



INTERIM FINANCIAL STATEMENTS

PERIOD: CHAITRA END 2081 (13th APRIL 2025)

Inclusions:

1. Condensed Statement of Financial Position
2. Condensed Statement of Profit or loss
3. Condensed Statement of Comprehensive income
4. Key Indicators
5. Statement of Distributable profit or loss
6. Statement of Cash flows
7. Statement of changes in equity
8. Significant accounting policies and notes to the interim financial statements.

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Statement of Financial Position
As on 31st Chaitra 2081 (13th April 2025)

Particulars	Chaitra 2081	Chaitra 2080
ASSETS		
Cash and Cash equivalent	893,478,086	419,301,710
Statutory Balances and Due from Nepal Rastra Bank	98,000,000	98,000,000
Placement with Bank & Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advance to MFIs and Cooperatives	-	-
Loans and Advances to customers	20,829,064,605	19,823,596,362
Investment Securities	1,336,775	408,334
Current Tax Assets	-	10,432,512
Investment Property	-	-
Property and Equipment	201,343,887	212,409,998
Goodwill and Intangible assets	3,217,940	3,455,018
Deferred Tax Assets	228,606,218	110,176,274
Other Assets	152,696,737	154,979,630
Total Assets	22,407,744,249	20,832,759,837
Particulars	Chaitra 2081	Chaitra 2080
Liabilities		
Due to Bank and Financial Institutions	9,306,189,921	8,842,906,132
Due to Nepal Rastra Bank	-	-
Derivative Financial Instrument	-	-
Deposits from Customers	9,710,361,276	8,767,639,039
Borrowing	4,166,667	14,583,333
Current Tax Liabilities	21,371,445	-
Provisions	-	25,746,829
Deferred Tax Liabilities	-	-
Other Liabilities	332,487,919	338,817,110
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	19,374,577,228	17,989,692,443
Equity		
Share Capital	1,195,953,710	1,055,563,734
Share Premium		
Retained Earnings	124,073,955	338,707,258
Reserves	1,713,139,356	1,448,796,402
Total Equity	3,033,167,021	2,843,067,394
Total Liabilities and Equity	22,407,744,249	20,832,759,837

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Statement of Profit or Loss
For the period ended 31st Chaitra 2081 (13th April 2025)

Particulars	Chaitra 2081		Chaitra 2080	
	This Quarter	Up to this Quarter (YTD)	This Quarter	Up to this Quarter (YTD)
Interest Income	795,046,746	2,058,461,905	720,526,957	2,127,594,171
Interest Expense	379,437,399	1,176,760,449	412,293,992	1,249,380,929
Net Interest Income	415,609,347	881,701,456	308,232,965	878,213,242
Fees and Commission Income	49,150,772	130,705,350	58,674,556	146,465,561
Fees and Commission Expense	1,363,384	4,042,290	1,259,450	4,950,300
Net Fee and Commission Income	47,787,388	126,663,060	57,415,106	141,515,261
Net Interest, Fee and Commission income	463,396,736	1,008,364,516	365,648,071	1,019,728,503
Net Trading Income	-	-	-	-
Other Operating Income	7,247,717	16,228,287	191,346	686,431
Total Operating Income	470,644,452	1,024,592,804	365,839,417	1,020,414,934
Impairment charge/(reversal) for loans and other losses	109,472,350	375,003,722	43,513,034	421,513,790
Net Operating Income	361,172,102	649,589,082	322,326,383	598,901,144
Operating Expense	-	-	-	-
Personnel Expenses	158,802,855	381,739,936	95,962,764	341,442,433
Other Operating Expenses	23,758,984	66,338,771	27,729,379	67,415,654
Depreciation and Amortization	5,256,095	15,656,842	3,584,680	14,338,720
Operating Profit	173,354,167	185,853,533	195,049,560	175,704,337
Non-Operating Income	135,600	282,684	4,000	184,259
Non-Operating Expense	166,108	166,108	-	521,364
Profit Before Income Tax	173,323,659	185,970,109	195,053,560	175,367,232
Income Tax Expense	145,995,643	149,789,578	52,610,470	58,804,096
<i>Current Tax</i>	<i>145,995,643</i>	<i>149,789,578</i>	<i>52,610,470</i>	<i>58,804,096</i>
<i>Deferred Tax (income)/expense</i>	-	-	-	-
Profit for the year	27,328,016	36,180,531	142,443,091	116,563,136
Profit attributable to:	-	-	-	-
Equity holders of the Microfinance Institution	27,328,016	36,180,531	142,443,091	116,563,136
Profit for the period	27,328,016	36,180,531	142,443,091	116,563,136
Earnings Per Share (EPS)				
Basic Earnings per share		3.03		11.04
Basic Earnings per share (Annualized)		4.03		14.72
Diluted Earnings per share (Annualized)		4.03		14.72

