



Annual Report
2024

VISION, MISSIONS, OBJECTIVES AND VALUES (VMOV)

Vision

To be Bhutan's most trusted institution for rural development.

Mission

The mission of MBPL is to provide financial services to low-income individuals and small businesses that are typically excluded from traditional banking services. The primary goal is to alleviate poverty and promote economic development by offering a range of financial products and services customized to the needs of the underserved population.

Here are some key aspects of our mission:

1. Financial Inclusion: We aim to include marginalized and underserved individuals and communities in the formal financial system by providing access to financial services such as savings accounts and loans.
2. Poverty Alleviation: We believe that providing access to financial resources, focusing our loans services on income-generating activities, entrepreneurship, and livelihood development, we can help individuals and communities break the cycle of poverty.
3. Value added Services: Our mission is not only to provide financial services but also bring provide new business ideas, modern agricultural methods and ideas, and other services which helps build capacity of individuals to manage their finances effectively and make informed financial decisions.
4. Social Impact: MBPL prioritize social impact alongside financial sustainability. We focus not only on terms of financial metrics but also in terms of the positive changes to the lives of our clients and the society by prioritizing our services that bring positive impacts.
5. Sustainable Development: MBPL aim to create a self-sustaining rural economy, where financial services can be provided on an ongoing basis, ensuring the availability of capital for future borrowers and expansion of services to more individuals and communities.

Objectives

1. To provide banking services such as - Accepting deposits, extending credit and providing money transmission services.
2. To provide technical assistance services complementary to microfinance such as - Research and innovation, Product development and Marketing.

Core Values

1. Transparency and Accountability: MBPL value and place high importance to transparency and accountability in our daily operations, ensuring that clients and stakeholders have access to accurate and understandable information about our services, fees, terms and conditions.

2. Integrity and Ethics: MBPL uphold high ethical standards and integrity in all aspects of our work. We value honesty and professionalism and focus on ethical practices in our operations, fostering trust and confidence among our clients and stakeholders.



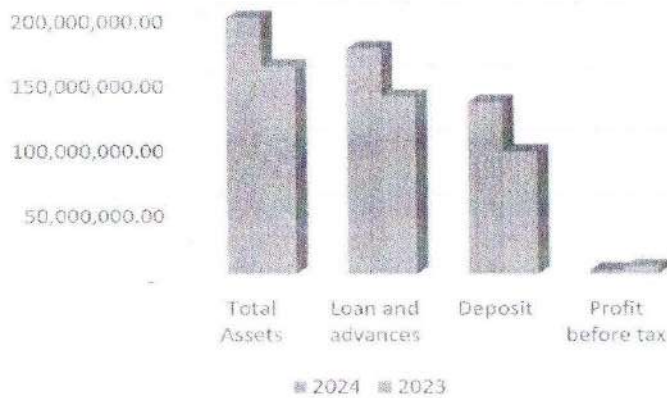
DIRECTOR'S REPORT

Dear Shareholders,

On behalf of the Board of Directors (the directors) of MBPL, I have the pleasure of presenting the Director's Report for the fiscal year ended 31st December 2024. The business year 2024 has certainly been challenging yet a transitional year for the company. I am proud to report that our company has managed to navigate through the difficulties and has managed to bring about reforms and transformation in certain areas of growth.

Despite the challenges, the Asset of the company grew by 23.40% during the financial year mainly attributing to the continued disbursement of loans and advances to its customers. The highlights of the financial performance of the company are presented below:

1. Overall Business Performance Highlights



Particulars	2024	2023
		

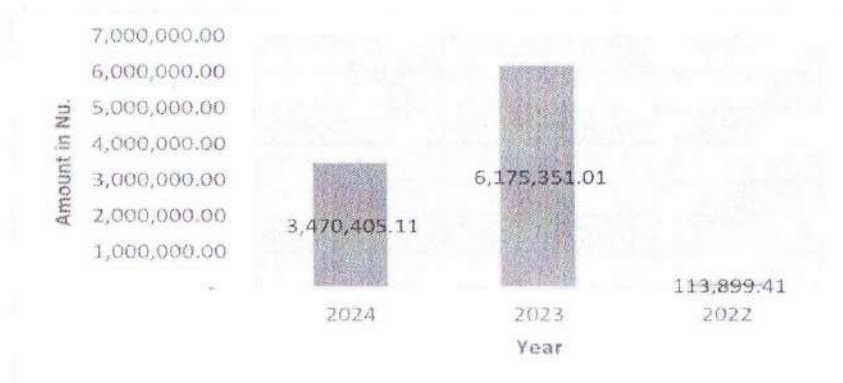


Total Assets	198,237,773.79	160,648,133.39
Loan and advances	174,662,745.11	136,949,998.49
Deposit	132,688,072.99	94,582,902.04
Profit before tax	3,470,405.11	6,175,351.01

2. Financial Performance

The company's audited financial statements for the financial year 2024 have been endorsed by the Board of Directors during its 23rd Board Meeting held on 28th March, 2025 for further adoption by the shareholders.

Gross profit



The company's financial performance during the management transition was marked by resilience despite facing significant challenges. While the change in leadership initially created uncertainty affecting continuity of loan disbursement for few months, the company maintained strong operational efficiency and upheld its core business strategies, which contributed to steady revenue streams. Strategic decisions made prior to the transition, such as diversifying product lines and optimizing cost structures, helped cushion the impact of the managerial shift. Additionally, the dedicated workforce and loyal customer base played a crucial role in sustaining performance. Though short-term fluctuations were evident, the company's fundamentals remained solid, positioning it for long-term stability and growth. Our profits before tax for the fiscal year 2024 was **Nu. 3.47** million, which indicates decrease when compared to previous year's profit of **Nu. 6.17** million. The decrease in PBT is mainly attributed to the withholding of loan disbursement from August to November (almost 4 months) due to shortage of fund. Moreover, the management change and transition processes also affected to some extent, including the significant staff attrition rate. The other factors is also due to the people's expectation of getting loans through Economic Stimulus Plan (ESP). In general, the overall economic situation in the country itself is in the early stages of recovery after the Covid-19 pandemic. Due to economic



downturn during the covid-19 pandemic, the risk-taking capacity of people was bearish, which adversely affected the company's business.

3. Total Operating Expenses



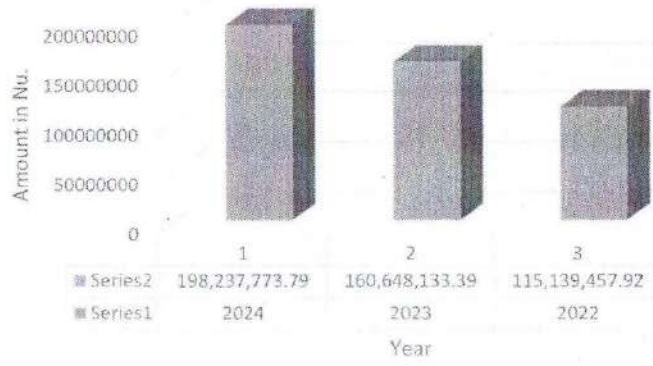
The company managed to control the operating expenses at **Nu. 9.46** million during the financial year compared to **Nu. 7.23** million in the previous year. Majority of the operating expenses is attributed to Human Resource expenses of Nu. 6.69 million, resulting from increase in number of staff from 11 to 15. This strategic investment in talent is viewed as a crucial step in building a strong foundation for future growth, expansion and opportunities. While the increase in staffing expenses impacted the overall operating costs, it is expected to pay off in the long term by fostering a more capable and efficient workforce, driving innovation, and supporting the company's expansion goals. This careful investment in human capital aligns with our commitment to positioning the company for sustainable success in the coming years. On the overall, the company has controlled the operational expenses as much as possible.

