Share	(205,328,051)	-
(Increase)/Decrease in Other Assets	(111,593,000)	-
Net cash generated/(used) in Operations (1)	(294,022,283)	-
B. Cash Flow from Investing Activities		
Net cash generated/(used) in Investing (2)	-	-
C. Cash Flow from Financing Activities		
Increase/(Decrease) in Unit Capital	1,020,000,000	-
Dividend Paid during the year (net of tax)	-	-
Net cash generated/(used) in Financing (3)	1,020,000,000	-
Net Increase/(Decrease) in Cash and Cash Equivalents (1+2+3)	725,977,717	-
Cash and Cash Equivalents at beginning of the year/period	-	-
Cash and Cash Equivalents at end of period	725,977,717	-
Components of Cash and Cash Equivalents		
Balance with Banks	725,977,717	-

Significant Accounting Policies forms integral part of Statement of Cash Flows

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


Ramendra Rayamajhi
Chief Executive Officer


Kapil Dhakal
Chairman


Manish Ghimire
Chief Investment Officer


Dinesh Bhari
Director


Rupesh Luitel
Director


Rabin Sapkota
Independent Director

As per our Report of even date


CA. Shankar Thapa, FCA
Shankar Associates,
Chartered Accountants


Suman Dangol
Independent Director

Date: 14th October 2022
Place : Kathmandu



NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Statement of Changes in Unit Holder's Fund

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

Particular	Amount In NPR			
	Unit Capital	Realized Profit	Unrealized Profit	Total
Opening Balance	-	-	-	-
Issue of Unit Capital	1,020,000,000	-	-	1,020,000,000
Net Profit (Loss) Last Year	-	-	-	-
Net Profit (Loss) During the year	-	(8,600,380)	5,629,291	(2,971,089)
Dividend Paid	-	-	-	-
Balance as on 32/03/2079	1,020,000,000	(8,600,380)	5,629,291	1,017,028,911


NAV Per Unit


9.97


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)


As per our Report of 08/10/2022

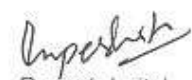

Ramendra Rayamajhi
Chief Executive Officer



Kapil Dhakal
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CA. Shankar Thapa, FCA
Shankar 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 Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

1. General information and Background

Fund:	NIC ASIA Bank Mutual Fund
Scheme:	NIC ASIA Flexi Cap Fund
Fund Sponsor:	NIC ASIA Bank Limited (NICA) (Licensed by Nepal Rastra Bank (NRB) as Class A bank)
Fund Management:	NIC ASIA Capital Limited (A subsidiary of NIC ASIA Bank Limited)
Fund Supervisors:	Mr. Bodh Raj Niraula Mr. Aashish Adhikari Mr. Shivaraj Ghimire Mr. Santosh Lamichhane Mr. Mahendra Nath Karmacharya
Total Units of Scheme:	102,000,000 (One Hundred Two Million units) @ NPR 10 per unit
Total Unit Capital:	NPR 1,020,000,000 (NPR One Billion Twenty Million Only)
Scheme type:	Close-Ended

NIC ASIA Flexi Cap Fund (the Scheme) under NIC ASIA Bank Mutual Fund (the Fund) is registered under Mutual Fund Regulations, 2067 (2010 A.D.) as a close-ended, 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 31st Jestha 2079 B.S. (Scheme allotment date) with maturity period of 7 years (i.e., 30th Jestha, 2086 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 fund.



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NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

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 (NFRS) issued by Accounting Standards Board (ASB) of Nepal and pronounced by the Institute of Chartered Accountants of Nepal (ICAN).

These financial statements also confirm the compliance with Securities Act, 2063, Mutual Fund Regulations, 2067, Mutual Fund Guidelines, 2069, NAS 39 Financial Instruments: Recognition and Measurement is notified to be applicable for Financial Instruments.

2.1.2. Accounting Convention

The Financial Statements are prepared and presented under historical cost convention using accrual basis of accounting in conformity with Nepal Financial Reporting Standards (NFRS) except for *financial assets and liabilities at fair value through profit or loss* which are measured or recognized at fair value or at amortized cost as required by NFRS.

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 Flexi Cap Fund is close-ended fund with maturity in seven years from the allotment of units. As the scheme is in first 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 under going 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 14th October 2022 being the Fund Management and Depository Company. Similarly, information regarding approval of Financial Statements has been shared with Fund Supervisors.

2.1.6. Reporting Period

These financial statements for the year ended 32nd Asadh, 2079 are the first set of statements of the fund, as the allotment of the fund units to unitholders were completed on 31st Jestha, 2079. The financial statement only consists of the period from 31st Jestha, 2079 to 32nd Asadh, 2079. Hence, the financial statements do not contain comparatives information.

2.1.7. Functional and Presentation Currency

The functional and presentation currency is Nepali Rupees (NPR), which is the currency of the primary economic environment in which the fund operates. Financial information

 NIC ASIA
CAPITAL







 Shankar Associates
Chartered Accountants
Kathmandu
Nepal

NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

presented in Nepali Rupees. There was no change in fund's presentation and functional currency during the year under review. The figures presented in Financial Statements are rounded to nearest Nepali Rupee, except otherwise indicated.

