



“नेपाल राष्ट्र बैंक बाट “घ” वर्ग ईजाजतपत्र प्राप्त संस्था”

INTERIM FINANCIAL REPORT

AS OF 1st QUARTER ENDED,
F.Y 2079/80

MAHULI LAGHUBITTA BITTIYA
SANSTHA LIMITED

MAHULI-06, SAPTARI

Mahuli Laghubitta Bittiya Sanstha Limited
Condensed Statement of Financial Position
As on Quarter ended 31st Aswin 2079

Amt in NPR (in Full Figure)

Assets	This Quarter Ending	Immediate Previous Year Ending (F.Y 2078/79)
Cash and Cash Equivalents	187,368,460.10	186,014,321.76
Statutory Balances and due from Nepal Rastra Bank	22,505,000.00	20,504,500.00
Placement with Bank and Financial Institutions	30,000,000.00	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to MFIs & Cooperatives	-	-
Loans and Advances to Customers	4,854,453,073.38	4,505,969,185.00
Investment Securities	1,000,000.00	1,000,000.00
Current Tax Assets	-	-
Investment Property	-	-
Property and Equipment	28,127,206.80	28,138,019.13
Goodwill and Intangible Assets	1,109,768.06	1,168,176.90
Deferred Tax Assets	18,849,398.77	18,849,398.77
Other Assets	11,906,920.79	11,642,145.40
Total Assets	5,155,319,827.89	4,773,285,746.96
Liabilities		
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	1,698,360,048.34	1,640,584,368.68
Borrowings	2,571,028,779.99	2,261,619,852.88
Current Tax Liabilities	13,169,889.74	11,566,239
Provisions	1,840,784.00	1,275,784.00
Deferred Tax Liabilities	-	-
Other Liabilities	262,386,797.50	255,317,785.64
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	4,546,786,299.57	4,170,364,030.06
Equity		
Share Capital	282,169,440.00	282,169,440.00
Share Premium	-	-
Retained Earnings	140,304,372.99	140,102,517.78
Reserves	186,059,715.33	180,649,759.12
Total Liabilities and Equity	5,155,319,827.89	4,773,285,746.96

Mahuli Laghubitta Bittiya Sanstha Limited
Condensed Statement of Profit or Loss
For the Quarter ended 31st Aswin 2079

Amt in NPR (in Full Figure)

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest Income	181,385,840.36	181,385,840.36	133,304,521.73	133,304,521.73
Interest Expense	108,080,810.86	108,080,810.86	56,572,002.74	56,572,002.74
Net Interest Income	73,305,029.50	73,305,029.50	76,732,518.99	76,732,518.99
Fee and Commission Income	24,674,152.52	24,674,152.52	24,468,978.11	24,468,978.11
Fee and Commission Expense	-	-	-	-
Net Fee and Commission Income	24,674,152.52	24,674,152.52	24,468,978.11	24,468,978.11
Net Interest, Fee and Commission Income	97,979,182.02	97,979,182.02	101,201,497.10	101,201,497.10
Net Trading Income	-	-	-	-
Other Operating Income	1,664,675.52	1,664,675.52	880,069.74	880,069.74
Total Operating Income	99,643,857.54	99,643,857.54	102,081,566.84	102,081,566.84
Impairment Charge/ (Reversal) for Loans and Other Losses	29,393,335.95	29,393,335.95	9,074,290.66	9,074,290.66
Net Operating Income	70,250,521.59	70,250,521.59	93,007,276.18	93,007,276.18
Operating Expense				
Personnel Expenses	48,818,994.89	48,818,994.89	44,749,000.43	44,749,000.43
Other Operating Expenses	11,935,498.47	11,935,498.47	8,292,134.85	8,292,134.85
Depreciation & Amortization	1,169,545.93	1,169,545.93	921,189.60	921,189.60
Operating Profit	8,326,482.30	8,326,482.30	39,044,951.30	39,044,951.30
Non-Operating Income	-	-	-	-
Non-Operating Expense	-	-	-	-
Profit Before Income Tax	8,326,482.30	8,326,482.30	39,044,951.30	39,044,951.30
Income Tax Expense				
Current Tax	2,497,944.69	2,497,944.69	12,219,787.17	12,219,787.17
Deferred Tax	-	-	-	-
Profit for the Period	5,828,537.61	5,828,537.61	26,825,164.14	26,825,164.14

Mahuli Laghubitta Bittiya Sanstha Limited
Statement of Comprehensive Income
For the Quarter ended 31st Aswin 2079

Amt in NPR (in Full Figure)

