

CENTRAL FINANCE LTD.
Condensed Statement of Financial Position
As on quarter ended Poush End 2082

ASSETS	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	-	-	511,482,494	607,092,272
Due from Nepal Rastra Bank	-	-	2,630,927,392	356,042,898
Placement with Bank and Financial Institutions	-	-	-	-
Derivative financial instruments	-	-	-	-
Other trading assets	-	-	-	-
Loans and advances to B/FIs	-	-	48,388,857	164,381,146
Loans and advances to customers	-	-	4,537,065,485	4,411,290,318
Investment securities	-	-	1,467,538,499	2,897,800,313
Current tax assets	-	-	63,526,730	70,474,365
Investment in subsidiaries	-	-	-	-
Investment in associates	-	-	-	-
Investment property	-	-	83,232,618	83,232,618
Property Plant and Equipment	-	-	167,613,492	172,516,550
Goodwill and Intangible assets	-	-	2,336,345	2,336,345
Deferred tax assets	-	-	-	-
Other assets	-	-	49,619,076	35,683,677
TOTAL ASSETS	-	-	9,561,730,988	8,800,850,502
LIABILITIES				
Due to Bank and Financial Institutions	-	-	424,775,590	72,367,047
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	-	-	-	-
Deposits from customers	-	-	7,912,667,297	7,524,680,237
Borrowing	-	-	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities	-	-	39,824,981	45,396,487
Other liabilities	-	-	106,045,065	106,179,797
Debt securities issued	-	-	-	-
Subordinated Liabilities	-	-	-	-
TOTAL LIABILITIES	-	-	8,483,312,933	7,748,623,569
EQUITY				
Share Capital	-	-	948,875,459	948,875,459
Share premium	-	-	442,546	442,546
Retained Earnings	-	-	(276,047,510)	(305,508,619)
Reserves	-	-	405,147,560	408,417,548
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	-	-	1,078,418,055	1,052,226,933
NON-CONTROLLING INTEREST				
TOTAL EQUITY	-	-	1,078,418,055	1,052,226,933
TOTAL LIABILITIES & EQUITY	-	-	9,561,730,988	8,800,850,502

CENTRAL FINANCE LTD.
Condensed Statement of Profit or Loss
For the quarter ended Poush End 2082

IN NPR

Particulars	NOTE	Current Year		Corresponding	
		This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income		170,191,548	318,245,750	177,501,873	377,697,832
Interest expense		105,387,681	215,740,555	126,276,284	271,140,301
Net interest income		64,803,867	102,505,195	51,225,589	106,557,531
Fee and commission income		6,233,185	12,166,592	5,302,606	11,181,374
Fee and commission expense		-	-	-	-
Net fee and commission income		6,233,185	12,166,592	5,302,606	11,181,374
Net interest, fee and commission income		71,037,052	114,671,787	56,528,195	117,738,905
Net trading income		4,302,186	4,302,186	-	19,478,577
Other operating income		-	32,842,702	(1,513,630)	17,242,972
Total operating income		75,339,238	151,816,675	55,014,564	154,460,455
Impairment charge/(reversal) for loans and other losses		883,899	(1,127,647)	89,512,481	67,303,690
Net operating income		74,455,339	152,944,322	(34,497,917)	87,156,764
Operating expense					
Personnel expenses		27,493,579	62,198,668	14,333,659	47,947,283
Other operating expenses		13,535,596	26,899,274	12,273,478	25,313,478
Depreciation & Amortization		3,787,969	7,858,803	4,640,703	8,909,958
Operating Profit		29,638,195	55,987,577	(65,745,757)	4,986,045
Non operating income		-	-	-	-
Non operating expense		-	-	-	-
Profit before income tax		29,638,195	55,987,577	(65,745,757)	4,986,045
Income tax expense					
Current Tax expenses		8,891,459	16,796,273	(19,723,727)	1,495,814
Deferred Tax Expenses/(Income)		-	-	-	-
Profit for the period		20,746,737	39,191,304	(46,022,030)	3,490,231

CENTRAL FINANCE LTD.
Statement of Comprehensive Income
For the quarter ended Poush End 2082

IN NPR

Particulars	NOTE	Current Year		Corresponding	
		This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Profit for the year		20,746,737	39,191,304	(46,022,030)	3,490,231
Other comprehensive income, net of income tax					
a) Items that will not be reclassified to profit or loss					
Gains/(Losses) from investments in equity instruments measured at fair value		2,444,763	(18,571,688)	61,591,460	101,117,671
Gains/(Losses) on revaluation		-	-	-	-
Actuarial gain/(loss) on defined benefit plans		-	-	-	-
Income tax relating to above terms		(733,429)	5,571,506	(18,477,438)	(30,335,301)
Net other comprehensive income that will not be reclassified to profit or loss		1,711,334	(13,000,182)	43,114,022	70,782,370
b) Items that are or may be reclassified to profit or loss					
Gains/(Losses) on cash flow hedge		-	-	-	-
Exchange gains/(losses) arising from translating financial assets of foreign operation		-	-	-	-
Income tax relating to above terms		-	-	-	-
Reclassify to profit or loss		-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss					
c) Share of other comprehensive income of associate accounted as per equited method					
Other comprehensive income for the year, net of income tax		1,711,334	(13,000,182)	43,114,022	70,782,370
Total comprehensive income for the period		22,458,071	26,191,122	(2,908,008)	74,272,601
Basic earnings per share			8.26		0.74
Diluted earnings per share			8.26		0.74
Total comprehensive income attributable to:		22,458,071	26,191,122	(2,908,008)	74,272,601
Equity holders of the bank		22,458,071	26,191,122	(2,908,008)	74,272,601
Non-controlling interest					
Total comprehensive income for the period		22,458,071	26,191,122	(2,908,008)	74,272,601