4. Assets

During the financial year of 2024, the company's financial assets grew by **23.40 %** amounting to **Nu. 198.23** million from **Nu. 160.64** million in the previous year. The increase in assets is largely attributed to increase in disbursement of loans and advances and other assets creation.



Asset Growth



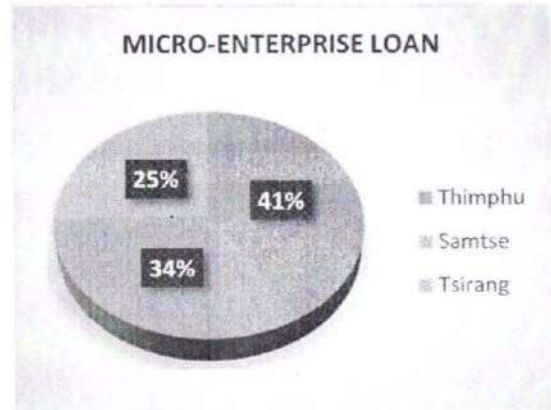
Loan Disbursements during the financial year 2024

Overall total of Nu.100.88 million loan was disbursed during the financial year 2024 to 356 clients



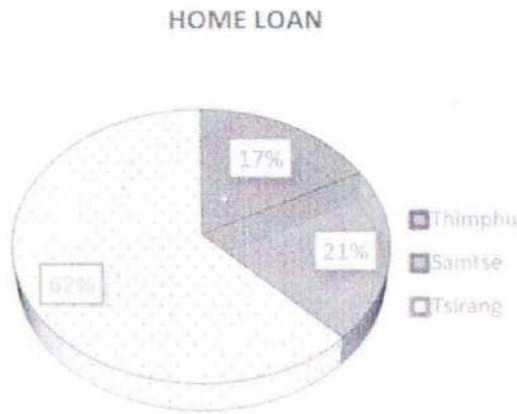
Micro-Enterprise Loan

Micro-Enterprise loan of total Nu. 9.82 million to 30 clients was disbursed.



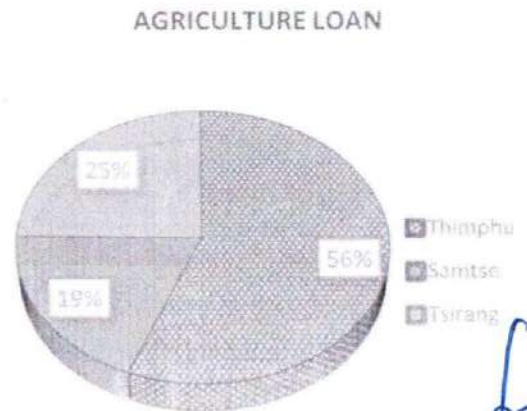
Home Loan

Home Loan of Nu. 23.87 million to 72 clients were disbursed.



Agriculture Loan

Agriculture Loan of Nu. 67.18 million to 260 clients was also disbursed



5. Ratio Analysis

The following table is the comprehensive ratio analysis regarding the company's performance for the finance year 2024.

Particular	2024	2023	2022
Deposit	132,688,072.99	94,574,031.56	68,035,046.79
Gross Loans and Advances	174,662,745.11	133,171,342.88	86,383,419.37
Total Business	307,350,818.10	20,176,853.70	13,124,882.56
Deposit Growth	140.30%	139.01%	134.13%
Loan Growth	131.16%	154.16%	148.22%
CD Ratio	131.63%	140.81%	126.97%
Interest Income on Loans and Advances	29,120,012.96	20,176,853.70	13,124,882.56
Interest Expenses on Deposits	10,780,794.18	6,187,003.28	4,911,020.42
Interest Income/Loans	16.67%	15.15%	19.56%
Interest Spread	18,339,218.78	20,176,839.70	13,124,882.36
Earnings per Share	5.21	12.35	0.14
ROA	1.31%	3.84%	1.93%
ROE	5.19%	12.57%	4.71%
CAR(Capital Adequacy Ratio)	33.97%	34%	50.12%
SLR(Statutory Liquidity Ratio)	14.42%	20.37%	24.56%
Loan/ Employee	12,475,910.37	12,106,485.72	8,638,341.94
Profit/Employee	185,914.56	561,395.55	232,510.89
No. of Shares	500,000.00	500,000.00	500,000.00
Gross NPL	10.47%	6.37%	7.25%
Net NPL	4.08%	2.54%	4.67%



6. Contingent and Other Liabilities

As on the date of reporting, there is:

- a) No charge on the assets of the Company which has arisen since the end of the financial year that secures the liabilities of any other person and
- b) No contingent liability in respect of the Company has arisen since the end of the financial year other than in the ordinary course of business.
- c) No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the periods of 12 months after the end of the year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they fall due.

7. Provisions and Contingencies

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Contingent assets and liabilities are not recognized but disclosed for all possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

8. Challenges and Constraints

Employee Attritions and HR capacity

Although the company also faced employee attrition to some extent, it has become a norm among all business entities in the country. While some employees left the company, yet the management replaced the vacant post at the earliest possible time so that the company's business is not affected. While we managed to replace the vacant post somehow, yet it is very difficult to get an experience and total fit candidates: since most of the active working population has left for Australia, USA, Canada, etc. However, it is hoped that the situation will improve in the future.

High Non-Performing Loans (NPLs)

The issue of non-performing loans is a significant challenge for Microfinance Bhutan Private Limited. A substantial portion of loans, especially in sectors like agriculture, retail, and small businesses, are at risk of default. High NPLs can negatively affect a bank's profitability and its ability to lend further, creating a cycle of financial strain and reduced confidence in the banking system. However, the company is trying its best to contain and reduced the NPLs through constant education, follow ups and awareness promotion. Since most of our clients are rural



farmers, it has been great challenge to effectively communicate with them. Despite this challenges the company has managed to control the NPLs to some extent.

9. Improvement and systemization of CBS

The company has made significant strides in improving its operations by focusing on system improvement, particularly in operationalization of the Core Banking System (CBS). In collaboration with both local and system vendors, the company successfully systematized the Core Banking platform to address key shortfalls and ensure alignment with its specific requirements. This process involved series of discussion, meetings and zoom conferences with a teams in Nepal and Yang-Khor Pvt. Ltd (Local vendor). This process involved a thorough review and enhancement of existing workflows, enabling the company to streamline operations, improve efficiency, and ensure better overall performance. With these corrections now in place, the company is better equipped to meet the evolving needs of the company and achieve its long-term business objectives. Moreover as of today, the company is able to carry out end of day (EOD) closing and generate real time data and reports. More importantly, the company has migrated from cash basis treatment to accrual system successfully. This improvement in the system has helped in the overall monitoring and management of the company's business transactions on a daily basis.