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Profit or Loss for the period	5,828,537.61	5,828,537.61	26,825,164.14	26,825,164.14
Other Comprehensive Income				
a) Items that will not be reclassified to profit or loss				
• Gains/(losses) from investment in equity instruments measured at fair value		-		-
• Gains/(losses) on revaluation		-		-
• Actuarial gains/(losses) on defined benefit plans		-		-
• Income tax relating to above items		-		-
Net other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
b) Items that are or may be reclassified to profit or loss				
• Gains/(losses) on cash flow hedge				
• Exchange gains/(losses)(arising from translating financial assets of foreign operation)		-		-
• Income tax relating to above items				
• Reclassify to profit or loss				
Net other comprehensive income that are or may be reclassified to profit or loss		-	-	-
c) Share of other comprehensive income of associate accounted as per equity method			-	-
Other Comprehensive Income for the period, net of Income tax	-	-	-	-
Total Comprehensive Income for the Period	5,828,537.61	5,828,537.61	26,825,164.14	26,825,164.14
Profit For the Period	5,828,537.61	5,828,537.61	26,825,164.14	26,825,164.14
Total	5,828,537.61	5,828,537.61	26,825,164.14	26,825,164.14
	-	-	-	-
Earnings per Share				
Basic earnings per Share		8.26		47.91
Annualized Basic Earnings Per Share		8.26		47.91
Diluted earnings per Share		8.26		47.91

Mahuli Laghubitta Bittiya Sanstha Limited
For the Quarter ended 31st Aswin 2079

Ratios as per NRB Directive

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Capital fund to RWA		11.41%		12.60%
Non-Performing loan (NPL) to total loan		2.23%		2.42%
Total loan loss provision to total NPL		127.35%		122.80%
Cost of Funds		10.37%		7.76%
Credit to Deposit and borrowing Ratio		115.88%		119.33%
Base Rate		16.45%		15.20%
Interest Rate Spread		4.62%		7.21%

Mahuli Laghubitta Bittiya Sanstha Limited
Detail about Distributable Profit

Amt in NPR (in Full Figure)

Particulars	Current Quarter ended
Net profit for the period ended 1st Quarter, 2079	5,828,537.61
<u>1.Appropriation:</u>	
<u>1.1 Profit required to be Appropriated to :</u>	(1,282,278.27)
a. General reserve	(1,165,707.52)
b. Capital redemption reserve	
c. Exchange fluctuation fund	
d. Corporate social responsibility fund	(58,285.38)
e. Employees training fund	-
f. Client Protection Fund	(58,285.38)
g. Others	
<u>1.2 Profit required to be transferred to Regulatory Reserve :</u>	
a. Transferred to Regulatory Reserve	(4,344,403.99)
b. Transferred from Regulatory Reserve	-
Net Profit for the Period end 1st Quarter, 2079 available for Distribution	201,855.34

Notes:

1. Figures presented above may vary with the audited figures if instructed by the regulator and / or statutory auditors.
2. The micro finance has prepared financial statement in accordance with NFRS applied alternative treatment in the Carve-out issued by the Institute of Chartered Accountants of Nepal with respect to the following:
 - a. The Microfinance has measured impairment loss on Loans and Advances at the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and the amount determined as per Para 63 of NAS 39.
 - b. The microfinance has not factored fees and points paid or received on loans and advances in the application of effective interest rate. These have been recognized directly in the Statement of Profit and Loss.
3. Loans and advances are presented net of impairment charges and includes interest accruals and staff loans.
4. Personnel Expenses includes provision for staff bonus which has been calculated in line with the provisions in Bonus Act.
5. Figures are regrouped /rearranged/restated wherever necessary for consistent presentation and comparison.

Mahuli Laghubitta Bittiya Sanstha Limited
Condensed Statement of Changes in Equity
For the Quarter ended 31st Aswin 2079

Particulars	Attributable to Equity-Holders of the Institution									Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalization	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	
Balance as at Shrawan 01, 2078	223,944,000.00	-	69,791,350.34	-	-	-	-	151,082,283.05	46,456,247.89	491,273,881.28
Profit for the period								117,581,095.78		117,581,095.78
Other Comprehensive Income, Net of Tax								-		
Total Comprehensive Income	-	-	-	-	-	-	-	117,581,095.78	-	117,581,095.78
Contributions from and Distributions to owners										
Share Issued										-
Share Based Payments										-
Dividend to Equity-Holders										-
Bonus Shares Issued	58,225,440.00							(58,225,440.00)		-
Cash Dividend Paid										-
Others			23,516,219.16		45,274,729.56			(70,335,421.13)	(4,388,787.86)	(5,933,260.26)
Total Contributions by and Distributions	58,225,440.00	-	23,516,219.16	-	45,274,729.56	-	-	(128,560,861.13)	(4,388,787.86)	(5,933,260.26)
Balance at Asardh ended 2079	282,169,440.00	-	93,307,569.50	-	45,274,729.56	-	-	140,102,517.71	42,067,460.03	602,921,716.80
Balance at Shrawan 01, 2079	282,169,440.00	-	93,307,569.50	-	45,274,729.56	-	-	140,102,517.71	42,067,460.03	602,921,716.80
Profit for the period										
Other Comprehensive Income, Net of Tax										
Total Comprehensive Income	-	-	-	-	-	-	-	5,828,537.61	-	5,828,537.61
Contributions from and Distributions to owners										
Share Issued										-
Share Based Payments										-
Dividend to Equity-Holders										-
Bonus Shares Issued	-							-		-
Cash Dividend Paid										-
Other			1,165,707.52		4,344,403.99			(5,626,682.27)	(100,155.28)	(216,726.03)
Total Contributions by and Distributions	-	-	1,165,707.52	-	4,344,403.99	-	-	(5,626,682.27)	(100,155.28)	(216,726.03)
Balance at Aswin end, 2079	282,169,440.00	-	94,473,277.02	-	49,619,133.56	-	-	140,304,373.05	41,967,304.76	608,533,528.38