CENTRAL FINANCE LTD.
Ratios as per NRB Directive

Particulars	Current year		Previous year	
	This quarter	Upto this quarter	This quarter	Upto this quarter
		(YTD)		(YTD)
Capital Fund to RWA		13.77%		17.45%
Tier 1 Capital to RWA		11.87%		15.83%
CET 1 Capital to RWA		11.87%		15.83%
Non-performing loan (NPL) to total loan		14.18%		11.94%
Total loan loss provision to Total NPL		10.64%		73.58%
Cost of Funds		5.36%		6.54%
Credit to Deposit Ratio		60.96%		63.41%
Base Rate		7.74%		8.64%
Interest Rate Spread		4.40%		4.50%

CENTRAL FINANCE LTD.
Statement of changes in Equity
For the period Shrawan 2082 to Poush 2082

Particulars	Share Capital	General Reserve	Share Premium	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
Balance as at Shrawan 1, 2082	948,875,459	189,568,952	442,546	69,440,172	147,540,358	-	(305,508,619)	1,868,066	1,052,226,933
Comprehensive income for the year									
Profit for the year							39,191,304		39,191,304
Other Comprehensive income, net of tax									
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	(13,000,182)	-	-	-	(13,000,182)
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year									
Transfer to reserve during the year	-	7,838,261	-	1,728,953	-	-	(11,057,164)	1,489,950	-
Transfer from reserve during the year	-	-	-	-	-	-	1,326,969	(1,326,969)	-
Transactions with owners, directly recognised in equity									
Right shares issued	-	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Total contributions by and distributions									
Balance as at Poush end, 2082	948,875,459	(69,895,663)	442,546	71,169,125	134,540,176	-	(276,047,510)	2,031,046	1,078,418,056

CENTRAL FINANCE LTD.
Statement of changes in Equity
For the period Shrawan 2081 to Poush 2081

Particulars	Share Capital	General Reserve	Share Premium	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
Balance as at Shrawan 1, 2081	948,875,459	176,578,499	442,546	112,469,242	74,358,048	-	(116,668,043)	(3,629,173)	1,192,426,578
Comprehensive income for the year									
Profit for the year							3,490,231		
Other Comprehensive income, net of tax									
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	70,782,370	-	-	-	70,782,370
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year									
Transfer to reserve during the year	-	698,046	-	40,584,146	-	-	(42,333,545)	1,051,352	-
Transfer from reserve during the year	-	-	-	-	-	-	273,693	(273,693)	-
Transactions with owners, directly recognised in equity									
Right shares issued	-	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Total contributions by and distributions									
Balance as at Poush end, 2081	948,875,459	177,276,545	442,546	153,053,388	145,140,418	-	(155,237,663)	2,851,513	1,266,699,179

CENTRAL FINANCE LTD.
STATEMENT OF CASH FLOWS
As on Poush End 2082

Particulars	Poush End 2082	Poush End 2081
CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	273,325,083	257,642,143
Fees and other income received	12,166,592	11,181,374
Dividend received	-	-
Receipts from other operating activities	-	-
Interest paid	(215,658,883)	(270,579,665)
Commission and fees paid	-	-
Cash payment to employees	(63,158,682)	(47,393,278)
Other expenses paid	(26,899,274)	(25,313,478)
Operating cash flows before changes in operating assets and liabilities	(20,225,164)	(74,462,904)
(Increase)/ Decrease in operating assets		
Due from Nepal Rastra Bank	(2,274,884,494)	(10,317,957)
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	117,163,929	66,586,078
Loan and advances to customers	(119,728,661)	72,654,875
Other assets	(13,935,399)	(6,875,630)
(Increase)/ Decrease in operating liabilities		
Due to bank and financial institutions	352,408,543	(23,271,236)
Due to Nepal Rastra Bank	-	-
Deposits from Customers	387,987,060	47,157,031
Borrowings	-	-
Other Liabilities	(5,911,882)	(15,834,722)
Net Cash flow from operating activities before tax paid	(1,577,126,068)	55,635,539
Income taxes paid	-	(12,220,520)
Net Cash flow from operating activities	(1,577,126,068)	43,415,018
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities	1,422,446,641	(316,811,161)
Receipt from the sale of investment securities	-	79,763,470
Purchase of property and equipment	(2,754,585)	(5,483,787)
Receipt from the sale of property and equipment	(7,406)	25,599
Purchase of intangible assets	-	-
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	(39,529,893)
Receipt from the sale of investment properties	-	-
Interest received	38,830,169	44,634,268
Dividend received	32,850,108	17,247,158
Net cash used in investing activities	1,491,364,927	(220,154,345)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	-
Dividends paid	-	(64)
Interest paid	-	-
Other receipt/ payment	-	-
Net cash from financing activities	-	(64)
Net increase/ (decrease) in cash and cash equivalents	(95,609,779)	(176,739,391)
Opening Cash and cash equivalents	607,092,273	710,410,599
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Closing Cash and cash equivalents	511,482,494	533,671,208