10. Corporate Strategic Plan (CSP)

In December 2024, the company organized a retreat program in Punakha to develop a comprehensive Corporate Strategic Plan for the next five years, spanning from 2025 to 2029. This strategic plan lays out a clear roadmap for the company's growth and direction, with a particular emphasis on promoting to CSI Bank and increasing the company's paid-up capital. The retreat brought together key stakeholders to engage in detailed discussions, identifying the critical issues and challenges the company may face, as well as setting clear goals and strategies to overcome them. A central element of the plan is the establishment of key performance indicators (KPIs) to track progress and ensure that objectives are met effectively. The company's approach is based on the Balanced Scorecard (BSC) framework, focusing on four key perspectives: financial, consumer and stockholders, internal processes, and organizational capacity. This holistic approach ensures that the company addresses not only financial performance but also the improvement of customer satisfaction, internal efficiencies, and overall organizational capabilities. The Corporate Strategic Plan is designed to guide Microfinance Bhutan Private Limited through a period of sustained growth, enabling it to enhance its market position, achieve operational excellence, and contribute to the broader financial ecosystem in Bhutan. With a solid foundation laid, the company is poised to successfully navigate the challenges and opportunities of the next five years. Finally, the CSP has been endorsed by the Board during its 22nd Board meeting held on 7th February, 2025.



11. Resource Mobilization

This year MBPL focuses on resource mobilization which includes deposit mobilization focusing on borrowings from institutions such as BDBL, BNB, BOB, BIL, etc and large scale fixed deposits from NGOs, CSOs, Private business houses and large projects. It also included other forms such as international agencies, donors, grants and aids.

MBPL also aims for capital injection through Issue of shares of Nu. 50 million taking total paid up capital to Nu. 100 million. The proposed time line and procedures for raising such capital is as mention below:

Activities	Timeline
Particulars	
1. Kick-off Meeting	5th May, 2025 -8th May, 2025
2. Initial discussion with the Focal Person	12th May, 2025-15th May, 2025
3. Activities	
3.1. Review of existing regulations on RO	12th May, 2025 -18th May, 2025
3.2. Review of existing shareholding pattern with historical data	12th May, 2025
3.3. Prepare & present to the management on methodology for valuaion of company to determine the networth & Share value	
3.4. Discuss and develop methodology	21st May, 2025- 6th June, 2025
3.5. Board & EGM Approval for issuance of RO along with Prospectus, price of RO, Renunciation, et	15th May, 2025
3.6. Obtain Approval from RMA & CRA	20th May, 2025-25th May, 2025
3.7 Notify Shareholders for RO	1st June, 2025-7th June, 2025
3.8 Compilation of RO subscription & Allocation	10th June, 2025-10th Junly, 2025
3.9. Renunciation of unsubscribed shares at new prices to be determined	July 10 onwards
3.10 Private placement of renounced shares	July 15 onwards
3.11 Board Meeting on the Final share trading	Mid of September
3.12 Update of shareholders Register with CRA and submission to RMA	End of September

12. Change in Circumstances

As at the date of this report, the directors are not aware of any circumstances not otherwise dealt within this report or the financial statements of the Company that render any amount stated in the financial statements misleading in any material respect.



13. Appointment of Board Directors

Microfinance Bhutan Private Limited has a board constituted in compliance with the regulatory & statutory guidelines and laws in accordance with best practices in corporate governance. Currently MBPL board consist of five members. The members met five times in the fiscal year 2024. The details are as given below:

Board Members	Number of Meeting attended
Dr. Lam Dorji, Chairman	5
Mr. Nima Tshering- Board of Director	5
Mr. Phub Gyeltshen, Board of Director	5
Mr. Leki Dendup, Independent Board of Director	4
Mr. Ugyen Dorji, CEO and member Secretary	5
Mr. Karma Gayleg (Provisional CEO)	1

Appointments to the Board of Director's of MBPL have been after the fit and proper scrutiny and endorsement of the Royal Monetary Authority (RMA). After the resignation of Mr. Ugyen Dorji (CEO), Mr. Karma Gayleg replaced him to represent in the company's Board. Other than this there has been no change in the membership and constitution of the Board.

14. Compositions of Board Committees

The board has constituted three board committees, viz., Board Credit Review Committee, Board Audit Committee and Board HR Committee.

The Credit Review Committee comprise of two directors of Board of Directors, chaired by Mr. Nima Tshering, Mr. Phub Gyeltshen and credit head as member secretary.

The Board Audit Committee (BAC) comprise of Independent directors and a member secretary. The BAC is chaired by an independent director.

The Board HR Committee comprise of Chairman of Board of Directors and HR/Admin as member secretary.

15. Future Outlook and Development Plan

The Microfinance Bhutan Private Limited will continue to pursue a business model to improve its profitability through enhanced outreach and growth while being innovative, socially responsible, and efficient and effective in its service delivery. Company is highly optimistic, with a clear focus on strategic growth and development. Our primary goals for the coming years include expanding our customer base, enhancing customer satisfaction, and improving overall profitability. We consider our services to be one of the best, wherein customers are happy and satisfied while



safeguarding shareholders' investments and aspirations for growth. By refining our products and services, we aim to create exceptional experiences for our clients. Additionally, fostering long-term customer relationships will be a key driver in increasing loyalty and retention. This holistic approach will not only fuel growth but also ensure the company remains competitive and adaptable in an ever-evolving market. Towards this objective the management has proposed to enhance our outreach by expanding our services by opening new branches and agents. Moreover the company will follow and adopt the principles outlined in the CSP, thereby ensuring that the growth trajectory is aligned towards the right directions. In the coming years the company will explore various modes of capital and fund mobilization.

16. Appreciation and Acknowledgements

Without any doubt, 2024 was a challenging but a successful year to a typical microfinance service and products provider such as our company. I am convinced that our core value of professionalism, integrity, excellence, and loyalty that we provide would ensure in achieving our long-term purpose of being the clear leader in the delivery of microfinance services.

I, on behalf of MBPL Board and management would like to express our gratitude to the Royal Government of Bhutan, the RMA and other regulatory bodies for their continuous support and guidance. We would like to express our deep gratitude to our valued clients for their loyalty and trust bestowed on us. Moreover we would like to thank our growth partner Depel Agro-Tech Pvt. Ltd (DEPEL) and our agents for continued business growth and support.

I would like to extend our appreciation to the management team and our outstanding employees (past and current) for their commitment as well as our esteemed shareholders for the trust and valuable support and loyalty during the year.

I would like to thank the Board of Directors, Board committees and Executive Management for their invaluable contribution to the continued progress of the company.

17. Approval of Audited Financial Statements

The Audited Financial Statement, as endorsed by the Board of Directors, is presented below:

Schedule I: Statement of Financial Position (SOFP)

Schedule II: Statement of Comprehensive Income (SOCI)

Schedule III: Statement of Changes in Equity (SOCE)



Lam Dorji, Ph D
Chairman
Board of Directors



Auditor's Report



**FINANCIAL AUDIT
REPORT
OF
MICROFINANCE BHUTAN
PRIVATE LIMITED
THIMPHU - BHUTAN**

**PERIOD: 1 JANUARY 2024
TO
31 DECEMBER 2024**

APRIL 2025



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

INDEPENDENT AUDITOR'S REPORT

To,
The Shareholders
Microfinance Bhutan Private Limited
Thimphu, Bhutan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MICROFINANCE BHUTAN PRIVATE LIMITED ("the Company")**, which comprise the Statement of Financial Position as at 31 December 2024, and the Statement of Comprehensive Income and Retained Earnings, and the Statement of Cash Flows for the period then ended, and Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the period then ended in accordance with BAS for SMEs.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Key Audit Matters

Key Audit Matters are those matters, in our professional judgment, were of most significance in our audit of the financial statements of the year under audit. These matters were addressed in the context of our audit of the financial statements as a



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

whole, and in forcing our opinion thereon, and we do not provide a separate opinion on these matters.