Forward Microfinance Laghubitta Bittiya Sanstha Limited Statement of Comprehensive Income For the period ended 31st Chaitra 2081 (13th April 2025)		
Particulars	Chaitra 2081	Chaitra 2080
Profit for the year	36,180,531	116,563,136
Other Comprehensive Income, net of income tax		
a) Items that will not be reclassified to Profit or Loss	-	-
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		
Net other Comprehensive Income that are or may be reclassified to Profit or Loss	-	-
Other Comprehensive income for the year, net of income tax	-	-
Total Comprehensive Income for the year	36,180,531	116,563,136

Forward Microfinance Laghubitta Bittiya Sanstha Limited Ratios as per NRB Directives				
Particulars	Period ended 31st Chaitra 2081		Period ended 30th Chaitra 2080	
	This Quarter	Up to this Quarter (YTD)	This Quarter	Up to this Quarter (YTD)
Capital fund to RWA		9.58%		10.48%
Non-performing loan (NPL) to total loan		5.85%		8.26%
Total loan loss provision to Total NPL		158.55%		98.52%
Cost of Funds		8.73%		9.70%
Credit to Deposit and borrowing Ratio		116.41%		118.86%
Base Rate		12.07%		12.25%
Interest Rate Spread		6.24%		5.29%

Capital Market and other Financial Indicators	
Ratios	Figure
Liquidity ratio	4.62%
Return on Total assets (Annualized)	0.22%
Return on equity (Annualized)	1.59%
Net Assets Value per share	253.62
Total Assets Value per share	1873.63
PE Ratio	287.58
Closing Share Price	1160.01
Minimum Share Price	1100.00
Maximum Share Price	1350.00
Trade Count	3136
Trade days	56
Number of traded shares	176396

Forward Microfinance Laghubitta Bittiya Sanstha Limited
Statement of Distributable profit or loss
For the period ended 31st Chaitra 2081 (13th April 2025)
(As per NRB Regulation)

Particulars	Chaitra 2081	Chaitra 2080
Net Profit/(loss) as per Statement of Profit or Loss	36,180,531	116,563,136
<u>Appropriations:</u>		
a. General Reserve	(7,236,106)	(23,312,627)
b. Corporate social responsibility fund	(361,805)	(1,165,631)
c. Employee training fund	(2,217,809)	-
d. Client Protection Fund	(542,708)	(1,165,631)
Profit/(loss) before regulatory adjustment	25,822,102	90,919,246
<u>Regulatory Adjustments:</u>		
a. Interest Receivable (-)/previous accrued interest received (+)	(53,348,024)	(102,489,377)
b. Write back from restructured loans and advances transferred to reserve	-	(169,496,375)
c. Write back from restructured loans and advances transferred from reserve	69,213,044	-
Net Profit for the period available for distribution	41,687,122	(181,066,506)
Opening Retained Earning as on Shrawan 1	230,165,755	519,773,764
Adjustment (+/-)		
<u>Distribution:</u>		
Bonus shares issued	(140,389,977)	-
Cash Dividend Paid	(7,388,946)	-
Total Distributable Profit/(Loss) as on Period end date	124,073,955	338,707,258
Distributable Profit/(Loss) per share	11.54	26.37