Mahuli Laghubitta Bittiya Sanstha Limited
Condensed Statement of Cash Flows
For the Quarter ended 31st Aswin 2079

Amt in NPR (in Full Figure)

Particulars	Current Year	Corresponding Previous Year
	Upto This Quarter (YTD)	Upto This Quarter (YTD)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	181,385,840.36	133,304,521.73
Fee and Other Income Received	24,674,152.52	24,468,978.11
Dividend Received		
Receipts from Other Operating Activities	1,664,675.52	880,069.74
Interest Paid	(108,080,810.86)	(56,572,002.74)
Commissions and Fees Paid	-	-
Cash Payment to Employees	(48,818,994.89)	(44,749,000.43)
Other Expenses Paid	(11,935,498.47)	(8,292,134.85)
Operating Cash Flows before Changes in Operating Assets and Liabilities	38,889,364.18	49,040,431.56
(Increase) Decrease in Operating Assets		
Due from Nepal Rastra Bank	(2,000,500.00)	(1,000,000.00)
Placement with Banks and Financial Institutions	(30,000,000.00)	-
Other Trading Assets	-	-
Loans and Advances to banks and financial institutions	-	-
Loans and Advances to Customers	(377,877,224.33)	(385,772,932.26)
Other Assets	(264,775.39)	(53,177,702.69)
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposit from Customers	57,775,679.66	71,329,982.88
Borrowings	309,408,927.11	189,973,126.13
Other Liabilities	9,237,662.74	75,163,510.07
Net Cash Flow from Operating Activities before Tax Paid	5,169,133.97	(54,443,584.31)
Income Tax Paid	(2,497,944.69)	(12,219,787.17)
Net Cash Flow from Operating Activities	2,671,189.28	(66,663,371.48)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	-	-
Receipts from Sale of Investment Securities		
Purchase of Property and Equipment	(1,100,324.75)	(4,657,797.52)
Receipts from Sale of Property and Equipment		
Purchase of Intangible Assets	-	(180,800.00)
Receipts from Sale of Intangible Assets		
Purchase of Investment Properties		
Receipts from Sale of Investment Properties		
Interest Received		

Dividend Received		
Net Cash Used in Investing Activities	(1,100,324.75)	(4,838,597.52)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Issue of Debt Securities		
Repayments of Debt Securities		
Receipts from Issue of Subordinated Liabilities		
Repayments of Subordinated Liabilities		
Received from Merger	-	-
Receipt from Issue of Shares	(216,726.18)	(421,118.93)
Dividends Paid		-
Interest Paid		
Other Receipts/Payments	-	(691,166.35)
Net Cash from Financing Activities	(216,726.18)	(1,112,285.28)
Net Increase (Decrease) in Cash and Cash Equivalents	1,354,138.34	(72,614,254.27)
Beginning Cash and Cash Equivalents at Shrawan 01, 2079	186,014,321.76	225,282,889.17
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held		
Cash and Cash Equivalents at Aswin end, 2079	187,368,460.10	152,668,634.90

Mahuli Laghubitta Bittiya Sanstha Limited
Notes to the Interim Financial Statement
For the Quarter ended 31 Aswin 2079

1. Reporting Entity

After the successful merger with Nawakiran Laghubitta Bittiya Sanstha, Mahuli Laghubitta Bittiya Sanstha Ltd. (MLBSL) is now a national level “D” class microfinance institution incorporated under company act 2063. Authorized capital is 400 million with 323.78 million issued and 282.17 million paid-up capital. Mahuli Laghubitta has 64 branches currently in operation with head office at Mahuli, Saptari. It has provided microfinance facilities to more than 8,0000 members nationwide. Mahuli Laghubitta aims to integrate all social classes of rural women into one single platform and provides funds for scaling small and medium enterprise activities in all regions of Nepal. Mahuli Community Development Center (NGO) is the origin of Mahuli Laghubitta getting started financial activities more than 25 years back. Mahuli is purely working for rural poor women, entrepreneurs’ groups, small enterprises, and individuals and is more focused on social inclusiveness. The Microfinance is a limited liability company having its shares listed on NEPSE.

2. Basis of Preparation

The condensed condensed financial statements have been prepared on going concern basis and under historical cost conventions except where the standards require otherwise treatment.

2.1. Statement of Compliance

The Condensed condensed financial statements of the entity have been prepared in compliance with Nepal Financial Reporting Standards and Nepal Accounting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal and in compliance with the requirements of the Companies Act, 2063, directive issued by NRB and all other applicable laws and regulations and amendments thereto.

The disclosure made in the condensed interim financial information’s have been based on the formats prescribed by Nepal Rastra Bank.

The Interim Financial Statement don’t include all of the information required for a complete set of NFRS condensed financial statements. However selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the microfinance's financial position and performance.