For the year under audit, we have not come across any issue, except our observation mentioned under the management report section of the report. Further, without qualifying opinion, we drew attention to the following key audit matters pertaining to relevant accounting standards, which were not complied by the Company. In our professional judgment, these non-compliance have significant impact on the financial statement as a whole, and in forming our opinion thereon:

- i. We draw attention to the fact that the Company has prepared its financial statements in accordance with the Bhutanese Accounting Standards for Small and Medium-sized Entities (BAS for SMEs). Section 1 of BAS for SMEs limits its applicability to entities that do not have public accountability. Based on our understanding, the Company may have characteristics of public accountability. Management has not assessed the appropriateness of applying BAS for SMEs.
- ii. The Company has provided a significant amount of loans to customers. As of the reporting date, management had not documented a formal assessment of expected credit losses on these financial assets. Given the significance of the loan balances and the potential impact of impairment, this area required significant audit attention.
- iii. As at 31 December 2024, the Company's cash and bank balance includes a discrepancy of Nu. 2,398,388.34 due to unresolved differences between the Cash Book and the bank statements. Bank reconciliations were not performed consistently during the year. Management has acknowledged the discrepancy and intends to investigate and resolve the matter in the subsequent period.

Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

- fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;
 - iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;
 - iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and
 - v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in

our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to the public interest benefits of such communication.



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

Report on Other Legal and Regulatory Requirements

We report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company insofar as it appears from our examination of the books;
- c) The Statement of Financial Position, the Statement of Comprehensive Income & Retained Earnings , and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS for SMEs;
- d) We give in "Appendix - I" the minimum audit examination and reporting requirement; and
- e) The Company has complied with other legal and regulatory requirements to the extent applicable to the Company.

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)

(Membership No. 9798359)

Managing Partner

Place: Thimphu

Dated:



**MINIMUM AUDIT EXAMINATION
REQUIREMENTS**



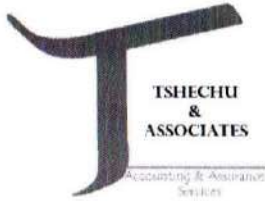
TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

Appendix - I

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS
MICROFINANCE BHUTAN PRIVATE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2024

As required by Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks and test verification of accounts and records as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The Company has maintained Fixed Assets Register showing particulars including quantitative details of fixed assets. We are given to understand that the management during the year has not physically verified the fixed assets of the Company.
2. None of the fixed assets of the Company have been revalued during the year under audit.
3. *The said clause is not applicable in view of the nature of business.*
4. *The said clause is not applicable in view of the nature of business.*
5. *The said clause is not applicable in view of the nature of business.*
6. *The said clause is not applicable in view of the nature of business.*
7. *The said clause is not applicable in view of the nature of business.*
8. *The said clause is not applicable in view of the nature of business.*
9. *The said clause is not applicable in view of the nature of business.*
10. *The said clause is not applicable in view of the nature of business.*
11. *The said clause is not applicable in view of the nature of business.*
12. The Company has not availed any secured or unsecured loans from Financial Institutions, agencies or individuals.
13. The Company has refrained from granting loans to other parties, which are ultra vires to the Articles of Incorporation and other relevant acts and regulations, except for loans given as part of its normal banking activities.
14. Loans/Advances granted to officers/staff are in keeping with the provisions of service rules, and the Company is regular in realizing the same.
15. The Company has established, in general, an adequate system of internal control to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures.
16. *The said clause is not applicable in view of the nature of business.*
17. The Company does not have a system of competitive biddings, however, the current practice followed by the Company commensurate with the size of the Company and nature of its business for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets.



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

Appendix - I

- 18(a) As per the information and explanations given to us, the transaction for purchases and sale of goods and service made in pursuance of contracts or arrangement entered into with the Director(s) or any other party/parties related to Director(s) or with Company or firms in which Director(s) are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market prices for such goods or services or at prices at which the transactions for similar goods or services have been made with other parties.
- 18(b) In the course of our audit we have not come across any such transactions entered into by the Company wherein the director(s) are directly or indirectly interested are prejudicial to the interest of other shareholders and the Company.
19. According to the explanations given to us and as per our verification of the accounts and records no personal expenses have been debited to the Statement of Comprehensive Income. The expenses charged to the Company accounts represent legitimate business expenses.
20. *The said clause is not applicable in view of the nature of business.*
21. *The said clause is not applicable in view of the nature of business.*
22. *The said clause is not applicable in view of the nature of business.*
23. *The said clause is not applicable in view of the nature of business.*
24. The Company is regular in depositing Rates and Taxes, Duties, Provident Funds and other statutory dues with the appropriate authority.

(Amount in Nu.)

Particular	Amount
TDS on Salary	30,307.00
2% TDS	1,109.00
Health Contrib. Payable	5,275.36
Total	36,691.36

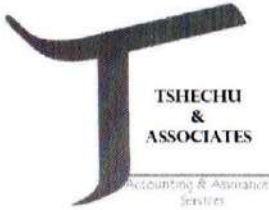
25. As per the records made available to us, the Company has no disputed amounts payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions on the last day of the financial year.
26. *The said clause is not applicable in view of the nature of business.*
27. *The said clause is not applicable in view of the nature of business.*
28. *The said clause is not applicable in view of the nature of business.*
29. *The said clause is not applicable in view of the nature of business.*
30. The Company has a reasonable system for continuous follow up with debtors / customers and other parties for recovery of outstanding amounts including periodic determination of age-wise break up of outstanding dues for management information and follow up action.
31. The Company's management of liquid resources, including cash, bank balances, and short-term deposits, is considered adequate. As at 31



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

Appendix - I

- December 2024, Cash and Cash Equivalents totaled Nu. 21,349,997.62, of which Nu. 2,257,945.95 was held as cash-in-hand.
32. As explained to us, the activities carried out by the Company are lawful and intra vires to the Articles of Incorporation of the Company.
 33. All investment decisions are made subject to prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such a new venture.
 34. The Company has a Budgetary Control System.
 35. *The said clause is not applicable in view of the nature of business.*
 36. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) by the Company directly or indirectly are not disclosed in the financial statements.
 37. The directives of the Board were generally complied, based on the information and explanations given to us and based on our review of the transactions.
 38. There was no evidence through which it could be verified that there was leakage of price sensitive information. On the basis of information received from the management, the officials of the Company have not transmitted any price sensitive information to the public, unauthorized to their relatives/ friends/ associates or close person who intends to benefit them.
 39. The Company has kept proper records of the inter-unit transactions services and proper arrangements have been made with other agencies engaged in similar activities.
 40. The Company has executed proper lease agreements for its office space. The terms and conditions of the lease are reasonable.
 41. Based on the explanations and information provided to us and upon examination of the documents, the Company has adequately maintained records of loans and advances granted.
 42. *The said clause is not applicable in view of the nature of business.*
 43. Based on the explanations and information provided to us and upon examination of the documents, the Company has adequately maintained records of deposits of customers and interest payments.
 44. *The said clause is not applicable in view of the nature of business.*
 45. The Company has complied with the requirements of Financial Services Act of Bhutan 2011 and any other applicable laws, rules and regulations and guidelines including prudential regulations issued by the Royal Monetary Authority of Bhutan.
 46. The Company has complied with requirements relating to provisioning for the non-performing assets including loans and advances.
 47. *The said clause is not applicable as the loans and advances are not secured against any collateral*
 48. The Company does not have a system for physically verifying or monitoring the projects for which loans have been provided or ensuring that the funds are used for the intended purpose.