Forward Microfinance Laghubitta Bittiya Sanstha Limited		
Statement of Cash Flows		
For the period ended 31st Chaitra 2081 (13th April 2025)		
Particulars	Chaitra 2081	Chaitra 2080
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	1,973,782,502	1,964,912,620
Fees and other income received	130,705,350	146,465,561
Dividend received	-	-
Receipts from other operating activities	16,228,287	686,431
Interest paid	(1,172,362,496)	(1,215,068,937)
Commission and fees paid	(4,042,290)	(4,950,300)
Cash payment to employees	(350,090,393)	(341,442,433)
Other expense paid	(66,338,771)	(67,415,654)
Operating cash flows before changes in operating assets and liabilities	527,882,190	483,187,289
(Increase)/Decrease in operating assets		
Other trading assets	-	-
Loans and advances to bank and financial institutions	-	-
Loans and advances to customers	(1,233,504,758)	(987,657,820)
Other assets	(4,952,163)	(126,566,874)
Increase/(Decrease) in operating liabilities		
Due to Bank and financial institutions	(181,268,583)	366,764,889
Due to Nepal Rastra Bank	-	-
Deposit from customers	748,164,918	352,378,091
Borrowings	(6,250,000)	(4,166,667)
Other liabilities	(69,782,632)	(60,118,189)
Net cash flow from operating activities before tax paid	(219,711,029)	23,820,719
Income taxes paid	(149,849,156)	(89,531,610)
Net cash flow from operating activities	(369,560,186)	(65,710,890)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	-
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(2,674,508)	(20,410,006)
Receipt from the sale of property and equipment	-	-
Purchase of intangible assets	-	-
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	-
Net cash used in investing activities	(2,674,508)	(20,410,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Receipts from issue of subordinated liabilities	-	-
Dividends paid	-	-
Other receipt/payment:		
Client protection fund, CSR reserve and Employee training fund	(14,256,562)	(3,534,553)
Net cash from financing activities	(14,256,562)	(3,534,553)
Net increase (decrease) in cash and cash equivalents	(386,491,255)	(89,655,449)
Cash and cash equivalents at 1 Shrawan 2081 / 1 Shrawan 2080	1,279,969,342	508,957,159
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Cash and cash equivalents at Chaitra end 2081/Chaitra end 2080	893,478,086	419,301,710

Forward Microfinance Laghubitta Bittiya Sanstha Limited										
Statement of Changes In Equity										
For the period ended 31st Chaitra 2081 (13th April 2025)										
	Attributable to equity holders of the Microfinance									
	Share Capital	Share premium	General reserve	Exchange Equalisation Fund	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained earning	Other Reserves	Total equity
Balance at 1st Shrawan 2080	1,055,563,734	-	633,888,827	-	388,508,274	(1,114,166)	-	519,773,764	133,418,378	2,730,038,811
Adjustment/Restatement										
Adjusted/Restated balance at 1st Shrawan 2080	1,055,563,734	-	633,888,827	-	388,508,274	(1,114,166)	-	519,773,764	133,418,378	2,730,038,811
Comprehensive income for the year										
Profit for the year								116,563,136	-	116,563,136
Other comprehensive income, net of tax										
Gains/(losses) from investment in equity instruments measured at fair value.										
Gains/(losses) on revaluation										
Actuarial gains/(losses) on defined benefit plans										
Gains/(losses) on cash flow hedge										
Exchange gains/(losses) (arising from translating financial assets of foreign operation)										
Total Comprehensive income for the year										
Transfer to Reserves during the year			23,312,627		102,489,377			(297,629,642)	171,827,638	-
Transfer from reserve during the year										
Interest income of CPF									2,988,298	2,988,298
Expenses from CPF and CSR									(6,522,851)	(6,522,851)
Transactions with owners, directly recognised in equity										
Share Issued										
Share Based Payments										
Dividends to equity holders										
Bonus shares issued										
Cash dividend paid										
Other										
Total contributions by and distributions			23,312,627		102,489,377			(181,066,506)	168,293,085	113,028,583
Balance at 30th Chaitra 2080	1,055,563,734	-	657,201,455	-	490,997,651	(1,114,166)	-	338,707,258	301,711,463	2,843,067,394
Balance at 1st Shrawan 2081	1,055,563,734	-	692,059,562	-	654,111,048	(464,257)	-	230,165,755	390,485,072	3,018,631,999
Adjustment/Restatement										
Adjusted/Restated balance at 1st Shrawan 2081	1,055,563,734	-	692,059,562	-	654,111,048	(464,257)	-	230,165,755	390,485,072	3,018,631,999
Comprehensive income for the year										
Profit for the year								36,180,531	-	36,180,531
Other comprehensive income, net of tax										
Gains/(losses) from investment in equity instruments measured at fair value.										
Gains/(losses) on revaluation										
Actuarial gains/(losses) on defined benefit plans										
Gains/(losses) on cash flow hedge										
Exchange gains/(losses) (arising from translating financial assets of foreign operation)										
Total Comprehensive income for the year								36,180,531		36,180,531
Transfer to Reserves during the year			7,236,106		53,348,024			(63,706,452)	3,122,322	-
Transfer from reserve during the year								69,213,044	(69,213,044)	-
Other Components:										
Interest income of CPF									2,721,945	2,721,945
Expenses from CPF, CSR, and ETF									(16,978,507)	(16,978,507)
Transactions with owners, directly recognised in equity										
Share Issued										
Share Based Payments										
Dividends to equity holders										
Bonus shares issued	140,389,977							(140,389,977)		
Cash dividend paid								(7,388,946)		(7,388,946)
Other										
Total contributions by and distributions	140,389,977		7,236,106		53,348,024			(106,091,800)	(80,347,284)	14,535,023
Balance at 31st Chaitra 2081	1,195,953,710	-	699,295,668	-	707,459,072	(464,257)	-	124,073,955	310,137,788	3,033,167,021