2.2. Functional and Presentation Currency

The Condensed financial statements of the Microfinance are presented in Nepalese Rupees, which is the currency of the primary economic environment in which the company operates. There was no change in microfinance’s presentation and functional currency during the period under review.

2.3. New Standards issued but not yet effective

Management has issued its assumptions and understandings for the preparation of condensed financial statements under compliance with NFRS, however, certain interpretations might vary regarding the recognition, measurement and other related provisions where the standards are not specific and not clear.

3. Use of Estimates and Judgements

The Microfinance, in order to comply with the financial reporting standards has made accounting judgements as having potentially material impact on the financial statement. Those judgements and their impact on the financial statement have been described herein. The management believes that the estimates used in the preparation of the financial statement are prudent and reasonable. Actual results may differ from the estimates. Any revision to the accounting estimate is recognized prospectively in the current and future period.

4. Changes in Accounting Policies

The Microfinance applies its accounting policies consistently except where deviations have been explicitly mandated by the applicable accounting standards.

5. Significant Accounting Policies

The principal accounting policies applied by the Bank in the preparation of these condensed financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise. The most significant areas of assumptions and estimation applied in the application of accounting policies that have the

most significant effect on the amounts recognized in the financial statements are listed hereinafter and their description follows:

- Fair value of financial instruments
- Classification of financial assets and financial liabilities
- Impairment losses on financial assets
- Useful economic life of property and equipment
- Provisions for liabilities, commitments and contingencies

5.1. Basis of Measurement

The Condensed financial statements of entity have been prepared on the historical cost basis, except where the standards require otherwise treatment as follow.

- Investment Securities (investment in equity instruments) are measured at fair value under NFRS 9 'Financial Instrument'.

5.2. Cash and Cash Equivalents

The cash and cash equivalents include cash in hand, balances with banks and financial institutions, money at call and short notice and highly liquid financial assets with original maturity of three months or less from the acquisition date that are subject to and insignificant risk of changes in their fair values and are used by the microfinance in the management of its short-term commitments.

Cash and Cash equivalents includes cash in hands, deposits with BFIs and other short-term investments with original maturities of three months or less.

5.3. Financial Assets and Financial Liabilities Recognition

The Microfinance 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 that date.

Classification and Measurement

Financial Assets

Financial Assets are classified mainly under amortized cost, fair value through profit or loss and fair value through OCI. Financial Liabilities are classified at amortized cost or fair value through profit or loss.

5.3.1. Measured at Amortized Cost

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

5.3.2. Measured at Fair Value through OCI

Assets are categorized under this category if the business model is to obtain the contractual cash flow from the assets but the contractual cash flow isn't solely repayment of principal and interest.

Equity Instrument which are not held for trading and initially recognized as held for trading for which the Microfinance makes an irrevocable election to carry the changes in fair value of the instrument through OCI are measured at Fair Value through other Comprehensive Income.

5.3.3. Measured at Fair Value through Profit & Loss

The Microfinance classifies the financials assets as fair value through profit or loss if they are held for trading or designated at fair value through profit or loss.

Any other financial asset not classified as either amortized cost or FVOCI, is classified as FVTPL.

Financial Liabilities

5.3.4. Measured at Fair Value through Profit & Loss

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

5.3.5. Measured at Amortized Cost

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

5.4. Derecognition

The Microfinance derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows from the asset.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

5.5. Determination of Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Microfinance follows three levels of the fair-value-hierarchy as described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets;

Level 2: Significant inputs to the fair value measurement are directly or indirectly observable or valuations of quoted for similar instrument in active markets or quoted prices for identical or similar instrument in inactive markets; and

Level 3: Significant inputs to the fair value measurement are unobservable.

Investment in Unquoted Equity Instrument are carried at cost as the market price of such shares could not be ascertained with certainty at the reporting date.

5.6. Impairment

The microfinance has applied the impairment requirement of NAS 39 to financial assets measured at amortized cost. The microfinance assesses at the end of each reporting period whether there is any objective evidence that a financial assets or group of financial assets measured at amortized cost has been impaired. If any such evidence exists, the microfinance applies the "Incurred Loss Model" as required by NAS 39 to calculate the impairment loss. However, as per the carve-out provided, the microfinance shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39. The Microfinance reviews its individually significant loans and advances at each reporting date to assess whether an asset is impaired or not an impairment loss should be provided in the Statement of Profit or Loss.

The individual impairment provision applies to financial assets evaluated individually for impairment is based on Management's best estimate of the present value of the future cash flows that are expected to be received and in estimating future cash flows, Management makes judgements about the number of factors including a borrower's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits to estimate the recoverable amount of cash flows. A collective impairment provision is established for groups of homogeneous loans and advances and investment securities which are held-to-maturity, that are not considered individually significant; and groups of assets that are individually significant but that were not found to be individually impaired.

The collective impairment is carried using the statistical modelling such as historical trends of probability of defaults (PD), timings of recoveries, and current economic and market conditions which may warrant for the loss being greater than the suggested by the historical trends.