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

Appendix - I

49. As per the information provided, the Company has a system of calling for open/seal bids for disposal of assets taken over for repayment defaults. There were no such assets called for open or sealed bids during the year.
50. As per the explanation provided by the management, the loan rescheduling is carried as per the provision of the prudential rules.
51. The Company has a proper system / record to ensure that additional loans are not granted to those who have defaulted payments of previous loans.
52. As per the information given to us, proper procedures including Board's approval have been followed/obtained for write-off of loans where necessary.

Computerized Accounting Environment:

1. As the Company is using Empower ERP (MFI Core Banking Software) for their accounting system. In our opinion, the organizational and system development controls and other internal controls are adequate relative to the size and nature of computer installations of the Company.
2. The Company has adequate safeguard measures and back up facilities.
3. Disaster recovery measures, the backup files are adequate.
4. The operational controls are found adequate to ensure correctness and validity of input data and output information.
5. The measures taken by the management to prevent unauthorized access over the computer installation and files are adequate.
6. There was no change in the Company's computerized accounting system during the year.

Going Concern:

Based the provided financial Statements as at 31 December 2024 and audited by us in accordance with the International Standards on Auditing and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the Company is not a going concern on the Statement of Financial Position date.

Ratio Analysis:

To determine financial health of the Company certain important ratios are highlighted in *Appendix - II*.

Compliance with the Companies Act of Bhutan 2016:



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F - 03, Second Floor, BNB ATM Building,
Jungshina - Taba Expressway, Thimphu

Appendix - I

We have checked the Company's compliances under the Companies Act of Bhutan, 2016 and our observations are highlighted in *Appendix - III A & III B*.

Adherence to Laws, Rules and Regulations:

The Company's compliances of the other Laws, Rules and Regulations are highlighted in *Appendix - IV*.

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

Tshechu, FCPA (Aust.)

(Membership No.:9798359)

Managing Partner

Place: Thimphu

Dated:



FINANCIAL STATEMENTS

Microfinance Bhutan Private Limited
Statement of Comprehensive Income
As at 31 December 2024

(Amount in Nu.)

Particular	Notes	2024	2023
Interest and Similar Income	10	29,120,012.96	20,176,853.70
Interest and Similar Expense	11	10,780,794.18	6,187,003.28
Net Interest income		18,339,218.78	13,989,850.42
Fees and Commission Income	12	292,670.15	98,798.44
Other Income	13	657,923.58	1,824,443.63
Net Fee and Commission Income		950,593.73	1,923,242.07
Total Operating Income		19,289,812.51	15,913,092.49
Loan Provision Expenses	14	6,349,490.98	2,501,645.02
Net Operating Income		12,940,321.53	13,411,447.47
Employment Benefits Expenses	15	6,697,320.46	4,809,778.52
Depreciation	1	288,426.10	263,392.80
Administrative Expenses	16	2,484,169.86	2,162,925.14
Total Operating Expenses		9,469,916.42	7,236,096.46
Profit Before Tax		3,470,405.11	6,175,351.01
Fines & Penalties		-	15,518.56
Income Tax Expenses		867,601.28	-
Profit After Tax		2,602,803.83	6,175,351.01

Notes on Financial Statements forms integral part of Accounts.

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

For Microfinance Bhutan Private Limited


Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place: Thimphu
Date: 09 MAY 2025


Chairman 

Finance Officer 


Microfinance Bhutan Private Limited
Statement of Financial Position
As at 31 December 2024

(Amount in Nu.)

Particular	Notes	2024	2023
Assets			
Property, Plant and Equipment	1	1,120,614.77	748,577.49
Loans and advances to customers	3	174,662,745.11	136,949,998.49
Other Assets	4	1,104,416.29	69,780.00
Cash & Cash Equivalents	2	21,349,997.62	22,879,777.41
Total Assets		198,237,773.79	160,648,133.39
Liabilities			
Due to customers	5	132,688,072.99	94,582,902.04
Employment Benefits Obligation	6	895,712.71	519,427.11
Loan Provisions		11,151,329.72	4,801,838.74
Other liabilities		2,437,461.38	11,599,520.49
Provision for Tax	9	867,601.28	-
Total liabilities		148,040,178.08	111,503,688.38
Equity			
Capital		50,000,000.00	50,000,000.00
Retained earnings		197,595.71	(855,554.99)
Total Equity		50,197,595.71	49,144,445.01
Total liabilities and equity		198,237,773.79	160,648,133.39

Notes on Financial Statements forms an integral part of Accounts.

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

For Microfinance Bhutan Private Limited

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place: Thimphu
Date: 09 MAY 2025



Chairman

[Handwritten signature]

Finance Officer

[Handwritten signature]



Microfinance Bhutan Private Limited
Statement of Changes in Equity
As at 31 December, 2024

(Amount in Nu.)

Particular	Capital	Retained Earning	Total
As at 31 1 January 2023	50,000,000.00	(6,268,044.26)	43,731,955.74
Capital Contribution	-	-	-
Prior Period adjustment	-	(762,861.75)	(762,861.75)
Profit / Loss for the year	-	6,175,351.01	6,175,351.01
As at 31 December 2023	50,000,000.00	(855,554.99)	49,144,445.01
Capital Contribution	-	-	-
Prior Period adjustment	-	(1,549,653.13)	(1,549,653.13)
Profit / Loss for the year	-	2,602,803.83	2,602,803.83
As at 31 December 2024	50,000,000.00	197,595.71	50,197,595.71

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

For Microfinance Bhutan Private Limited

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place: Thimphu
Date:



Chairman

Finance Officer



Microfinance Bhutan Private Limited
Statement of Cash Flows
For the Year Ended 31 December 2024

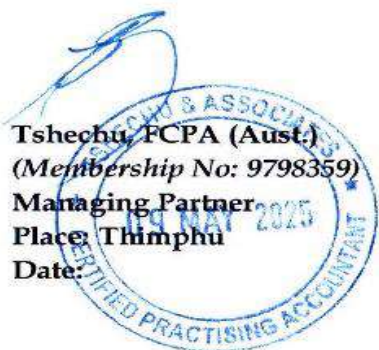
(Amount in Nu.)

Particular	2024	2023
A. Operating Activities		
Profit /Loss for the Year	2,602,803.83	6,175,351.01
Adjustment for non - cash Income & Expenses		
Depreciation	288,426.10	263,392.80
Prior Period Adjustment	(1,549,653.13)	(762,861.75)
Net Cash Flows Before Change in Working Capital	1,341,576.80	5,675,882.07
Net Cash Flows Changes in Working Capital		
Change in Loans and advances	(37,712,746.62)	(48,428,674.46)
Change in Due to customers	38,105,170.95	26,547,817.94
Change in Other Operating Assets	(1,034,636.29)	(22,780.00)
Change in Other Operating Liabilities	(7,890,523.61)	11,416,202.24
Provisions	6,349,490.98	2,132,166.03
Net Cash Flows from Operating Activities	(841,667.79)	(2,679,386.19)
B. Financing Activities		
Proceeds from Issue of Share Capital	-	-
Net Cash Flows from/(used in) Financing Activities	-	-
C. Cash Flow from Investing Activity		
Purchase of Property and Equipment	(688,112.00)	30,018.12
Net Cash Flows from/(used in) Investing Activities	(688,112.00)	30,018.12
Change in Cash and Cash Equivalents	(1,529,779.79)	(2,649,368.07)
Cash & Cash Equivalent at the Beginning	22,879,777.41	25,529,145.48
Cash and & Equivalents at the End of the Year	21,349,997.62	22,879,777.41