FORWARD MICROFINANCE LAGHUBITTA BITTIYA SANSTHA LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 Reporting Entity

1.1 Corporate Information

Forward Microfinance Laghubitta Bittiya Sanstha Limited (herein after referred to as “Forward MFI”) is a public limited company incorporated under the Companies Act, 2063 and licensed by Nepal Rastra Bank to conduct banking transaction as a “D” Class Financial Institution under the Bank and Financial Institution Act, 2073. Forward MFI has its registered head Office at Duhabi-2, Sunsari, Nepal. Forward MFI received the license to commence microfinance operations on Chaitra 06, 2069 BS (March 18, 2013 AD).

The Authorized Capital of Forward MFI is Rupees 1,750,000,000/- and the issued and paid-up capital is Rupees 1,195,953,710/-. Seventy percent of the paid-up Capital is held by the promoters and the remaining thirty percent is held by the general public. The shares of Forward MFI are listed at Nepal Stock Exchange Limited (NEPSE) with trading Code “FOWAD”.

1.2 Principal activities of Forward MFI

The objective of Forward MFI is to increase financial access to the poor households particularly the women of the poor families living in rural and remote areas of Nepal.

2 Basis of Preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) Accounting Standards developed by the Accounting Standards Board (ASB) of Nepal, pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and as per the directives no. 4 of Unified Directives, 2081 issued by Nepal Rastra Bank (NRB) with the following exceptions:

- **Application of NFRS 9 Financial Instruments**

Nepal Rastra Bank has issued guidelines by circular no. B.F.I.R.D./Policy/Notices/11/080/81 dated 2081/02/01 on implementation of NFRS 9 Financial Instruments, particularly the expected credit loss model (ECL). This guideline repealed the previous interest income recognition guidelines 2019 issued by Nepal Rastra Bank and the previous incurred loss model for impairment as per NAS 39 to incorporate the expected credit loss model for impairment as per NFRS 9 with effect from FY 2081/82.

The FORWARD MFI have preliminarily calculated the ECL figures to estimate the extent of effect on impairment as per NFRS 9 which may vary upon full-fledged implementation of Expected Credit Loss in line with NFRS 9 and Central Bank Guidelines.

The interest income has been recognized based on previous interest income recognition guidelines 2019 issued by Central Bank. Hence, for the period Chaitra 2081, the interest income continued to be recognized on accrual basis except for accrued interest on loan overdue by more than 365 days and accrued interest of restructured loans. Similarly, because of impracticability, effective interest rate doesn't include the service charge component attributed to the loans hence, service charge collected from customers continued to be recognized in fees and commission income on actual basis.

The financial statements have been prepared on a going-concern basis, as management is satisfied that Forward MFI has adequate resources to continue as a going concern for the foreseeable future.

These financial statements consist Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income, Statement of Changes in Equity and Statements of Cash Flows along with the necessary and related notes as per prescribed by Directive no. 4. Forward MFI presents its statement of financial position broadly in order of liquidity.

2.2 Reporting period of financial statements

The reporting period for Quarter 3 of financial year 2081/82 is from 1st Magh 2081 (14th January 2025) to 31st Chaitra 2081 (13th April 2025) representing the “This Quarter” and from 1st Shrawan 2081 (16th July 2024) to 31st Chaitra 2081 (13th April 2025) representing the “Up to This Quarter (YTD)”.

2.3 Functional and presentation currency

The financial statements are presented in Nepalese Rupees (NPR) (rounded to the nearest Rupee unless otherwise stated), which is Forward MFI’s functional currency, the currency of the primary economic environment in which microfinance operates.

2.4 Use of Estimates, assumptions and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of microfinance’s accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may vary from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Classification of financial assets; conducting business model and cash flow characteristics test.

2.5 Changes in Accounting Policies

Forward MFI has consistently applied the accounting policies to all periods presented in these financial statements except for new or revised statements and interpretations implemented during the fiscal year.

2.6 New standards issued but not yet effective

A number of new standards and amendments to the existing standards and interpretations have been issued by International Accounting Standard Board (IASB). Those become applicable in Nepal when ASB Nepal incorporates them within NFRS. Forward MFI intends to adopt these standards, if applicable, when they become effective.

2.7 New Standards and interpretation not adopted

All Nepal Accounting Standards and Nepal Financial Reporting Standards, with carve-outs, and other interpretation issued by ASB Nepal have been adopted while preparing financial statements.