Microfinance has categorized into following different products having homogeneous character for testing collective impairment:

- General Loan
- Housing Loan
- Foreign Employment Loan
- Small Project Loan
- Other Loans

5.7. Property, Plant & Equipment

Recognition and measurement:

5.7.1. The microfinance has applied NAS-16 "property, plant and equipment" for accounting Property, plant and equipment. The microfinance has applied cost model to all Property, plant and equipment less accumulated

depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

5.7.2. Depreciation & Amortization:

The Microfinance depreciates property, plant and equipment following Written Down Value method applying the Depreciation rates prescribed by Income Tax Act, 2058. The rates used for depreciation of assets for the current and comparative period of significant items of property, plant and equipment are as follows:

Asset Category	Depreciation Rate per annum
Freehold Buildings	5%
Motor Vehicles	20%
Computer & Accessories	15%
Furnitures & Fixtures	25%
Office Equipment-Core	15%
Office Equipment-Non-Core	25%

5.8. Goodwill and Intangible Assets

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognized as goodwill. Goodwill is measured at cost less any accumulated impairment losses/accumulated amortization. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. These intangible assets are recognized at historical cost less impairment /amortization over their estimated useful life. Intangible Assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Microfinance. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Microfinance assumes that there is no residual value for its intangible assets.

Asset Category	Estimated Useful Life
Computer Software	5 years

5.9. Tax Expenses

Tax expenses comprises of current tax and deferred tax. Current tax is the income tax expense recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or OCI in which case it is recognized in equity or in other comprehensive income. Current tax is the amounts expected or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes.

5.10. Deposits from Members

Deposits from members are initially recognized at fair value, plus for those financial liabilities not at fair value through profit and loss. The transaction price is considered as the fair value for measuring the deposits. These are classified as financial liabilities measured at amortized cost.

5.11. Provisions, Liabilities and Contingent Liabilities

A provision is recognized, if as a result of a past event, the Microfinance has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation at that date. Provisions are

reviewed at each reporting date and adjusted to reflect the current best estimate and are reversed if there is no probability of outflow of resources.

5.12. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Microfinance and the consideration can be reliably measured. The following specific recognition criteria shall also be met for revenue recognition.

5.13. Interest Income

For all financial instruments measured at amortized cost, interest income or expense is recorded using the Effective Interest Rate (EIR). The calculation of effective interest rate includes all charges and fee paid or received that are integral part of the effective interest only if considered material. Such charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have derived under effective interest method and are recognized directly in statement of profit and loss.

5.14. Fees and Commission Income

Fees and commissions are generally recognized on an accrual basis when the service has been provided.

5.15. Dividend Income

Dividend income received from equity shares is recognized in the books when the right to receive the dividend is established.

5.16. Interest Expenses

Interest expense on all financial liabilities including deposits is recognized in statement of profit or loss using effective interest rate method. The Microfinance uses ASB carve- outs and treat coupon rate as effective interest rate.

5.17. Employees Benefits

Employee benefits include all forms of consideration given by an entity such as salary, allowances, paid leave, accumulated leave, gratuity, provident fund and annual statutory bonus in exchange for service rendered by employees for the termination of employment.

5.18. Defined Contribution Plan

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as expense in the profit or loss as and when they are due. The Microfinance operates a defined contribution plans as provident fund contribution of its employees and defined benefit plans for the Gratuity and leave payment requirement under its staff rules

5.19. Defined Benefits Plan

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

Gratuity and Leave Benefits are Defined Benefit Plans. The Entity annually measures the value of the promised retirement benefits for gratuity, which is a Defined Benefit Plan. Actuarial Valuation of Defined Benefit Plan has been carried out as per the requirement of NAS 19 – Employee Benefits. Gain or loss arising as a result of changes in assumptions is recognized in other comprehensive income (OCI) in the period in which it arises.

5.20. Leases

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

5.20.1. Finance Leases

Microfinance doesn't hold any finance lease agreements.

5.20.2. Operating Leases

Lease payments under an operating lease has been recognized as an expense on straight line basis over the lease term. Majority of the house rent lease agreement entered into by the microfinance are within the clause of normal increment which the management assumes are in line with the expected inflationary cost. The microfinance operates its branches under operating lease agreement. The payments to the lesser are structured to increase in line with the general inflation rate to compensate for the lessors expected inflationary cost increment.

5.21. Share Capital and Reserves

5.21.1. Share Capital

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction net of taxes from the proceeds.

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared. Shares issue expenses which can be avoided for the issue was charged in the year of issue of shares directly through equity and disclosed in the statement of changes in equity. Tax impact is also disclosed accordingly.

5.21.2. Statutory General Reserves

This is a statutory reserve and is a compliance requirement of NRB, 20% of the net profit as stated in Bank and financial Institution Act, 2073 and 50% of additional amount of Cash Dividend and Bonus Shares if declared and distributed in excess of 20% as provisioned in Circular GH/A/1/078/79 of NRB Dated 2078/04/11 is set aside to the general reserve.

5.21.3. Corporate Social Responsibility Fund

This is a reserve which a 1% of net profit is set aside in the fund as per the NRB Directives for the purpose of corporate social responsibility.