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07

For Microfinance Bhutan Private Limited

Tshechu, FCPA (Aust.)
(Membership No: 9798359)
Managing Partner
Place: Thimphu
Date:



Chairman

Somef
Finance Officer



**ACCOUNTING POLICIES &
NOTES TO FINANCIAL
STATEMENTS**

Microfinance Bhutan Private Limited
Accounting Policies and Explanatory Notes to the Financial
Statements for the Year Ended 31 December 2024

Corporate Information

Microfinance Bhutan Private Ltd is one of the microfinance institutions in Bhutan incorporated under the Companies Act of Bhutan 2016 and licensed by Royal Monetary Authority of Bhutan as Deposit Taking Microfinance Institution to engage in rural financing. The main idea of incorporating this company was predominantly to supplement government's objective of promoting the growth of agriculture sector in achieving the national goal of food security and curtail the influx of cheap imports. The company was founded base on the Grameen Bank's business concept of "Peer Pressure Model" where credit facilities are granted to rural communities through formation of groups without collaterals. Based on economic potential and the growth prospects of the region, the operations are prioritized in following Dzongkhag:

Branch Name	Commencement Date	Dzongkhag
Tashicholing Branch	26/08/2019	Samtse
Tintibi Branch	15/09/2019	Zhemgang
Thimphu,	01/07/2019	ThimphuT
Tsirang	01/08/2022	Tsirang

Basis of Preparation

i. Compliance with BAS for SMEs

Financial statements of the Company have been prepared in accordance with BAS for SMEs as issued by the AASBB.

ii. Historical Cost Convention

Financial statements have been prepared on an accrual basis of accounting with historical cost conventions and going concern basis, except as stated otherwise in the Financial Statements.

iii. Offsetting

Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when, and only when the entity has a legal right and is allowed by the Standard to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

iv. Functional and Presentation Currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the Company operates. The functional currency of MBPL is Bhutanese Ngultrum (Nu), which is also the presentation currency.

v. Use of Estimates

The preparation of Financial Statements in conformity with BAS for SMEs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of financial statements, and income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which they are known.

The estimates and assumptions that have a significant risk of causing a material adjustment to carrying values of assets and liabilities within the next financial year are discussed below.

Provision for Doubtful Debts

As at each Statement of Financial Position date, the Company assesses recoverability of trade receivables. Provision for doubtful debts is recognized based on the historical experience of collectability of debts and on the basis of ageing. The company makes provisions for all outstanding above 03 periods of years. The Company estimates the portion of its outstanding receivables that cannot be collected based on aging schedules at an increasing percentage of each aging category. Actual doubtful debts could differ from these estimates.

Foreign Currency

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses are generally recognized as profit or loss in the Statement of Comprehensive Income. Foreign exchange gains and losses that relate to borrowings are presented in the Statement of Comprehensive Income, within finance costs. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income on a net basis within other income or other expenses.

Property, Plant and Equipment (PPE)

As per section 17 "Property, Plant and Equipment" of the BAS for SMEs, 2015, Property, Plant and Equipment are tangible items that:

- i. Are held for use in the production or supply of goods and services, for rental to others or for administrative purposes; and
- ii. Are expected to be used during more than one period.

Items of property, plant and equipment are initially recognized at cost. Costs include all costs incurred to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management. The date of capitalization is the actual date when the asset has been put to use. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

Gains and losses on disposal of an item of property, plant and equipment are determined by- comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income/other expenses" in the statement of income and expenditure. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs incurred for the running and maintenance are expensed off in the year in which they are incurred. Depreciation is charged using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

Particulars	Depreciation Rate
Furniture & Fixtures	15%
Equipment	15%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other Income' or 'Other Expenses', as the case may be, in the statement of Comprehensive Income. The Company does have determined an accounting policy on expenditure ceiling to charge off as operating expenses.

Investment Property

Investment properties are measured initially at cost including transaction cost. Investment property whose fair value can be measured reliably without undue cost or effort shall be measured at fair value. However, investment properties whose fair value cannot be measured reliably without undue cost or effort are accounted for as PPE. For the current year, the company doesn't have any investment property.

Cash and Cash Equivalents

In the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents include cash in hand and the deposits with bank.

Inventories

Inventories are recognized as per Section 13 "Inventories" of the BAS for SMEs, 2015. Inventories comprised of consumables and are stated at cost. Section 27, "Impairment of Assets" of the BAS of SMEs is not applicable. Instead, when items are purchased, they are booked as inventory on the Statement of Financial Position and then moved to the Statement of Comprehensive Income once they are assigned and used. Cost is determined using the weighted average cost formula and comprises cost of purchases and other incidental expenses incurred in acquiring inventories and bringing them to their existing location and condition.

Obsolete and defective items of inventory are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.

Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax law enacted in the country where the Bank and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined

using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Non - current Assets

Non-current assets comprising of long-term fixed deposits and deposits with insurance companies for Gratuity Fund have been measured at amortized cost. For the current year, the bank has not revalued the above items.

Employee Benefits

Short-term benefits like wages and salaries are charged to Statement of Comprehensive Income as and when they fall due. The expected cost of Performance Based Incentive and Variable Allowances is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and a reliable estimate of the obligation can be made. Leave encashment liability is recognized on accrual basis based on the unutilized leave. Employee benefits such as contribution to Provident Fund administered by National Pension and Provident Fund are accrued in the period in which the associated services are rendered by employees of the company as detailed below:

i. Defined Contribution Plan (Pension and Provident fund)

As per the National Pension & Provident Fund's requirements, both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified percentage of the employee's basic salary. The entity as the employer, has no further obligations under the plan beyond its monthly contributions, as such, obligations for contributions to the plan is recognized as an employee benefit expense in the Statement of Comprehensive of Income when the contributions become due.

ii. Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and they are recognized in the period in which the employee renders the related service. The entity recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

iii. Earned Leave Encashment

The employees of the entity are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per the Bank's Service Manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time. Employees can accrue up to 90 days of earned leave. However, employees can only cash out 30 days of leave in a financial year. Any leave earned beyond 30 days (and less than 90) is accrued as non-current liability by the entity. The entity uses a simplified method to calculate its leave encashment liability taking into consideration the basic salary as of the reporting date. However, for the financial year 2019-2020, the same couldn't be determined.

iv. Defined Benefit Plans (Gratuity)

The company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and number of years of employment with the company. The company's net obligation in respect of the gratuity plan is calculated by estimating the number of future ben that the employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine its present value. However, the bank has not carried out the annual Actuarial valuation during the year.

Provisions and Contingencies

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Contingent assets and liabilities are not recognized but disclosed for all possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts received or receivable for services supplied. The company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that associated economic benefits will flow to the company. When the outcome of a transaction involving the rendering of services can be estimated reliably, an entity shall recognize revenue associated with the transaction by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- i. the amount of revenue can be measured reliably;
- ii. it is probable that the economic benefits associated with the transaction will flow to the entity;
- iii. the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- iv. The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified period of time, an entity recognizes revenue on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other act, the entity postpones recognition of revenue until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

With respect to the Bank, the following specific recognition criteria must also be met before revenue is recognized:

Interest Income

Interest income on loans and advances is recognized on accrual basis except for nonperforming loans and advances, in respect of which the interest income, as per the guidelines issued by the Royal Monetary Authority of Bhutan is deferred and shown under the head "Interest Suspense Account" in the liabilities, and is taken to the Other Comprehensive Income on actual realization only.

