

ANNUAL REPORT

2012/13 (2069/70)



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VISION

To be a leading provider of electronic payment and settlement services.

MISSION

The missions of NCHL are to:

- ✓ Establish and operate national systems for clearing, payments and settlements;
- ✓ Facilitate the development of secure & trusted new payment methods and technologies in Nepal;
- ✓ Protect and increase shareholders' values;
- ✓ Establish itself as an organization of choice for the employees.

VALUES

NCHL values the highest standards of ethics, integrity and teamwork. NCHL is committed towards its employees, members, partners and shareholders.

MILESTONES

23rd December 2008 (8th Poush 2065)

Nepal Clearing House Ltd. incorporated under Company Act 2063 of Nepal

3rd February 2012 (20th Magh 2068)

NCHL-ECC started for foreign currency denominated cheques

9th April 2012 (27th Chaitra 2068)

NCHL-ECC started for Nepali currency denominated cheques

16th December 2012 (1st Poush 2069)

Complete migration from manual clearing to NCHL-ECC in Kathmandu

28th March 2013 (15th Chaitra 2069)

Complete migration from manual clearing to NCHL-ECC in Birgunj

COMPANY HIGHLIGHTS

Paid-up Capital:
NPR 150,000,000

Shareholder's fund:
NPR 134,891,070

Total Asset:
NPR 159,118,121

Gross Profit Increase:
92.4%

Net profit/(Loss)
(8,431,189)

Number of Members:
102

Total cheques presented (by volume):
2,686,744

Total cheques cleared (by volume):
2,514,651

Total cheques presented (by value)	NPR	USD	EUR	GBP
	1,223,556million	212million	27million	15million

Average daily cheques:
11,647

Percentage of average cheque returned:
6.4%

COMPANY SHAREHOLDERS

The list of the shareholders and their equity investments are as follows. Equity Amount is in NPR.

Group A	No. of Shares	Equity Amount
Nepal Rastra Bank	150,000	15,000,000

Group B	No. of Shares	Equity Amount
Agriculture Development Bank Limited	4,608	460,800
Bank of Asia Nepal Limited	25,000	2,500,000
Bank of Kathmandu Limited	25,000	2,500,000
Century Commercial Bank Limited	9,210	921,000
Citizens Bank International Limited	25,000	2,500,000
Civil Bank Limited	23,026	2,302,600
Commerz and Trust Bank Nepal Limited	23,026	2,302,600
Everest Bank Limited	25,000	2,500,000
Global IME Bank Limited	25,000	2,500,000
Grand Bank Nepal Limited	25,000	2,500,000
Himalayan Bank Limited	25,000	2,500,000
Janata Bank Nepal Limited	23,026	2,302,600
Kist Bank Limited	23,026	2,302,600
Kumari Bank Limited	25,000	2,500,000
Laxmi Bank Limited	25,000	2,500,000
Lumbini Bank Limited	25,000	2,500,000
Machhapuchchhre Bank Limited	25,000	2,500,000
Mega Bank Nepal Limited	23,026	2,302,600
Nabil Bank Limited	25,000	2,500,000
Nepal Bangladesh Bank Limited	25,000	2,500,000
Nepal Bank Limited	25,000	2,500,000
Nepal Credit and Commerce Bank Limited	25,000	2,500,000
Nepal Industrial and Commercial Bank Limited	25,000	2,500,000
Nepal Investment Bank Limited	25,000	2,500,000
Nepal SBI Bank Limited	25,000	2,500,000
NMB Bank Limited	23,026	2,302,600
Prime Commercial Bank Limited	25,000	2,500,000
Rastriya Banijya Bank Limited	25,000	2,500,000
Sanima Bank Limited	23,026	2,302,600

Siddhartha Bank Limited	25,000	2,500,000
Standard Chartered Bank Nepal Limited	25,000	2,500,000
Sunrise Bank Limited	25,000	2,500,000

Group C	No. of Shares	Equity Amount
Smart Choice Technologies Pvt. Limited	150,000	15,000,000

Group D	No. of Shares	Equity Amount
Ace Development Bank Limited	25,000	2,500,000
Alpine Development Bank Limited	2,063	206,300
Araniko Development Bank Limited	2,063	206,300
Axis Development Bank Limited	1,000	100,000
Bageshwari Development Bank Limited	4,124	412,400
Bhargav Bikash Bank Limited	4,126	412,600
Bhrikutee Development Bank Limited	7,189	718,900
Biratlaxmi Development Bank Limited	1,000	100,000
Bishwo Bikas Bank Limited	7,189	718,900
Business Universal Development Bank Limited	9,252	925,200
City Development Bank Limited	7,187	718,700
Civic Development Bank Limited	1,000	100,000
Clean Energy Development Bank Limited	8,250	825,000
Diyalo Bikas Bank Limited	1,000	100,000
Excel Development Bank Limited	1,000	100,000
Gandaki Bikas Bank Limited	1,237	123,700
Garima Bikas Bank Limited	6,187	618,700
H & B Development Bank Limited	8,250	825,000
Infrastructure Development Bank Limited	1,000	100,000
International Development Bank Limited	8,252	825,200
Jyoti Bikas Bank Limited	8,839	883,900
Kailash Bikas Bank Limited	10,378	1,037,800
Kamana Bikas Bank Limited	1,000	100,000
Kankai Bikas Bank Limited	1,000	100,000
Kankrebihar Bikash Bank Limited	1,000	100,000
Kasthamandap Development Bank Limited	9,252	925,200
Mahakali Bikas Bank Limited	1,000	100,000
Malika Bikas Bank Limited	1,000	100,000
Manakamana Development Bank Limited	25,000	2,500,000