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.

2.1.9. 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 unit holders. 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 on the basis of 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 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.

- **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 (FVTOCI) 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 though other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.



Manish

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NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

However, Fund does not 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 Statement of Profit or Loss as incurred. Subsequent changes in fair value are recognized in 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 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).



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NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

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

Fair Value Measurement

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).

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.



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NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

- 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 is taken.
- In case of unprecedented events, where no prescriptive guidelines are proposed to value securities/ portfolios, Assets Management Company shall seek the guidance of company's board in deciding appropriate methodology for valuation of the stocks.. 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.
 - 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:
 - 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.

2.1.10. Cash and Cash Equivalents

Cash and Cash Equivalents presented in Statement of financial position and cash flow statement represents the cash at bank and financial institutions, cash in hand and highly liquid short-term investment with original maturity within ninety days.

2.1.11. Income

2.1.11.1. Interest 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

Dividend income is recognized on the ex-dividend date.



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NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

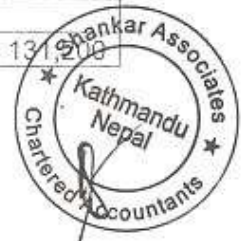
3. Cash and Cash Equivalent

S.N.	Particulars	Ashad End 2079	Ashad End 2078
1	NIC ASIA BANK LIMITED - CALL	720,560,201	-
2	SHANGRILA DEVELOPMENT BANK - CALL	109,479	-
3	LUMBINI BIKAS BANK - CALL	108,493	-
4	JYOTI BIKAS BASNK LIMITED - CALL	79,068	-
5	CITIZEN BANK LIMITED - CALL	5,009,895	-
6	MAHALAXMI BIKAS BANK LIMITED - CALL	99,452	-
7	GLOBAL IME BANK LIMITED - CALL	11,128	-
	Grand Total	725,977,717	-

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 as and when the balance is called from the bank. The interest incomes on such balance are 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.

4. Financial assets held at fair value through profit or loss

S.N.	Name	2078-79		
		Unit	Value per unit	Value Amount
	LISTED			
1	NMB Bank Limited	33,677	261	8,789,697
2	Mahalaxmi Bank Limited	34,004	378	12,853,512
3	Agricultural Development Bank Limited	31,059	331	10,280,529
4	Sanima Bank Limited	35,000	276	9,660,000
5	Laxmi Bank Limited	35,200	199	7,004,800
6	Nepal Bank Limited	35,519	298	10,584,662
7	Standard Chartard Bank Limited	15,000	396	5,944,500
8	Prabhu Bank Limited	35,000	207	7,245,000
9	Everest Bank Limited	14,996	439	6,583,244
10	Chilime Hydropower Limited	29,585	408	12,070,680
11	Butwal Power Company Limited	28,931	322	9,315,782
12	Asian Life Insurance Company Limited	18,993	574	10,901,982
13	RMDC Laghubitta Bittiya Sanstha Ltd.	14,994	838	12,564,972
14	Prime Commercial Bank Limited	35,000	265	9,275,000
15	Nirdhan Utthan Laghubitta Bittiya Sanstha Limited	14,996	1,099	16,480,604
16	Machhapuchhre Bank Limited	30,000	254	7,620,000
17	Muktinath Bikas Bank Limited	34,816	440	15,315,558
18	Garima Bikas Bank Limited	30,600	387	11,842,200
19	Chhimek Laghubitta Bittiya Sanstha Limited	9,727	1,100	10,699,700
20	Nabil Bank Limited	18,305	824	15,083,320
	UNLISTED			
1	Himalayan Hydropower - IPO	1,312	100	131,200



NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

2	Upper Solu - IPO	1,455	100	145,500
3	Swet Ganga- IPO	1,776	100	177,600
4	Upper Hewa Khola - IPO	1,115	100	111,500
5	Rapti hydro - IPO	1,884	100	188,400
6	Mandakini Hydro -IPO	874	100	87,400
	Grand Total	543,818		210,957,342

5. Other Assets:

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

Particulars	Asadh End, 2079	Asadh End, 2078
IPO Advance	1,593,000	-
Total Amount	1,593,000	-

6. Financial Assets Held at Amortized Cost (Current)

The current portion of Financial Asset Measured at Amortised Cost includes the investments in the Fixed Deposits as below:

S.N.	Particulars	Ashad End 2079	Ashad End 2078
1	Jyoti Bikash Bank Limited	20,000,000	-
2	Shangri-la Development Bank Limited	30,000,000	-
3	Lumbini Bikas Bank Limited	30,000,000	-
4	Mahalaxmi Bikas Bank Limited	30,000,000	-
	Total Amount	110,000,000	-

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

There are no any assets representing financial assets held at amortized cost currently held by the scheme.