CENTRAL FINANCE LTD.
STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS
For the quarter ended Poush End 2082
(As per NRB Regulation)

Particulars	Poush End 2082	Poush End 2081
Net profit or (loss) as per statement of Profit or loss	39,191,304	3,490,231
<u>Appropriations:</u>		
a. General reserve	(7,838,261)	(698,046)
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(391,913)	(34,902)
e. Employees' training fund	(1,098,037)	(1,016,450)
f. Other	1,326,969	273,693
Profit or (loss) before regulatory adjustment	31,190,063	2,014,526
<u>Regulatory adjustment :</u>		
a. Interest receivable (-)/previous accrued interest received (+)	(12,544,567)	(14,907,410)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	11,011,675	(24,903,833)
e. Deferred tax assets recognised (-)/ reversal (+)	-	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	(196,062)	(772,904)
Net Profit for the Quarter Ended Asoj available for distribution	29,461,109	(38,569,620)
Opening Retained Earning	(305,508,619)	(116,668,042)
Adjustment(+/-)	-	-
Distribution	-	-
Bonus Share issued	-	-
Cash Dividend Paid	-	-
Total Distributable profit or (loss) as on Quarter End date	(276,047,510)	(155,237,663)
Annualised Distributable Profit/Loss per share	-29.09%	-32.72%

1. Significant accounting policies

1.1 Cash and cash equivalent

Cash and cash equivalent comprise the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities period of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the finance company in the management of its short-term commitments.

Cash and cash equivalents are measured at amortized cost in the statement of financial position.

1.2 Financial assets and financial liabilities

a. Recognition

The finance company initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of an instrument. The finance company initially recognizes loans and advances, deposits and debt securities/subordinated liabilities issued on the date that they are originated which is the date that the institution becomes party to the contractual provisions of the instruments. Investments in equity instruments, units of mutual funds, bonds, debenture, government securities and NRB bond are recognized on trade date at which the finance company commits to purchase/acquire the financial assets. Regular purchase and sale of financial assets are recognized on trade date.

b. Classification

The finance company classifies its financial assets and financial liabilities as per NFRS 9 into the following measurement categories:

Financial assets

- Financial assets held at fair value through profit or loss;
- Financial assets held at fair value through other comprehensive income, and
- Financial assets held at amortized cost.

Financial liabilities

- Held at fair value through profit or loss, or
- Held at amortized cost.

Financial assets

The finance company classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the finance company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Interest income from these financial assets is included in Interest Income using the effective interest rate method. The two classes of financial assets are as follows:

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

i. Financial assets recognized at amortized cost

The finance company classifies a financial asset measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
- 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.

ii. Financial assets recognized at fair value

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

- *Financial assets at fair value through profit or loss*

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

- *Financial assets at fair value through other comprehensive income*

Investment in an equity instrument that is not held for trading and at the initial recognition, the finance company 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.

Financial Liabilities

The finance company classifies financial liabilities as follows:

i. Financial liabilities recognized at fair value through profit or loss

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

ii. Financial Liabilities recognized at amortized cost

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

c. Measurement

Initial Measurement

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

Financial assets and financial liabilities are recognized when the finance company becomes party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities unless the same is measured at fair value through profit or loss. The transaction cost of financial assets and financial liabilities measured at fair value through profit or loss are expensed in profit or loss.

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. The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or non-collectability.

In case of loans and advances measured at amortized cost, the processing charge and documentation charges received from customers which are directly attributable to the acquisition or issue of such financial assets are booked as income in the statement of profit or loss in the reporting period in which they are received. The effective interest rate method is not applied as it is impracticable to determine the amount.

Further, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter calculated by applying effective interest rate to the gross carrying amount of a financial asset. Interest income on financial assets (loans and advances) which has been individually impaired are not recognized.

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at 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.

d. Derecognition

▪ *Derecognition of Financial Assets*

Financial assets are derecognized when the right to receive cash flows from the assets has expired, or has been transferred, and the finance company has transferred substantially all of the risks and rewards of ownership. Financial assets are also derecognized upon write off. Any gain or loss arising on the disposal or retirement of an item of financial asset is determined as the difference between the sales proceeds and its carrying amount and is recognized in the statement of profit or loss. The cumulative gain or loss that was recognized in other comprehensive income, is recognized to statement of profit or loss except for investment in equity instruments measured at fair value through other comprehensive income.

▪ *Derecognition of Financial Liabilities*

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

A financial liability is derecognized when, and only when it is extinguished (i.e. when the obligation specified in contract is discharged, cancelled or expired). If the liability is renegotiated with the original lender on substantially different contractual terms, the original liability is derecognized and new liability is recognized.

The difference between the carrying amount of a liability (or portion) extinguished or transferred to another party (including related unamortized cost) and the amount paid for it (including any non-cash assets transferred or liability assumed), are included in statement of profit or loss.

e. Determination of Fair Value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the finance company has access at that date.