2.8 Discounting

Non- current assets and liabilities are discounted where discounting is material.

3 Significant Accounting Policies

The principal accounting policies applied by Forward MFI in the preparation of these financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise.

3.1 Basis of Measurement

The financial statements are prepared on the historical-cost basis except for the following material items in the statement of financial position:

Table 1; Basis of Measurement

S.N.	Items	Basis of measurement
1	Liability for employees defined benefit obligations	Projected unit credit method using Actuarial Valuation based on Ashad 2081
2	Liability for long service leave	Actuarial valuation based on Ashad 2081
3	Lease liability	Present value of the lease payments over the lease term based on Ashad 2081
4	Investment securities at fair value through Other comprehensive income	Net assets value method based on Ashad 2081.

Distinction of Current and Non-Current Assets

All the assets except the property, plant and equipment and deferred tax assets are classified as current assets unless specific additional disclosure is made in the notes.

Liabilities

All the liabilities except the defined benefit plan obligations are classified as current liabilities unless specific additional disclosure is made in the notes.

Materiality and Aggregation

In compliance with NAS 1 - Presentation of Financial Statements, each material class of similar items is presented separately in the financial Statements. Items of dissimilar nature or functions are presented separately unless they are material.

3.2 Basis of consolidation

Forward MFI does not have any subsidiaries or special purpose entities over which it exercises control. Hence, only individual financial statement is prepared.

3.3 Cash and cash equivalent

Cash and cash equivalents include cash at vault and balances with banks and financial institutions, unrestricted balances with NRB, highly liquid financial assets with original maturity of 3 months from the date of its acquisition and are readily convertible to cash, which are subject to an insignificant risk of changes in fair value. Cash and Cash equivalent are measured at amortized cost in the statement of financial position.

3.4 Financial assets and financial liabilities

Recognition

Forward MFI 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 the instrument.

Classification and Measurement

i. Financial Assets

Forward MFI classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of Forward MFI's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The two classes of financial assets are as follows:

1. *Financial assets measured at amortized cost*

Forward MFI classifies a financial asset measured at amortized cost if both of the following conditions are met:

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

These are subsequently measured at amortized cost using the effective interest rate ('EIR') method less impairment, if any.

2. *Financial asset measured 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:

a) *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 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.

b) *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, Forward MFI 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.

ii. Financial Liabilities

Forward MFI classifies the financial liabilities as follows:

a) Financial liabilities 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 are recognized at profit or loss.

b) Financial liabilities 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.

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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

Forward MFI follows three levels of the fair-value-hierarchy are 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.

Impairment

At each reporting date, Forward MFI assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by Forward MFI on terms that Forward MFI would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment of financial assets measured at amortized cost

Forward MFI considers evidence of impairment for loans and advances and investment securities measured at amortized cost at both specific asset and collective level. Forward MFI first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant are assessed on collectively.

3.5 Property and Equipment

a) Recognition and Measurement

Property and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to Forward MFI and the cost of the asset can be reliably measured. The cost includes expenditures that are directly attributable to the acquisition of the assets.

All Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss if any.

Any gain or losses on de-recognition of an item of property and equipment is recognized in profit or loss. Forward MFI adopts cost model for entire class of property and equipment. It has not measured any Property Plant and Equipment under revaluation model.

3.6 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses.

3.7 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 for sale in ordinary course of business and owner-occupied property.

This also includes land, land and building acquired as non-banking assets by Forward MFI but not sold.

Forward MFI does not have any investment properties as on Chaitra end 2081.

3.8 Deposits, debt securities issued and subordinated liabilities

Microfinance deposits consist of money placed into Forward MFI by its members. These deposits are made to saving deposit accounts of member.

Forward MFI doesn't have any debt securities and subordinated liabilities as on Chaitra end 2081.

3.9 Provisions and Contingencies

Provisions are recognized when Forward MFI has a present, legal or constructive, obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

3.10 Revenue Recognition

Revenue comprises of interest income, fees and commission income, etc. Revenue is recognized to the extent it is probable that the economic benefits will flow to Forward MFI and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable.

Interest income

Interest income includes the interest income on loans and advances to customer recognized on accrual basis considering the regulatory restrictions on interest income recognition, interest income on loans to employees, and interest income on cash and cash equivalents.

Fee and commission income

Fee and commission income includes the service fee on loan, remittance fee income, commission income from insurance.

3.11 Interest expense

Interest expense on all financial liabilities including deposits is recognized in statement of profit or loss on an accrual basis.