Other Income

- Other items of incomes are accounted for on accrual basis except commission on guarantees and letters of credit, which are accounted for on cash basis.

- Dividend income on investments is recognized when the right to receive dividend is established.
- * Interest income on investment is recognized on time proportion basis taking into account the amount outstanding and applicable interest rates.

fy

Microfinance Bhutan Private Limited
Accounting Policies And Explanatory Notes to the Financial Statements
For the Year Ended 31 December 2024

1. Property, Plant & Equipment

Particular	(Amount in Nu.)	
	2024	2023
Cost		
At 01 January	1,560,095.42	1,590,113.54
Additions	688,112.00	158,905.00
Disposals		(188,923.12)
At 31 December	2,248,207.42	1,560,095.42
Accumulated Depreciation		
At 01 January	811,517.93	548,125.13
Depreciation for the year	288,416.10	263,392.80
Impairment		-
Disposals		-
At 31 December	1,127,592.	811,517.93
Carrying Amount		
At 31 December	1,120,614.77	748,577.49

2. Cash & Cash Equivalents

Particular	(Amount in Nu.)	
	2024	2023
Cash at Head Office	678,115.72	1,940,238.68
Cash at Samtse Branch	1,043,500.28	1,025,851.28
Cash at Tsirang Branch	536,329.95	423,143.69
BNB Thimphu - 640813981	141,007.80	1,032,306.57
Current Account-BOB (FC-21067542)	-	11,394,673.92
Current Account, Head Office, BOB- 201700312	12,797,551.49	3,988,593.43
BOB Samtse C/ A 201962823	3,010,473.00	1,139,697.05
BNB Zhemgang C/ A 0100126494001	243,586.06	226,741.26
BOBL Tsirang Branch	2,899,433.32	1,708,531.53
Total	21,349,997.62	22,879,777.41

3. Loan & Advances

Particular	(Amount in Nu.)	
	2024	2023
Micro-Enterprise/Small Business Term Loan	18,400,096.50	16,929,926.92
Agriculture Loan	102,224,888.52	70,685,155.23
Home Loan	45,336,612.98	43,509,578.85



Loan Against Fixed Deposit	699,928.56	885,441.81
FIEF Assets	763,344.95	1,161,240.09
Interest Receivable	9,479,266.30	4,608,704.12
Interest in Suspense	(2,241,392.70)	(830,048.51)
Total	174,662,745.11	136,949,998.49

4. Other Assets

(Amount in Nu.)

Particular	2024	2023
Security Deposit	69,780.00	69,780.00
Staff Advances	101,000.00	-
Loan Charge - off Principal Balance	2,126,423.31	2,500,560.76
Loan Charge - off (Principal Balance)	(2,126,423.31)	(2,500,560.76)
Loan Charge - off Interest Balance	217,054.10	462,916.65
Loan Charge - off (Interest Balance)	(217,054.10)	(462,916.65)
Other Investment (Gratuity)	933,636.29	-
Total	1,104,416.29	69,780.00

5. Due to Customers

(Amount in Nu.)

Particular	2024	2023
Savings Account:		
Thimphu	21,349,541.16	19,262,868.94
Samtse	12,014,163.52	10,091,818.86
Zhemgang	30,184.98	33,155.27
Tsirang	4,233,912.03	2,277,708.46
Recurring Deposit:	-	-
Thimphu	930,815.02	321,313.62
Samtse	517,836.57	629,636.63
Tsirang	261,765.02	191,310.64
Fixed Deposit:	-	-
Thimphu	86,825,528.29	57,772,629.16
Samtse	3,755,000.00	487,000.00
Tsirang	1,334,212.32	1,630,000.00
Deposit Interest Payable:	1,435,114.08	1,885,460.46
Total	132,688,072.99	94,582,902.04

6. Employment Benefits Obligation

(Amount in Nu.)

Particular	2024	2023
Provision for gratuity fund	895,712.71	519,427.11
Total	895,712.71	519,427.11



7. Other Liabilities

Particular	(Amount in Nu.)	
	2024	2023
Other Payable	1,037.92	86,037.92
Tax liability	31,416.00	321.00
FC Account Deposit	-	11,394,673.92
Health Contrib. Payable	5,275.36	-
General Settlement	2,405,732.10	8,839.03
Staff Welfare Fund	(6,000.00)	82,000.00
Suspense A/c	-	27,648.62
Total	2,437,461.38	11,599,520.49

8. Loan Provision

Particular	(Amount in Nu.)	
	2024	2023
Loan Provision:	11,151,329.72	4,801,838.74
Total	11,151,329.72	4,801,838.74

9. Provision for Tax

Particular	(Amount in Nu.)	
	2024	2023
At 1 January	-	41,602.79
Charged/ (credited) to profit or loss:	-	-
- Additions during the year	867,601.28	-
- Charges during the year	-	-
- Reversed during the year	-	(41,602.79)
At 31 December	867,601.28	-

10. Interest and Similar Income

Particular	(Amount in Nu.)	
	2024	2023
Interest Income	29,120,012.96	20,176,853.70
Total	29,120,012.96	20,176,853.70

11. Interest & Similar Expenses

Particular	(Amount in Nu.)	
	2024	2023
Interest expenses- Thimphu	9,368,430.09	6,187,003.28
Interest expenses- Samtse	1,061,115.36	-
Interest expenses- Zhemgang	4,358.99	-
Tsirang	346,889.74	-
Total	10,780,794.18	6,187,003.28



12. Fees & Commission Income

Particular	(Amount in Nu.)	
	2024	2023
Application fee	34,600.00	29,200.00
CIB Charge	40,850.00	17,100.00
CIB Guarantor charge	48,400.00	51,200.00
PF Refund Income	13,766.24	1,850.40
Lien Noting charges	60,300.00	(800.00)
Miscellaneous income	94,753.91	248.04
Total	292,670.15	98,798.44

13. Other Income

Particular	(Amount in Nu.)	
	2024	2023
Interest Income from Gratuity	37,923.58	-
Income from Delinquents Loans	620,000.00	1,824,443.63
Total	657,923.58	1,824,443.63

14. Loan Provision Expenses

Particular	(Amount in Nu.)	
	2024	2023
Loan Loss Provision	6,349,490.98	2,501,645.02
Total	6,349,490.98	2,501,645.02

15. Employment Benefits Expenses

Particular	(Amount in Nu.)	
	2024	2023
Salaries Expense	3,974,911.31	2,922,674.96
Gratuity Expenses	376,285.60	274,986.80
Staff Expense	516,096.70	123,452.48
Travelling Expenses	129,843.00	1,480.00
PPF Employer Contribution Expense	279,567.92	210,032.50
Housing & Other Allowance	1,420,615.93	1,277,151.78
Total	6,697,320.46	4,809,778.52

16. Administrative Expenses

Particular	(Amount in Nu.)	
	2024	2023
Printing & Stationery Expenses	391,590.00	144,615.00
Telephone, Internet & Communication Expenses	125,931.67	118,853.08
Electricity, Water & Cleaning charges	24,621.49	5,185.00
Meeting Expenses	108,977.00	35,240.00
Miscellaneous Expenses	263,180.00	214,209.50