The fair value of a liability reflects its non-performance risk. When available, the finance company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the finance company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

Level 1: These are quoted prices in active markets for identical assets or liabilities that the finance company can access at the measurement date.

Level 2: These are the inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly. These would include prices for the similar, but not identical, assets or liabilities that were then adjusted to reflect the factors specific to the measured asset or liability.

Level 3: These are unobservable inputs for the assets or liability.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. Where available, the finance company measures the fair value of an instrument using quoted prices in an active market for that instrument. If a market for a financial instrument is not active, the finance company, establishes fair value using an appropriate fair valuation technique.

For all unquoted investment in equity instruments, their cost has been considered as their fair value and accordingly these are recognized at cost, net of impairment if any.

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

F. Impairment Losses on Financial Assets

Central Finance recognizes a loss allowance for expected credit losses on a financial asset that are measured at Amortized Cost (AC), Fair Value Through Other Comprehensive Income (FVTOCI), a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply.

The ECL approach results in the early recognition of credit losses because it includes, not only losses that have already been incurred, but also expected future credit losses – it is a forward-looking model.

Any financial instrument classified and measured at FVTPL is not covered under impairment requirements of NFRS 9. The methods for the calculation of Expected Credit Loss is classified into 3 broad approaches:

1. General approach

These approaches are applicable to financial assets measured at amortized cost, financial assets measured at FVOCI with recycling, Loan commitments (not at FVTPL), Financial guarantee contracts (not at FVTPL).

Lifetime ECL is recognized for all financial assets where the credit risk has increased significantly since initial recognition.

At the reporting date, if the credit risk has not increased significantly since initial recognition, Central Finance measures the loss allowance for those financial assets at an amount equal to 12- month ECL.

For loan commitments and financial guarantee contracts, the date that the entity becomes party to the irrevocable commitments is considered to be the date of initial recognition for the purpose of applying the impairment requirements. Central Finance recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with NFRS 9.

Under the general approach, NFRS 9 recognizes a three-stage approach to measure expected credit losses and recognize interest income.

Stage 1:

The financial instruments that have not had a significant increase in credit risk since initial recognition are classified in Stage 1. The Financial instruments at stage 1 require, at initial recognition, a provision for ECL associated with the probability of default events occurring within the next 12 months (12-month ECL). For those financial assets with a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity. Interest is calculated on the gross carrying amount of the financial asset before adjusting for ECL.

This stage includes the following:

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

- i. Initially recognized financial instruments (other than those purchased or originated credit impaired financial assets)
- ii. Financial instruments having no significant increase in credit risk since initial recognition.
- iii. Financial assets for which contractual payments are not overdue or are overdue for up to 1 month.
- iv. Financial instruments having low credit risk at the reporting date.

For this purpose, instruments with low credit risk include:

- All exposures on Nepal Government/Province/Local Level or Nepal Rastra Bank
- Exposures fully guaranteed by Nepal Government/Province/Local Level.
- Foreign Sovereign exposures having rating BBB- and above from an external rating agency at the reporting date.
- All exposures on BIS, IMF, EC, ECB and multilateral development banks with risk weight of 0% as defined in Capital Adequacy Framework 2015.
- Debenture/bonds having rating of AA or above at reporting date from external credit rating agency.

Central Finance determines at each reporting date whether the financial instruments meet the requirement of low credit risk. If the instrument does not meet the requirement of low credit risk, Central Finance determines whether the risk of default on the financial instrument has been increased significantly or not after initial recognition. If the risk has been increased, the instruments are classified under stage 2 and accordingly lifetime ECL is recognized.

Stage 2:

The financial instruments having significant increase in credit risk since initial recognition are classified in Stage 2. A provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL). Interest income is continued to be recognized on a gross basis.

This stage includes the following:

- i. Financial instruments having significant increase in credit risk since initial recognition.
- ii. Financial instruments having contractual payments overdue for more than 1 month but not exceeding 3 months.
- iii. Loans classified as 'Watchlist' as per NRB directive on prudential provisioning.
- iv. Loans without approved credit line or with credit line revoked by Central Finance.
- v. Loan that has been restructured/rescheduled but not classified as non-performing loan as per existing provisions of NRB directives. However, rescheduling of installment/EMI based loans resulting in reduction in number of installments due to prepayments or change in number of installments due to change in interest rates under floating interest rate are not applicable.
- vi. Claims on non-investment grade financial instruments i.e. with a credit rating of BB+ or below.

Stage 3:

The credit impaired or defaulted financial instruments are classified or moved to Stage 3. A provision is required for the lifetime ECL representing the losses over the life of the instrument (lifetime ECL) with the probability of default (PD) a 100%. Interest income is calculated on an actual receipt basis.

This stage includes the following:

- i. Financial instruments having contractual payments overdue for more than 3 months

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

- ii. Central Finance considers that the borrower is unlikely to pay its credit obligations to Central Finance in full, without realizing securities (if held).