3.12 Employees Benefits

a) Short Term Employee Benefits

Forward MFI's short term employee benefits mainly include wages, salaries, allowances, as provided in the law and other employee related expenses. Short term employee benefits are measured on an undiscounted basis and are charged to statement of profit and loss as and when the related service is provided.

b) Post-Employment Benefit Plan

Post-employment benefit plan includes followings:

i. Defined Contribution Plan

Post-Employment benefits plan under which Forward MFI pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts are categorized under defined contribution plans. The contributions to defined contribution plans are recognized in profit or loss as and when the services are rendered by employees.

a) Employees Provident Fund

In accordance with law, all employees of Forward MFI are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and Forward MFI contribute monthly at a pre-determined rate (currently, 10% of the basic salary plus grade amount). Microfinance does not assume any future liability for provident fund benefits other than its annual contribution.

ii. Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Forward MFI's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of Forward MFI's obligation and that are denominated in the currency in which the benefits are expected to be paid. The calculation of obligation is performed annually by a qualified actuary using projected unit credit method.

Forward MFI recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all other expenses related to defined benefits plans in employee benefit are expensed in profit or loss, as valued by the actuary. The following are the defined benefit plans provided by Forward MFI to its employees:

a) Gratuity

Actuarial valuation has been made for determining the liability for gratuity and its cost as per the requirements of NAS 19 Employee benefits as on Ashad end 2081. The Forward MFI has not made actuarial valuation of Gratuity for Chaitra end 2081 but has recognize based on management's best estimate for the period of Chaitra 2081.

c) Other Long term Employee Benefits

b) Leave Encashment

The employees of Forward MFI are entitled to carry forward a part of their unavailed/ unutilized leave subject to a maximum limit. The employees can encash unavailed / unutilized leave partially in terms of Employee Service Byelaws of Forward MFI. Actuarial valuation has been made for determining the leave liability as per the requirements of NAS 19 Employee benefits as on Ashad end 2081. No actuarial valuation has been made for Chaitra end 2081 but has recognize based on management's best estimate for the period of Chaitra 2081.

3.13 Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As per NFRS 16, At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability, unless the lease is for short term or of low value in which case lease expense is recognized over the term of lease on straight line basis.

At the commencement date, a lessee shall measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability
- any initial direct costs incurred by the lessee

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

After the commencement date, a lessee shall measure the right-of-use asset applying a cost model at cost less accumulated depreciation less accumulated impairment losses.

After the commencement date, a lessee shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made

3.14 Share capital and reserves

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.

The reserve includes regulatory and free reserves.

Statutory General Reserves

20% of the net profit as stated in Bank and financial Institution Act, 2073 is set aside to the general reserve.

Movement in statutory general reserve during this quarter is presented in Statement of Changes in equity.

Corporate Social Responsibility Fund

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

Regulatory Reserve

The amount that is allocated from profit or retained earnings of Forward MFI 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.

Movement in Regulatory reserves during this quarter is presented in Statement of Changes in equity.

Actuarial Gain/Loss Reserve

The amount of actuarial gains/losses both positive or negative to this reserve as per the directives of NRB for the purpose of implementation of NFRS and which shall not be regarded as free reserve for distribution of dividend are recorded in this reserve. The reserve includes actuarial gain/(loss) net of tax on defined benefit plan.

Client protection fund

1.5% of net profit is set aside in the fund as per the NRB Directives for the purpose of client protection fund.

Restructured loan write back reserve

The amount of write back income from the restructured loans and advances, net of income tax has been kept aside to this reserve by debiting the retained earnings.

Proposed and Paid Dividend

The FY 2080/81 annual general meeting of Forward MFI dated 28th Mangsir 2081 has approved 13.30% bonus shares and 0.70% cash dividend from the distributable profit as on Ashad end 2081 for financial year 2080-81. The dividends have been reflected in the above financial statements.

3.15 Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) for the year by the weighted average number of equities shares outstanding during the year.

3.16 Segment reporting

An operating segment is a component of Forward MFI that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of Forward MFI's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance. Forward MFI has identified and reported seven operating segments as per province wise.

4 Explanatory Notes

The explanatory notes and significant disclosure relating to the financial statements are as follows:

4.1 Loans and advances to customers

Outstanding amount of all loans and advances extended to the customers other than BFIs as well as bills purchased and discounted less the amount of impairment allowances shall be presented. Loan to employees provided according to the Employees Bylaws of Forward MFI has also been presented under this head.

4.2 Investment securities

Investments made by Forward MFI in financial instruments has been presented under this account head in three categories i.e., investment securities designated at fair value through profit or loss, investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income.