5.21.4. Employee Training Fund

The fund is created for the purpose of employee training. As per the directives to microfinance by NRB, the microfinance needs to spend at least 3% of last fiscal year's total personnel expenses for the development and trainings of the employees. Further if the microfinance couldn't spend up to the limit of 3%, the shortfall amount shall be transferred to the Employee Training Fund and shall be used for employee trainings in subsequent years.

5.21.5. Investment Adjustment Fund

It is a reserve created on investment in equity instrument if the equity doesn't get listed in Security Market within 2 years as per the directives issued by NRB.

5.21.6. Regulatory Reserve

The amount that is allocated from profit or retained earnings of the microfinance to this reserve as per the directives of NRB for the purpose of implementation of NFRS and which shall not be regarded as free for distribution of dividend shall be presented under this reserve. The regulatory reserve of the microfinance includes re-measurement adjustments such as interest income recognized against interest receivables, difference in loan loss provision as per NRB directive and impairment on loan and advance as per NFRS, amount equals to deferred tax assets, actual loss recognized in other comprehensive income, amount of goodwill recognized under NFRS, etc.

5.21.7. Client protection fund

Client protection fund is created at 1% of net profit. as per NRB Directives.

5.21.8. Earnings per Share (EPS) including diluted EPS

Microfinance presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of the microfinance by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares such as share options granted to employees and hybrid capital instruments. The microfinance does not hold any dilutive potential ordinary shares, and as such the Basic EPS and Diluted EPS are same during reporting period.

6. Segment Reporting

The Management of Microfinance has identified seven geographical segments namely: Province 1, Madhesh Pradesh, Bagmati Province, Gandaki Province, Lumbini Province, Karnali Province and Sudurpaschim Province as the seven-operating segment based upon the geographical location of its offices throughout the country. Segment report include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The income, expenses, assets & liabilities that cannot be allocated to aforesaid segment or those related to cluster and head office are reported under unallocated item. The unallocated items generally comprise of head office assets, head office expenses, and tax assets and liabilities

6.1. Segment Information

6.1.1. Information about reportable segments

Amount ('000)

		Province-1		Madhesh		Bagmati		Gandaki	
Particulars		Current Quarter	Corresponding Previous Quarter	Current Quarter	Corresponding Previous Quarter	Current Quarter	Corresponding Previous Quarter	Current Quarter	Corresponding Previous Quarter
(a)	Revenue from external customers	64,691.54	55,045.11	96,166.93	82,236.52	30,241.84	20,590.41	4,341.17	0
(b)	Intersegment revenues								
(c)	Segment profit/(loss) before tax	7,066.05	14,880.49	20,090.00	27,928.51	(2,344.18)	6,065.89	230.67	(355.84)
(d)	Segment assets	1,619,555.97	1,355,532.65	2,324,607.96	1,968,116.70	775,400.81	519,378.88	109,999.62	859.46
(e)	Segment liabilities	1,492,729.41	1,220,324.33	2,139,177.11	1,766,404.46	700,061.40	450,471.18	95,860.33	1,248.49

		Lumbini		Karnali		Sudurpaschim		Total	
Particulars		Current Quarter	Corresponding Previous Quarter	Current Quarter	Corresponding Previous Quarter	Current Quarter	Corresponding Previous Quarter	Current Quarter	Corresponding Previous Quarter
(a)	Revenue from external customers	7,043.00	0	1,616.80	0	2,867.78	0	206,969.06	157,872.04
(b)	Intersegment revenues		0		0		0		0
(c)	Segment profit/(loss) before tax	(429.18)	(606.27)	39.06	0	55.09	0	24,707.51	47,912.78
(d)	Segment assets	177,131.01	848.53	39,315.64	0	71,110.50	0	5,117,121.52	3,844,736.23
(e)	Segment liabilities	157,994.78	1,599.70	34,847.57	0	63,117.82	0	4,683,788.42	3,440,048.16

- Revenue from external customer includes the total interest revenue and non-interest revenue.
- Intersegment revenue includes revenue from transactions with other operating segments of the microfinance which is null till reporting date.
- Segment Assets and Liabilities includes the assets and liabilities identifiable to a particular segment. Assets and liabilities of head office relatable to segments are distributed to the extent it is reasonable to do so.
- The result reported include the items directly attributable to a segment.

6.1.2. Reconciliation of Reportable segment profit or Loss**Amount ('000)**

Particulars	Current Qtr.	Corresponding Previous Year Qtr.
Total profit before tax for reportable segments	24,707.51	47,912.78
Profit before tax for other segments	-	-
Elimination of inter-segment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:		
– Net Other corporate expenses	(16,381.07)	(8,867.83)
Profit before tax	8326.44	39,044.95

7. Related Party Disclosure

The microfinance has carried out transactions in ordinary course of business on an arm's length basis at commercial rates with the parties as per Nepal Accounting Standard (NAS 24- Related Party Disclosure), except for the transactions that are key managerial personnel have availed under schemes uniformly applicable to all the staffs at concessionary rates.