The indicators of unlikeness to pay include:

- Central Finance puts credit obligation on non-accrued status.
 - Central Finance consents to distressed restructuring of credit obligation resulting in reduction in financial obligation due to material forgiveness, postponement of principal, interest
 - Central Finance has filed for the debtor’s bankruptcy or a similar order in respect of the borrower’s credit obligation.
 - Central Finance sells a part of the credit obligation at a material credit-related economic loss.
 - The debtor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation.
 - There is evidence that full repayment based on contractual terms is unlikely without Central Finance 's realization of collateral regardless of whether the exposure is current or past due by a few days.
- iii. Loan is classified non- performing as per NRB prudential provisioning directive.
- iv. Credit impaired financial instruments with objective evidence of impairment.
- v. The financial assets classified as purchased or originated credit impaired (POCI) assets as per NFRS 9. POCI assets also refer to new loans disbursed during the current reporting period for accounts that were classified under Stage 3 at previous reporting date.

Particulars	Stage 1	Stage 2	Stage 3
Nature	12 month expected credit loss	12 month expected credit loss	Lifetime expected credit loss
Risk	No significant risk since initial recognition	Significant credit risk since initial recognition	Credit impaired (With objective evidence of impairment)
Nature	Performing	Performing	Non-performing
Interest Revenue	Effective interest on gross carrying amount	Effective interest on gross carrying amount	Interest on Actual Receipt Basis

Definition of Credit Impaired Financial Instruments:

A financial instrument is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred. Evidence that a financial instrument is credit-impaired include observable data about the following events:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract, such as a default or past due event.

Central Finance Limited

NOTES FORMING PART OF FINANCIAL STATEMENTS

For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial instrument because of financial difficulties; or
- The purchase or origination of a financial instrument at a deep discount that reflects the incurred credit losses.

Credit impaired financial instruments also includes credit impaired defined by Central Finance as per their risk management practices.

Indicators of significant increase in credit risk (SICR):

Assessment of significant increase in credit risk since initial recognition is required for determining whether the lifetime or the 12-month expected credit loss is to be recognized. NRB's guidelines regarding Expected credit Loss has given the following conditions which are deemed as indicators of significant increase in credit risk.

- i. More than one month past due
- ii. Absolute lifetime PD is 5% or more
- iii. Relative lifetime PD is increased by 100% or more
- iv. Risk rating (internal or external) downgraded by 2 notches since initial recognition
- v. Risk rating downgraded to non-investment grade by external credit rating agency (BB+ or below) or by Central Finance's internal credit rating system
- vi. Deterioration of relevant determinants of credit risk (e.g. future cash flows) for an individual obligor (or pool of obligors)
- vii. Expectation of forbearance or restructuring due to financial difficulties
- viii. Deterioration of prospects for sector or industries within which a borrower operates
- ix. Borrowers affected by macroeconomic conditions based on reasonable and supportable forecasts.
- x. Modification of terms resulting in restructuring/rescheduling
- xi. Credit Quality Indicators determined as per internal credit assessment of performing loans which are subject to individual monitoring and review, are weaker than that in the initial recognition
- xii. Management decision to strengthen collateral and/or covenant requirements for credit exposures because of changes in the credit risk of those exposures since initial recognition.
- xiii. Both qualitative and quantitative factors are encouraged to be considered while assessing whether there have been significant increases in credit risk. Accurate identification of drivers of credit risk and reliable demonstration of linkage between those drivers and level of credit risk is also critical.

2. Simplified approach applicable to certain trade receivables, contract assets and lease receivables.

Under simplified approach, the entity measures loss allowance at an amount equal to the Lifetime ECL

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

- Mandatorily for the trade receivables or contract assets which do not contain the significant financing component.
- Has been applied optionally for the trade receivables, lease receivables and other contract asset which contain a significant financing component.

3. Specific approach for purchased or originated Credit-impaired Financial Asset.

These approaches are applicable to loan and advances swapped, purchased or exchanged by Central Finances and has high credit risk.

Central Finance is required to include the initial expected credit losses in the estimated cash flows when calculating the credit-adjusted effective interest rate for financial assets that are considered to be purchased or originated credit-impaired at initial recognition. Hence, only the cumulative changes in lifetime expected credit losses since initial recognition is recognized as a loss allowance for purchased or originated credit-impaired financial assets.

Portfolio segmentation:

Guidelines under NFRS 9 on the collective assessment of ECL,

- As per NFRS 9, depending on the nature of the financial instruments and the credit risk information available for particular groups of financial instruments, Central Finance may not be able to identify significant changes in credit risk for individual financial instruments before the financial instrument becomes past due.
- For the purpose of determining significant increases in credit risk and recognizing a loss allowance on a collective basis, Central Finance groups financial instruments based on shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The following factors are considered for Portfolio Segmentation while calculating ECL:

- The individual or collective assessment approaches is used depending on the ability to incorporate forward-looking information into the ECL estimate.
- Collective assessments is generally used for a large group of similar lending exposures, while individual assessments is considered for significant exposures or specific credit concerns.-as mentioned in policy
- Grouping exposures having similar risks helps estimate the impact of future factors like economic changes on ECL, when individual assessments cannot consider forward looking information. If the forward-looking information has already been considered in individual assessments, additional assessment on a collective basis is be avoided, if it results in double-counting.
- Grouping exposures in such a way that an increase in the credit risk of particular exposures is masked by the performance of the group as a whole is avoided.

Curing Period and Transfer Criteria between Stages:

Financial assets are transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition and also as per the Policy on Upgrading of Credit Facilities. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above as per the Policy on Upgrading of Credit Facilities.