4.3 Income Tax

4.3.1 Current 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.

4.3.2 Deferred Tax

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. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

4.4 Due to Bank and financial institution

The balances in accounts maintained with the institution by other local and foreign banks and financial institution has been presented under this head. Interbank borrowing, interbank deposit, balances on settlement and clearing accounts as well as other amount due to bank and financial institution has also been presented under this account head.

4.5 Deposits from Customers

All deposit accounts other than deposit from BFIs (local and foreign) and NRB has been presented under this account head.

4.6 Fees and Commission Expense

Payment on account of fee and commission for services obtained by Forward MFI has been presented under this account head. This account head shall include credit administration charge on borrowings, CIB charges on borrowings.

4.7 Other operating income

Receipt of all other operating income not specifically provided under the income heads above has been booked and presented under this head. This includes foreign exchange revaluation gain, gain/loss on sale of investment at fair value through other comprehensive income, dividend on investment at fair value through other comprehensive income, gain/loss on sale of property and equipment, gain/loss on sale of investment properties, lease income, gain/loss on sale of gold and silver, etc.

4.8 Impairment charge/(reversal) for loan and other losses

It includes impairment charge/reversal on loan and advances to customers, loan and advances to bank and financial institutions, investment securities, placement with bank and financial institutions, property and equipment, goodwill and intangible assets, investment properties etc.

4.9 Personnel Expense

All expenses related to employees of Forward MFI has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, employee bonus, Finance expense under NFRSs, cash-settled share-based payments etc.

4.10 Other operating expense

All operating expense other than those relating to personnel expense are recognized and presented under this account head. The expenses covered under this account head includes office administration expense, other operating and overhead expense, directors' emoluments, remuneration and non-audit fee paid to auditors, professional and legal expense, branch closure cost expense, redundancy cost expense, expense of restructuring, onerous lease provisions etc.

4.11 Depreciation & Amortisation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

4.12 Non-operating income/expense

The income and expenses that have no direct relationship with the operation of transactions of Forward MFI has been presented under this head. The income/expense covered under this account head includes loan written off, recovery of loan, redundancy provision, expense of restructuring etc.

4.13 Income tax Expense

The amount of income tax determined as per the rules of tax authority has been recognized and presented under this account head.

5 Disclosures & Additional Information

5.1 Risk Assessment and Management

Forward MFI has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;

- market risks; and
- operational risk.

Forward MFI's board of directors has overall responsibility for the establishment and oversight of Forward MFI's risk management framework.

Credit Risk

Credit risk' is the risk of financial loss to Forward MFI if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Forward MFI's loans and advances to customers. For risk management reporting purposes, Forward MFI considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Forward MFI has applied following mitigates for management of Credit Risk factors:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk: Microfinance Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Reviewing compliance of business units with agreed exposure limits
- Providing advice, guidance and specialist skills to business units to promote best practice throughout Forward MFI in the management of credit risk.

Such mitigates are monitored by Board of Directors, Risk Management Committee, Risk Department, and Internal Audit Department of Forward MFI.

Market Risk

Market risk is the possibility of a customer experiencing losses due to factors that affect the overall performance of Forward MFI in which the customer is involved. Market risk is systematic risk of the financial market.

Factors of Market Risk include Interest Rate Risk, Equity Risk.

Forward MFI has applied following mitigates for management of the Market Risk factors:

- Stress testing/simulation of market conditions
- Gap Analysis
- Regular review of risk management processes
- Regular review of Risk Tolerance and appetite limit.
- Measurement of Interest Rate Shocks
- Interest rate related Risk Monitoring.

Such mitigates are monitored by Board of Directors, Risk Management Committee, Internal Audit Department

Liquidity Risk

'Liquidity risk' is the risk that Forward MFI will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to Forward MFI's operations and investments.

Factors of Liquidity Risk includes Deterioration in quality of credit portfolio Concentrations in either assets or liabilities, Rapid asset growth funded by highly volatile large deposits, A large size of off-balance sheet exposure.

Forward MFI has applied following mitigates for the management of Liquidity Risk:

- Appropriate composition of assets and liabilities
- Diversified and stable sources of funds
- Access to inter-bank market
- Contingency funding plan for crisis situations
- Regular stress testing
- Cushion of liquid assets held
- Consistent analysis using liquidity ratios
- Review of Deposit Mix Concentration.

Such mitigates are monitored by BOD, Finance and Credit Department, Internal Audit Department.

Operation Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk is inherent in Forward MFI's business activities.