7.1.1. Parents and ultimate controlling parties

The microfinance doesn't have an identifiable parent of its own.

7.1.2. Transactions with Key Managerial Personnel**A. Compensation of Key Managerial Personnel Compensation of Board of Directors**

Particulars	Amount (NPR)
Meeting Fees Paid	65,000.00
Telephone & Newspaper Expenses	31500.00
Other Meeting Expenses	0.00
Total	96,500.00

B. Compensation of Chief Executive Officer

Particulars	Amount (NPR)
Short Term Employee Benefits	400,000.00
Employee Bonus	0.00
Dashain Allowance	80,000.00
Total	480,000.00

In addition to above, the Microfinance also provide other facilities like telephone and Internet, Travelling Allowance as per the approved employee facilities of the Microfinance to the Chief Executive Officer.

8. Dividend Paid

No dividend has been paid during the period reported.

9. Issue, Purchase, and Repayment of debt and equity Securities

None.

10. Events after interim Period

There are no material events after the reporting date affecting financial status of the Microfinance.

11. Effect of changes in the composition of the entity during the interim period including merger & Acquisition

No such events occurred.

धितोपत्र दर्ता तथा निष्काशन नियमावली २०७३ को अनुसूची १४(नियम २६ को उप नियम (१) संग सम्बन्धीत)

आ.ब. २०७८/०८० को प्रथम त्रैमासिक विवरण

१ वित्तीय विवरण

क) त्रैमासिक अवधिको वासलात, नाफा नोक्सान सम्बन्धी विवरण यसै साथ प्रकाशित गरिएको छ ।

ख) प्रमुख वित्तीय अनुपातहरु

प्रति शेयर आम्दानी (वार्षिकीकरण)	मूल्य आम्दानी अनुपात	प्रति शेयर नेटवर्थ	प्रति शेयर कुल सम्पत्तीको मूल्य	तरलता अनुपात
८।२६	१२८।४१	२१५।६६	१८२।७०३	९.८७%

२ व्यवस्थापकीय विश्लेषण

क) त्रैमासिक अवधिमा संस्थाको मौज्दात, आम्दानी र तरलतामा कुनै परिवर्तन भएको भए सोको प्रमुख कारण सम्बन्धी विवरण :

यस वित्तीय संस्थाको कारोवार, मौज्दात, तरलता र आम्दानीमा गत त्रैमासिक भन्दा बृद्धि भएको तथा सदस्य समूहको निक्षेप तथा कर्जा लगानीमा बृद्धि गर्दै बजारमा प्रचलित व्याजदरलाई उच्चतम रूपमा व्यवस्थापन गर्न सफल भएको छ । साथै, यस त्रैमासमा बैंकिङ प्रणालीमा देखिएको तरलता समस्याले कर्जा विस्तारमा लक्ष्य अनुसार प्रगती चुनौतीपूर्ण रहेको छ ।

आगामी अवधिको व्यवस्थापकीय योजना सम्बन्धमा व्यवस्थापनको

ख) विश्लेषणात्मक विवरण :

यस लघुवित्त वित्तीय संस्थाले आ.ब. २०७९/०८० मा वित्तीय पहुँच अभिवृद्धि गरी गरिबी न्युनिकरणमा योगदान गर्दै उद्यमशिलता विकास मार्फत समृद्ध समाज निर्माणमा वित्तीय पहुँच पुऱ्याउने उद्देश्यले अगाडी बढिरहेको छ । हाल देशका विभिन्न स्थानहरूमा ६४ वटा शाखा कार्यालयहरू मार्फत ८०,०८२ विपन्न परिवारको घरमा लघुवित्त सेवा प्रदान गर्दै आईरहेको छ । साथै संस्थालाई सुचना प्रविधि मैत्री बनाउन एवम् नविनतम श्रोतमा आधारित लघुवित्त कार्यक्रम संचालनको लागी उद्यमशिलता विकासमा सुचना प्रविधि (Digitalization) को भुमिकालाई मुख्य प्राथमिकतामा राखी कार्यक्रम संचालन गर्ने र त्यसका लागी स्थानिय निकायसंग सहकार्य गरी विपन्न वर्गका परिवारमा वित्तीय सेवा तथा सुविधा पुऱ्याउने योजना रहेको छ ।

ग) विगतको अनुभवबाट संगठित संस्थाको मौज्दात, नाफा वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने घटना अवस्था आदि भएमा सो सम्बन्धी विश्लेषणात्मक विवरण :

वित्तीय प्रणालीमा केही महिना अघि देखिएको तरलता समस्या यथावत रहेकोले कर्जा सापटी तथा बचतमा उच्च व्याजदर बृद्धि रहिनैरहेको तथा लघुवित्त क्षेत्रमा देखिएको अस्वस्थ प्रतिस्पर्धा न्युनिकरण गर्न कर्जा सुचना केन्द्रसंग समन्वय गर्दै आएको साथै देशमा बढ्दो राजनैतिक अस्थिरताले गर्दासंस्थाको कर्जा तथा अन्य संचालन जोखिम तुलनात्मक रूपमा बृद्धि भएकोले अगामी लक्ष्यहरू पुरा गर्न चुनौती देखिएको छ । तथापि संस्थाको विगतको कार्य अनुभवबाट चुनौतिको समाधान गर्दै वित्तीय संस्थाको अगामी लक्ष्यहरू पुरा हुनेमा वित्तीय संस्था विश्वस्त रहेको छ ।