Central Finance has developed a comprehensive Policy on Upgrading of Credit Facilities in line with the NFRS 9- Expected Credit Loss Related Guidelines, 2024. Accordingly, credit facilities other than restructured and rescheduled facilities are upgraded to a better stage.

Transfer from Stage 2 to Stage 1:

Where there is evidence of significant reduction in credit risk, Central Finance upgrades such exposure from Stage 2 to Stage 1.

Transfer Out of Stage 3:

Though the conditions for an exposure to be classified in Stage 3 no longer exist, Central Finance continues to monitor for a minimum probationary period of three month to upgrade from Stage 3.

For Restructured/Rescheduled Exposures:

Central Finance monitors restructured/ rescheduled exposures classified under Stage 3 for a minimum probationary period of 24 months before up-gradation.

Upgrading of stages for exposures is executed by the Risk Management Department.

Provisioning for other financial assets at amortized cost

In addition to the ECL for loans and investments as prescribed above, Central Finance also holds other financial assets such as balances with bank, working advances and other financial assets. Central Finance recognizes ECL on such assets based on the historical loss experience measures (e.g. write off rates / provisioning rates) adjusted for expected losses in the future keeping in mind the nature of industry (e.g. regulated industry like banking) and credit ratings of such counterparties.

ECL Calculation:

Central Finance measures ECL in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes and the reasonable and supportable information available without undue cost or effort at the reporting date, about past events, current conditions and forecast of future economic conditions. While estimating the ECLs, Central Finance considers three probability-weighted scenarios (a base case, a best case and a worse case).

The calculation of ECL consists of three key components and discount factor:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)

$$ECL = PD * LGD * EAD * Discount Factor$$

i. Probability of Default (PD):

PD is an estimate of the likelihood of a default over a given time horizon. NFRS 9 requires separate PD for 12-month duration and lifetime duration depending on the stage allocation of the borrower.

For assets which are in Stage 1, a 12-month PD is required. For Stage 2 and Stage 3 assets, a lifetime PD is required, for which a PD term structure needs to be built.

PD describes the probability of a loan to eventually falling in default (>3 months past due) category. To calculate the PD, loans are classified in three stages based on risk profile of the individual loans. PD percentage is calculated for each loan account separately and is determined by using available historical observations. PD for stage 1: is derived as percentage of all loans in stage 1 moving into stage 3 in 12 months' time. PD for stage 2: is derived as percentage of all loans in stage 2 moving into stage 3 in the maximum lifetime of the loans under observation. PD for stage 3: is derived as 100% considering that the default occurs as soon as the loan becomes overdue for 3 months which matches the definition of stage 3.

As per NRB Guidelines, PD is an estimate of the likelihood of a default over a given time horizon. With regards to PD estimation, the following measures are considered by Central Finance.

- i. Derived PD based on historical default migration rates and/other data, internal and external credit rating etc.
- ii. Incorporated forward-looking PD information as well by adjusting PD to its sensitivity to changes in certain macroeconomic factors.
- iii. Used at least five-year historical data, where available, for calculating PDs and validate any smoothing of data or inputs by the Risk Management Department.

Irrespective of results derived by the model of Central Finance, prudential floor of 2.5% as prescribed by the NRB is used.

ii. Loss Given Default (LGD):

LGD is the percentage of exposure that is not expected to be recovered in the event of a default. The LGD is usually defined as the amount of credit that is lost by a financial institution when an obligor defaults.

LGD models are developed based on historical data, historical experience of cash recovery from defaults (including settlements), cost and time of recoveries and all other relevant and supportable information (including forward looking information).

While determining loss rate or recovery rate for the purpose of calculation of loss allowance, expected cash flows from collateral realization are to be considered based on latest reliable internal/external valuations. Central Finance deploys its internal team or forms a committee to review the value of collateral as required.

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

It is recommended to pursue computation of LGD in the following order:

- i. Use historical actual recovery rates in first place.
- ii. If historical rates are unavailable, use valuation (prudential floors) for ECL calculation as outlined in this guideline taking into account disposal time and costs until expected disposal of collateral or assets. However, value of collateral or assets for loans that have defaulted and BFIs have also not been able to realize within 5 years of default, cannot be used for determining loss or recovery rates.
- iii. If such net realizable value of collateral or other sources are reliably undeterminable and BFIs are unable to compute LGDs due to lack of data or inputs, they are required to obtain approval of the same from the board of directors. Such BFIs are required to use a minimum LGD of 45 per cent for such credit exposures.

Note: BFIs should demonstrate via sound back-testing that the assumptions used are reasonable and grounded in observed experience. In this context, BFIs should regularly back-test their valuation history (last valuation before the asset was classified as a NPL or Stage 3) vs. their sales history (net sales price of collateral).

iii. Exposure at Default (EAD):

Exposure at Default (EAD) refers to the expected exposure to a borrower at the event of default.

This is dynamic in nature and keeps changing when the borrower repays his debt or obligation or take additional debt.

For defaulted accounts or stage 3 accounts, EAD is simply the amount outstanding at the point of default. However, for stage 1 and stage 2 accounts, the following elements is considered for computation of EAD under NFRS 9 at the instrument or facility level:

- Time horizon over which EAD needs to be estimated.
- Projected cash flows till the estimated default point.
- Residual maturity.
- Deterministic or non-deterministic nature of the payment terms.