8. Financial Liabilities

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

Particulars	Asadh End, 2079	Asadh End, 2078
Payable to Share Broker	25,150,381	-
Time Media	20,000	-
Scheme Audit Fee Payable	55,750	-
Fund Management Fee Payable	1,372,251	-
Depository Fee Payable	182,967	-
Supervisor Fee Payable	91,483	-
TDS Payable	750	-
Other Current Liabilities	4,625,567	-
Total	31,499,149	-



NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

9. Net Asset attributable to Unit holder's Fund

Particulars	Asadh End, 2079	Asadh End, 2078
Fund Capital	1,020,000,000	-
Reserve	(2,971,089)	-
Total	1,017,028,911	-

9.1. Fund Capital

The capital of the Scheme comprises of the following

Particulars	Asadh End, 2079	Asadh End, 2078
Unit Capital Account	867,000,000	-
Unit Seed Capital Account	153,000,000	-
Total	1,020,000,000	-

9.2. 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 Statement of Financial Position.

Particulars	Asadh End, 2079	Asadh End, 2078
Opening Reserve	-	-
Dividend Paid	-	-
Add Current Year Profit / (Loss)	(2,971,089)	-
NFRS and Prior Period Adjustments	-	-
Total	(2,971,089)	-

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	Asadh End, 2079	Asadh End, 2078
Bank Interest Income Unrealized	-	-
Bank Interest Income Realized	536,637	-
Total	536,637	-

11. Dividend Income

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

Particulars	Asadh End, 2079	Asadh End, 2078
Dividend Income Realized	-	-
Total	-	-

NIC ASIA Flexi Cap Fund

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Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

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 Statement of Profit or Loss.

Particulars	Asadh End, 2079	Asadh End, 2078
Capital Gain	-	-
Capital Loss	-	-
Net Capital Gain/(Loss)	-	-

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

It refers to changes in fair value of financial assets is recorded as unrealized gain/ (loss) in the income statement. For the current year, the unrealized gain on the financial assets held for trade amounts to **NPR 5,629,291**.

14. Fund Management, Depository & Supervisor Fees

All expenses are recorded on accrual basis in the Statement of Profit or Loss. Following fees are incurred by the Scheme as per Clause 8.6 of prospectus.

(a) Fund Management Fees: 1.5% of Net Asset Value (NAV)

(b) Fund Supervisor Fees: 0.1% of Net Asset Value (NAV)

(c) Depository Fees: 0.2% of Net Asset Value (NAV)

NAV (Net Asset Value) for this purpose is computed on basis of quarterly average of weekly NAV as per Mutual Fund Regulation, 2067 rule 23. The fee for FY 2078/79 is booked at the end of Asadh.

Particular	Asadh End, 2079	Asadh End, 2078
Average NAV	1,014,633,851	-
Fund Management	1,372,251	-
Depository	182,967	-
Supervisory Fee	91,483	-
Total	1,646,701	-

15. Pre-Operating Expenses

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

Particular	Asadh End, 2079	Asadh End, 2078
Advertisement And Promotion Expense	2,259,325	-
Issue Management Fee	2,550,000	-
Listing Application Fee	165,000	-
Notice Publication Expense	119,569	-
Other Processing Fee	1,214,797	-
Scheme Allotment Expenses	60,000	-
Scheme Registration Fee	1,045,000	-
Total	7,413,691	-

 NIC ASIA
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NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

16. Other Information

16.1. 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 investments includes brokerage transactions charges, SEBON charges, central depository services (CDS) related charges and name transfer fees.

16.2. 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 the 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.

16.2.1 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 on a daily basis 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



Maurit

Zamenda

Shankar



NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jestha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

16.3. 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 principle of income tax and is not subject to further tax liability for FY 2078/79.

16.4. 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.nicasiacapital.com every week. The said information is also shared with the Fund Supervisors and the Board members of the Fund Manager. Further, the NAV and Statement of Profit or Loss 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.

16.5. 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 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 on a daily basis as the Fund is subject to daily changes in Market Price of Shares at Nepal Stock Exchange.

16.6. Reporting

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

16.7. Related Party Transactions

As identified by the management and relied upon by the auditors following related 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)	153,000,000
		Call account deposit as on Asadh end 2079	720,722,726



NIC ASIA Flexi Cap Fund

(Sponsored by NIC ASIA Bank Limited and Managed by NIC ASIA Capital Limited)

Significant Accounting Policies and Notes to the Financial Statements

For the Period from 31st Jetha, 2079 to 32nd Asadh, 2079 (14th June, 2022 to 16th July, 2022)

		Interest earned from call deposit for FY 2078/79	9,910
NIC ASIA Capital Limited (a subsidiary of sponsor NIC ASIA Bank Limited)	Fund Manager and Depository	Fund Management and Depository Fee	1,555,217
		Issue Management and other services during FY 2078/79	2,550,000

Further, 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

16.8. Employee Related Expenses

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

16.9. Contingent Liability

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

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


Ramendra Rayamajhi
Chief Executive Officer


Kapil Dhakal
Chairman

As per our Report of even date


CA. Shankar Thapa, FCA
Partner
Shankar Associates,
Chartered Accountants


Manish Ghimire
Chief Investment Officer


Dinesh Bhari
Director


Rupesh Luitel
Director

Rabin Sapkota
Independent Director


Surjan Dangol
Independent Director

Date: 14th October 2022
Place: Kathmandu