३ कानुनी कार्यवाही सम्बन्धी विवरण

क) यस त्रैमासिक अवधिमा यस वित्तीय संस्थाले वा संस्था उपर कुनै किसिमको मुदा दायर भएको छैन ।

ख) कुनै पनि संचालक उपर फौज्दारी मुद्दा चलेको छैन ।

ग) कुनै पनि संचालक उपर आर्थिक मुद्दा चलेको छैन ।

संगठित संस्थाको शेयर कारोवार सम्बन्धी

४ विश्लेषण :

क) दोश्रो बजारमा हुने शेयर सम्बन्धी कारोवारका लागी संस्थाले नेपाल स्टक एक्स्चेन्ज लिमिटेडमा शेयर सूचिकृत गराएको छ ।

ख) नेपाल स्टक एक्स्चेन्जको वेवसाईट अनुसार यस त्रैमासको अवधिमा निम्नानुसारले कारोवार भएको छ ।

अधिकतम मूल्य	न्यूनतम मूल्य	अन्तिम मूल्य	कारोवार दिन	कारोवार संख्या
१,३१९।००	१,०२२।००	१,०६१।००	६५ दिन	९९०

५ समस्या तथा चुनौती

हाल बैंकिङ प्रणालीमा तरलताको चरम अभावको कारण शाखा संञ्जाल तथा थप नयाँ कर्जा विस्तारमा असर पर्न सक्ने चुनौती देखिएको छ। साथै, कर्जा सापटी तथा बचतमा उच्च व्याजदर बृद्धि भएको, एउटै सदस्यलाई ऋणको भार धेरै भई सदस्यहरु पलायन भएको जसले कर्जा असुलीमा समयमै नहुदाँ व्यवस्थापन खर्च बृद्धि भई मुनाफामा प्रतिकूल असर पर्न सक्ने देखिन्छ। सबै लघुवित्त संस्थाहरुको अधिकांश कार्यक्षेत्र तथा लक्षित वर्ग एकै भएको कारण कर्जा लगानीमा दोहोरोपना भएको, दक्ष जनशक्तिको अभाव काम गर्नु परिरहेको, लघुवित्त संस्थाहरु विचनै अस्वस्थ प्रतिस्पर्धा भईरहेको र पछिल्लो समय लघुवित्त क्षेत्रमा देखिएको राजनैतिक परिदृष्यको कारण थप चुनौति थपिएको छ।

६ संस्थागत सुशासन

यस वित्तीय संस्थाले नेपाल राष्ट्र बैंकबाट जारी संस्थागत सुशासन लगायतका निर्देशनहरु पालना गर्नुका साथै प्रचलित ऐनहरु, कम्पनी ऐन, २०६३, बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३, नेपाल राष्ट्र बैंक ऐन २०५८, धितो पत्र ऐन २०६३, तथा आयकर ऐन २०५८ को पालना गरेको छ। संस्थाको प्रवन्धपत्र, नियमावली, कर्मचारी सेवा विनियमावली, आर्थिक प्रशासनिक विनियमावली, कर्जा अपलेखन नीति, सूचना प्रविधि नीति, वचत नीति, कर्जा नीति, निर्देशिका, नगद संचालन कार्यविधि, धितो कर्जा कार्यविधि, सवारि साधन संचालन कार्यविधि, अनुगमन नीति, आन्तरिक लेखापरीक्षण नीति, विमा कार्यविधि, तयार गरि कार्यान्वयनमा ल्याईएको छ। संस्थाले आफ्नो कारोबार चुस्त दुरुस्त, छिटो छरितो, पारदर्शी तथा आन्तरीक व्यवस्थापन तथा जोखिम व्यवस्थापनको कार्य प्रभावकारी बनाउन संचालक समिति तथा व्यवस्थापन तहमा लेखापरीक्षण समिति, जोखिम व्यवस्थापन समिति, कर्मचारी सेवा सुविधा समिति, सम्पत्ति शुद्धीकरण अनुगमन समिति गठन गरि कार्यान्वयनमा ल्याईएको छ।

७ सत्य तथ्य सम्बन्धी कार्यकारी प्रमुखको द्घोषणा :

आजका मिति सम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरुको शुद्धता सम्बन्धमा म व्यक्तीगत रुपमा उत्तरदायित्व लिन्छु। साथै म यो उद्घोष गर्दछु कि मैले जाने बुझेसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरु सत्य तथ्य र पूर्ण छन् र लगानीकर्ताहरुलाई सुसूचित गर्ने तथा निर्णय लिन आवश्यक कुनै विवरण, सूचना तथा जानकारीहरु लुकाईएको छैन।

८ नियम २६ को उपनियम (५) संग सम्बन्धित विशेष घटना वा परिस्थिती सम्बन्धी विवरण : छैन