The methodology of EAD varies according to the nature of the product. The products are separated into three main categories.

- **Funded Loans:**

In the case of the funded loans made available at the predetermined moment or where the total amount is loaned at the initial recognition, the exposure at default is the total amount outstanding at that time plus any interest up to the time of default, except for stage 3 where the EAD equals the total amount outstanding.

- **Working capital facilities:**

In case of those loan products of short term nature like working capital, overdraft or the credit cards, the exposure at default is calculated as the higher of limit or the sum of total outstanding

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

and interest, except for stage 3 loans where the EAD equals the higher of limit or total amount outstanding.

Consideration of Reasonable and Supportable Information:

Central Finance uses experienced credit judgment in determining whether the information used for the assessment of credit risk and measurement of ECL is, reasonable and supportable. The information considered includes the information about past events, present conditions and forecasts of future economic conditions.

Consideration of Forward-looking Information:

Central Finance incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Central Finance also obtained experienced credit judgement from economic outlook and Risk Management Departments to formulate a base case, a best case and a worst-case scenario. The base case represents a most-likely outcome and is aligned with information used by Central Finance for strategic planning and budgeting. Quantitative economic factors are based on economic data and forecasts published by the NSO, NRB, and other reliable sources and statistical models. Central Finance also obtained experienced credit judgement from economic outlook and Risk Management Departments to formulate a base case, a best case and a worst-case scenario. The base case represents a most-likely outcome and is aligned with information used by Central Finance for strategic planning and budgeting. Quantitative economic factors are based on economic data and forecasts published by the NSO, NRB, and other reliable sources and statistical models.

Drivers of Credit Risk

<i>Parameters</i>	<i>Sources</i>
GDP	CBS
Inflation	World Bank
Unemployment Rate	NRB
Interest Rate	NRB
Nepse Index	Nepal Stock Exchange

Consideration of Time Value of Money:

The lifetime Expected Credit Loss (LTECL) is discounted to the reporting date, not to the expected default or some other date, using the coupon interest rate determined at initial recognition or approximation thereof, that will be applied when recognizing the financial assets resulting from the loan commitment.

Collateral valuation

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

Central Finance seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, Government Securities, Letters of Credit/Guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements, etc. While determining loss rate or recovery rate for the purpose of calculation of loss allowance, expected cash flows from collateral realization have been considered based on latest reliable internal/external valuations.

Net realizable value of all other collateral **or other sources that BFIs have legal right to recover from**, shall be determined as current fair value less 25% haircut.

Impact on adoption of adoption of NFRS 9

Impact on equity

Central Finance has transitioned to Expected Credit Loss (ECL) model to recognize impairment on the financial assets from the current year. In accordance with NFRS 9 and NRB Directives, Central Finance has not restated prior period figures. Instead, the increase in impairment provisions resulting from the application of the ECL Model has been determined as Day 1 impact and disclosed separately. The additional provision, net of the tax, represents a reduction in the shareholder's equity at the date of the transition, although no adjustment has been made to the comparative financial statements of the prior periods.

Impact on regulatory Capital

There is no impact on regulatory capital as the transition to impairment as per NFRS 9 applying from the fiscal year 2081/82.

Presentation of allowance for Expected Credit Loss in the statement of Financial Position:

Loss allowance as per the ECL are presented in the statement of financial position as follows:

- **Financial assets measured at amortized cost:** as a deduction from the gross carrying amount of the assets.
- **For advances measured at cost:** as a deduction from the gross carrying amount of the advances.
- **Loan commitments and financial guarantee contracts:** as a provision in other liabilities
- Where a financial instrument includes both a drawn and an undrawn component, and Central Finance cannot identify the ECL on the loan commitment component separately from those on the drawn component and instead presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

Debt instruments measured at FVOCI: No loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in OCI.

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

1.3 Trading assets

The finance company classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

1.4 Property, Plant and Equipment

All Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the finance company and the cost of the item can be measured reliably. At each balance sheet date, the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the statement of profit or loss.

Repairs and maintenance are charged to the statement of profit or loss in the year in which it is incurred.

Depreciation is calculated using the diminishing value method at the rate determined as follows:

Class of Assets	Depreciation Rate
Building	5%
Leasehold properties	5%
Computer and accessories	25%
Vehicles	20%
Furniture and fixtures	25%
Equipment and others - office equipment	25%
Equipment and others - other assets	15%

Land is not depreciated. Assets costing less than Rs. 10,000 are accounted under other expenses and recognized in statement of profit or loss in the year of purchase.

1.5 Intangible Assets

The intangible assets include software purchased by the finance company. All computer software costs incurred or licensed for use which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the statement of financial position under the category 'Intangible Assets'. Software is measured at cost less accumulated amortization and accumulated impairment loss if any. Software is amortized on a straight-line basis in profit or loss over its useful life, from the date that is available for use. The estimated useful life of software for the current and comparative periods is five years.

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

Amortization method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

1.6 Investment property

Investment property is the land or building or both held either for rental income or for capital appreciation or for both, but not sold in ordinary course of business and owner-occupied property.

Investment property is initially measured at cost and subsequently at cost model. Accordingly, such properties are subsequently measured at cost less accumulated depreciation and impairment loss if any.