The board level committee that undertakes supervision and review of operational risk aspects are the Risk Management Committee and Audit Committee. The board and the risk committee review the operational risk level and the material operational risk exposure. The Audit committee supervises audit and compliance related aspects. Internal Audit department on the other hand carries out audit according to the audit plan and reports findings to the audit committee.

Corporate Governance:

NRB Guidelines with respect to Corporate Governance are duly complied with.

C. Market Risk

a. Investments

Currently Forward Microfinance Laghubitta Bittiya Sanstha has not made any investment for trading purpose.

b. Foreign Exchange

Forward MFI's policy is to maintain the net open position of convertible foreign currency where exchange rate risk persists in matching position. At present, Forward microfinance doesn't deal in foreign currency So, there is no any foreign exchange risk at forward microfinance.

5.2 Segment Analysis

5.2.1 General Information

Forward MFI's operation is managed centrally through Head Office. All strategic, financial and operational policies and operations are controlled and directed from the head office through province offices. Forward MFI operates in 159 branches with province wise.

Forward MFI has identified following segments as reportable:

- a. Koshi Province
- b. Madhesh Province
- c. Bagmati Province
- d. Gandaki Province
- e. Lumbini Province
- f. Sudurpashchim Province
- g. Karnali Province

There is no inter-unit cost transfer mechanism within Forward MFI.

5.2.2 The segmental information about profit or loss, assets and liabilities are presented below:

Particulars	Koshi Province		Madhesh Province		Bagmati Province		Gandaki Province		Lumbini Province		Karnali Province		Sudurpashchim Province		Total	
	Chaitra end 2081	Chaitra end 2080	Chaitra end 2081	Chaitra end 2080	Chaitra end 2081	Chaitra end 2080	Chaitra end 2081	Chaitra end 2080	Chaitra end 2081	Chaitra end 2080	Chaitra end 2081	Chaitra end 2080	Chaitra end 2081	Chaitra end 2080	Chaitra end 2081	Chaitra end 2080
Revenues from External customers	910,590,987	986,026,435	719,965,721	770,081,091	68,293,715	71,780,300	12,147,724	12,757,123	286,859,261	306,087,283	17,459,509	18,092,422	202,419,148	218,823,975	2,217,736,063	2,383,648,629
Intersegment revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment Profit (loss) before tax	155,257,995	261,349,777	60,287,135	124,692,031	7,951,383	5,688,105	(141,067)	(4,506,080)	40,703,250	4,308,623	1,963,375	496,702	49,991,779	59,979,211	316,013,851	452,008,369
Segment assets	9,780,642,581	9,024,818,017	7,959,891,659	7,394,170,005	769,570,588	698,264,862	139,967,324	125,681,161	3,094,383,890	2,890,102,257	203,858,414	188,708,508	2,008,412,254	1,841,627,417	23,956,726,709	22,163,372,226
Segment liabilities	9,780,642,581	9,024,818,017	7,959,891,659	7,394,170,005	769,570,588	698,264,862	139,967,324	125,681,161	3,094,383,890	2,890,102,257	203,858,414	188,708,508	2,008,412,254	1,841,627,417	23,956,726,709	22,163,372,226

5.2.3 Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:

Particulars	Chaitra end 2081	Chaitra end 2080
Total profit or loss before bonus and tax for reportable segments	316,013,851	452,008,369
<i>Unallocated amounts:</i>		
Other corporate, bonus, and NFRS adjustment	(130,043,743)	(276,641,136)
Profit before tax	185,970,109	175,367,232

Information about major customer:

None of the customer individually or as a group contributes to 10% or more of Forward MFI's revenue.

5.3 Related party disclosures

The related parties of Forward MFI which meets the definition of related parties as defined in "NAS 24 Related Parties Disclosure" are as follows:

i. Key Management Personnel (KMP)

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of Forward MFI includes members of its Board of Directors, Chief Executive Officer, and senior management personnel of Forward MFI.

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and Allowances paid to the Chief Executive Officer is based on the contract entered by Forward MFI with him whereas compensation paid to other member of KMP are governed by Employees Byelaws and decisions made by management time to time in this regard. In addition to salaries and allowances, non- cash benefits like vehicle facility, termination benefits are also provided to KMP.

The details relating to compensation paid to directors till Q3 FY 208182 were as follows:

Particulars	Amount (NPR.)
Meeting Fees	728,000
Other Expenses	341,621
Total	1,069,621

The details relating to compensation paid to other key management personnel (Senior Manager and above) other than directors were as follows:

Particulars	Amount (NPR.)
Short term employee benefits (including Bonus and Paid Leave)	7,608,856

5.4 Merger and acquisition

No any Merger and acquisition has taken in the fiscal year presented.