Registration & license fee	-	2,040.00
Rent Expenses	483,770.00	386,330.00
Bank Charges	350.00	400.00
Audit Fees	400,000.00	259,777.00
Agent Fees	55,000.00	77,000.00
Office Renewal	-	34,602.00
Advertisement	52,845.00	-
Fines & Penalties	1,905.97	15,518.56
IT Related Expenses	94,055.00	59,580.00
AMC	200,200.00	200,200.00
Legal Fees	-	200,000.00
Board Sitting Fees	178,750.00	194,375.00
Other Expenses	41,650.00	5,000.00
Honorarium fees	32,500.00	210,000.00
SMS Gateway Charges	28,843.73	-
Total	2,484,169.86	2,162,925.14



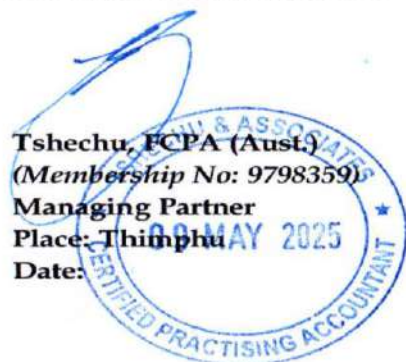
RATIO ANALYSIS

(Appendix - II)

Microfinance Bhutan Private Limited
Ratio Analysis

Particular	2024	2023
Deposit	132,688,072.99	94,574,031.56
Gross Loans and Advances	174,662,745.11	133,171,342.88
Total Business	307,350,818.10	20,176,853.70
Deposit Growth	140.30%	139.01%
Loan Growth	131.16%	154.16%
CD Ratio	131.16%	140.81%
Interest Income on Loans and Advances	29,120,012.96	20,176,853.70
Interest Expenses on Deposits	10,780,794.18	6,187,003.28
Interest Income/ Loans	16.67%	15.15%
Interest Spread	18,339,218.78	13,989,850.42
Earnings per Share	5.21	12.35
ROA	1.31%	3.84%
ROE	5.19	12.57%
CAR(Capital Adequacy Ratio)	33.97	34%
SLR(Statutory Liquidity Ratio)	14.42%	20.37%
Loan/ Employee	12,475,910.37	12,106,485.72
Profit/ Employee	185,914.56	561,395.55
No. of Shares	500,000.00	500,000.00

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07



For Microfinance Bhutan Private Limited

Chairman

A blue ink signature of the Chairman.

Finance Officer



COMPLIANCE CHECKLIST

Microfinance Bhutan Private Limited
Compliance Calendar
For The Year Ended On 31 December 2024

SI No.	Activity	The Companies Act of Bhutan 2016	Timeliness	Remarks
1	Submission of Annual Return	267	On or before 31st July	29-May-24
2	Annual General Meeting	177	On or Before 30th June	5 th AGM was held on 20 May 2024
3	Notice Calling General Meeting	185	21 days before the AGM	NO
4	Payment of Dividend	204	-	No Dividend paid during the year
5	Presentation of B/S, P&L A/c and cash flow statement at every AGM	244	-	YES
6	Filing of documents with Registrar	247	-	YES
7	Appointment of Auditors	251	-	YES
8	Consent to Act as a Directors	140	Within 30 days of appointment or reappointment with the registrar.	YES
9	Board Meetings	146 & 149	At least two meetings in a year	18th BM held on 16 Feb 2024
				19th BM held on 16 May 2024
				20th BM held on 7 Sep 2024
				16th BM held on 25 October 2023
				21th BM held on 9 Oct 2024
10	Appointment of CEO	210	Every 5 years	YES
11	Power of Regulatory Authority to accord approval	412	Approval of Regulatory Authority	YES
12	Appointment of Company Secretary	213	As perscribed by MTI	YES
13	Statutory Record and Inspection	228	All times	YES

For Tshechu & Associates
Certified Practising Accountants
Firm Empanelment No.: BH - 07



For Microfinance Bhutan Private Limited

Chairman

Finance Officer



**CHECK LIST FOR COMPLIANCE TO PROVISION
OF THE COMPANIES ACT OF BHUTAN, 2016**

Page-1					
NAME OF COMPANY: Microfinance Bhutan Private Limited.					
REGISTERED NO: U20190314BHU0511					
No.	Ss.	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA
1	28	Changes to Articles/ Approval		√	
2	47	Change of name/ Approval		√	
3	123	Increase or consolidation of share capital		√	
4	124	Reduction of share capital		√	
5	82	License Copy and Share Certificate filing	√		
6	107	Public offer of shares & Debentures-ROC Approval			√
		MANAGEMENT & ADMINISTRATION			
7	217	Registered Office of Company (Postal Address & Contact Number)	√		
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	√		
9	241	Financial Year of Companies as of 31st Dec.	√		
	242	Extension up to 15 months - ROC approval		√	
	243	Extension up to 18 months - Authority's approval		√	
	245	Financial Statements to follow BAS for SMEs	√		
10	267	Annual Return Submission On/before 31st May for listed; others 31st July	√		
11	177	Annual General Meeting (Minutes)	√		
12	180	Extraordinary General Meeting (Minutes)		√	
13	185	Notice for calling general meeting	√		
	187	listed Co. - written as well as in media			√
		Public Co/Private Co. - Written Notice	√		
14	190	Chairman of meeting (CEO cannot chair)	√		
15	192	Representation of corporations at meetings (appointed by Board Directors)			√
16	193	Ordinary and special resolutions (Minutes)		√	
17	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	√		

Page-2					
No.	Ss.	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA
18	199	Declaration and payment of dividend(199-209)		√	
19	232	Books of account to be kept by company (location & time period)	√		
20		Board's report (signed by Chairman)	√		
21	252	Appointment and removal of Auditors Need to re-appoint annually(251-259)	√		
22	260	Resignation of Auditors from office (Annual Resignation)			√
23	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	√		
24	133	Number of directors	√		
25	134	One third of all Public Companies shall be independent			√
	138	(Minimum No & Retirement on Rotation)			√
26	139	Additional directors		√	
27	140	Consent to act as directors	√		
28	141	Certain persons not to be appointed as Directors	√		
29	142	Resignation by a director		√	
30	143	Removal of directors		√	
31	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	√		
32	152	General powers of the board	√		
33	156	Restriction on powers of Board	√		
34	210	Appointment of Chief Executive Officer (Max 5 years terms& 2 consecutive terms only)	√		
35	414	Appointment of selling or buying agents (govt. Approval obtained or not)		√	
36	157	No loans to directors (only for Public Co.)	√		
37	53	Inter-corporate investments (investments to be disclosed) apply old rule		√	
38	158	Conflict of Interest Transactions by Board		√	
39	213	Companies to have secretaries			√
40	161	Standard of care required by directors (Reckless decision)	√		

Page-3					
STATUTORY RECORD AND INSPECTION					
41	228	Statutory record and inspection	√		
42	(a)	Register of buy-back of shares		√	
43	(b)	Register of transfers		√	
44	(c)	Register of charges		√	
45	(d)	Register of inter-corporate loans		√	
46	(e)	Register of inter-corporate investments		√	
47	(f)	Register of contracts in which directors are interested		√	
48	(g)	Register of directors	√		
49	(h)	Register of directors' shareholding	√		

For Tshechu & Associates
 Certified Practising Accountants
 Firm Empanelment No.: BH - 07



 Tshechu, FCPA (Aust.)

 (Membership No. 9798359)

 Managing Partner

 Place: Thimphu

 Dated: 09 MAY 2025





 COMPANY'S REPRESENTATIVE