Any gain or loss on disposal of an investment property is recognized in statement of profit or loss. When the use of a property changes such that it is reclassified as property plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent reporting.

1.7 Income tax

a. Current tax

Current tax in the statement of profit or loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates and tax laws applicable during the period, together with any adjustment to tax payable in respect of previous years.

Current tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under the statement of other comprehensive income or equity, as applicable.

Current tax assets and liabilities are offset only when there is both a legal right of offset and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

b. Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that the future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities.

Deferred tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under the statement of other comprehensive income or equity, as applicable.

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

1.8 Deposit, debt securities issued and subordinated liabilities

The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity period.

Debentures are recognized at amortized cost using effective interest rates. The coupon rates of these instruments represent the effective interest rates. Effective interest rate is expected to cover for the credit risk and time value of money on these instruments as these are solely for the purpose of principal and interest.

1.9 Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

A provision for onerous contract is recognized when the expected benefits to be derived by the finance company from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

1.10 Revenue Recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed.

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

a. Interest income

Interest income is recognized in profit or loss using effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial asset or liability to the carrying amount of the asset or liability. The calculation of effective interest rate includes all transactions cost and fee and points paid or received that are integral part of the effective interest. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of financial assets.

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

Interest income presented in statement of profit or loss includes:

- Interest income on financial assets measured at amortized cost is calculated on an effective interest rate to the gross carrying amount of financial assets unless the financial asset is written off either partially or fully. These financial assets include loans and advances including staff loans, investment in government securities, investment in corporate bonds, investment in NRB Bond and deposit instruments, etc.
- Interest income on loans and advances to customers which are individually impaired are not recognized as per the Guidelines on Recognition of Interest Income, 2019 issued by Nepal Rastra Bank.

b. Fees and Commission

Fees and commission income that are integral to the effective interest rate on a financial asset are included in measurement of effective interest rate. Other fees and commission income including management fee and service charges are recognized as the related services are performed.

c. Dividend Income

Dividend on investment in equity instruments and on units of mutual fund is recognized when the right to receive payment is established. Dividend income are presented in net trading income or other operating income based on the underlying classification of the equity instruments and units of mutual fund.

d. Net trading income

Net trading income comprises of gains less losses related to trading assets and liabilities and includes all realized and unrealized fair value changes, interest and dividends.

e. Net income from other financial instrument at fair value through profit or loss

Gains and losses arising from changes in the fair value of other financial instruments held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

1.11 Interest expenses

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the finance company's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

1.12 Employees benefits

a. Short-term employee benefits

Expenses in respect of short-term benefits are recognised on the basis of amount paid or payable during which services are rendered by the employees. Liabilities for salary and allowances that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

b. Post-employment benefits

The finance company operates post-retirement benefit schemes for its employees including both defined benefit and defined contribution plans. A defined benefit scheme is a plan that defines an amount of gratuity benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and salary. A defined contribution plan is a plan into which the finance company pays fixed contributions; there is no legal or constructive obligation to pay further contributions.

i. Defined contribution plan

These are plans in which the finance company pays pre-defined amounts to publicly administered funds as per local regulations and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the social security fund with the government on account of provident fund. The Company's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

ii. Defined benefit plan

The finance company's defined benefit plans comprise of gratuity. The liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Service costs and net interest expense or income is reflected in the statement of profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in actuarial gain /(loss) reserve in the statement of changes in equity and in the statement of financial position.

c. Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of profit and loss. This benefit is unfunded.

1.13 Leases

On 13 January 2016 the ASB issued NFRS 16 to replace NAS 17 Leases. An entity shall apply this standard for annual reporting periods beginning on or after July 16, 2021. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, lease payments are made over time, also obtaining financing. Accordingly, NFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by NAS 17 and instead, introduces a single lessee accounting model.

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

Central Finance Limited
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

A Lessee shall measure the right-of-use asset applying a cost model, unless it applies either of the measurement models described in para 34 and 35.

To apply a cost model, a lessee shall measure the right-of-use asset at cost:

- (a) Less any accumulated depreciation and any accumulated impairment losses; and
- (b) Adjusted for any remeasurement of the lease liability specified in paragraph 36(c)

A Lessee shall measure the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and

Remeasuring the carrying amount to reflect any reassessment or lease modifications specified in para 39-46, or to reflect revised in-substance fixed lease payments.

1.14 Foreign currency translation

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss, except when recognized in other comprehensive income.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences on equities and similar non-monetary items held at fair value through profit and loss are recognized in statement of profit or loss as part of the fair value gain or loss.

1.15 Financial guarantee and loan commitment

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflow of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognized in financial statements but are disclosed unless they are remote. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs. Detail of financial guarantee and commitments provided by the Finance company on the reporting date is given as Note 4.28.

1.16 Share capital and reserve

The Finance company applies NFRS 9 – Financial Instruments: Presentation, to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the finance company having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument.

Central Finance Limited

NOTES FORMING PART OF FINANCIAL STATEMENTS

For the Quarter Ended Poush 30, 2082 (Jan 14, 2026)

Expenses incurred of issue of share capital are deducted from equity. Dividends and other returns to equity holders are recognized in the period when they are declared by the members at the annual general.