Mission Development Bank Limited	2,063	206,300
Miteri Development Bank Limited	4,713	471,300
Muktinath Bikas Bank Limited	2,000	200,000
NDEP Development Bank Limited	9,252	925,200
Public Development Bank Limited	1,000	100,000
Sewa Bikas Bank Limited	5,126	512,600
Shangri-la Development Bank Limited	5,126	512,600
Siddhartha Development Bank Limited	9,252	925,200
Social Development Bank Limited	8,252	825,200
Triveni Bikas Bank Limited	5,126	512,600
Vibor Bikas Bank Limited	8,252	825,200

Group E	No. of Shares	Equity Amount
Api Finance Limited	3,515	351,500
Arun Finance Limited	1,000	100,000
Bhaktapur Finance Co. Limited	3,515	351,500
Central Finance Limited	3,515	351,500
Civil Merchant Bittiye Sanstha Limited	3,510	351,000
Crystal Finance Limited	1,000	100,000
Everest Finance Limited	1,000	100,000
Fewa Finance Limited	3,515	351,500
General Finance Limited	1,000	100,000
Goodwill Finance Limited	19,252	1,925,200
Guheswori Merchant Banking & Finance Limited	3,515	351,500
Hama Merchant & Finance Limited	1,000	100,000
Himalaya Finance Limited	1,000	100,000
ICFC Finance Limited	3,515	351,500
Imperial Finance Limited	3,515	351,500
International Leasing and Finance Co. Limited	19,252	1,925,200
Janaki Finance Limited	3,515	351,500
Jebil's Finance Limited	3,515	351,500
Kathmandu Finance Limited	1,000	100,000
Lalitpur Finance Limited	3,515	351,500
Lotus Investment Finance Limited	3,515	351,500
Lumbini Finance & Leasing Co. Limited	7,313	731,300
Mahalaxmi Finance Limited	7,313	731,300
Multipurpose Finance Co. Limited	1,000	100,000

Narayani National Finance Limited	3,515	351,500
Navadurga Finance Co. Limited	3,515	351,500
Nepal Awas Finance Limited	3,515	351,500
Nepal Express Finance Limited	3,515	351,500
Nepal Finance Limited	11,314	1,131,400
Nepal Share Markets & Finance Limited	1,000	100,000
NIDC Capital Markets Limited	1,000	100,000
Om Finance Limited	3,515	351,500
Paschimanchal Finance Co. Limited	3,515	351,500
Patan Finance Limited	3,515	351,500
Peoples Finance Limited	1,000	100,000
Pokhara Finance Limited	3,515	351,500
Prabhu Finance Co. Limited	3,515	351,500
Premier Finance Limited	3,515	351,500
Progressive Finance Limited	1,000	100,000
Prudential Finance Co. Limited	3,515	351,500
Reliable Finance Limited	4,515	451,500
Reliance Finance Limited	7,313	731,300
Royal Merchant Banking & Finance Limited	3,515	351,500
Sagarmatha Merchant Banking & Finance Limited	3,515	351,500
Seti Finance Limited	1,000	100,000
Shree Investment & Finance Co. Limited	3,515	351,500
Shubhalaxmi Finance Limited	3,515	351,500
Siddhartha Finance Limited	3,515	351,500
Srijana Finance Limited	1,000	100,000
Synergy Finance Limited	19,252	1,925,200
Union Finance Limited	3,516	351,600
Unique Finance Limited	3,515	351,500
United Finance Limited	3,515	351,500
Valley Bittiya Sanstha Limited	1,000	100,000
World Merchant Banking & Finance Limited	1,000	100,000
Yeti Finance Co. Limited	1,000	100,000
Zenith Finance Limited	3,515	351,500
Total	1,500,000	150,000,000

BOARD OF DIRECTORS



Mr. Ratna Raj Bajracharya
Chairman
CEO, Global IME Bank Ltd.



Mr. Hari Prasad Kaphle
Director
Executive Director, Nepal Rastra Bank



Mr. Rajan Singh Bhandari
Director
CEO, Citizens Bank International Ltd.



Mr. Jyoti Prakash Pandey
Director
CEO, Nepal Investment Bank Ltd.



Mr. Rabindra B Malla
Director
Chairman, Smart Choice Technologies P. Ltd.



Mr. Krishnaraj Lamichhane
Director
CEO, Kailash Bikas Bank Ltd.



Mr. Saroj Kaji Tuladhar
Director
CEO, Goodwill Finance Ltd.



Mr. Neelesh Man Singh Pradhan
Chief Executive Officer
& Company Secretary

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is with great pleasure to welcome you all in the 2nd Annual General Meeting of Nepal Clearing House Ltd. (NCHL) and to present the Annual Report and the Audited Accounts of NCHL for the year ended 31st Ashad 2070.

Payment systems form a critical and important part of banking & financial market infrastructure and has a key role for an efficient functioning of an economy. They are necessary for the payment, clearing and settlement of financial transactions of the market participants including that of the central bank and other banks & financial institutions. With the increasing economic activities and acceptability of technology based payment products by the end customers, new payment modes too are evolving.

Establishment of NCHL has been a major milestone in Nepal's banking & financial sector which was trusted for implementing and operating the first national payment system, NCHL-ECC System, an electronic cheque clearing infrastructure. We are now about to rollout NCHL-ECC across the country after having been fully rolled out within Kathmandu and Birgunj in the last fiscal year. With nationwide rollout of NCHL-ECC system, we will march towards our vision of being a leading provider of electronic payment and settlement services. We anticipate that after the nationwide rollout the usage of cheques, which is a non-cash based payment instrument, will considerably increase and will help in bringing transparency in financial transactions and thus the national economy.

NCHL has now crossed its 'Establishment' phase and headed towards creating a 'Sustainable' institution. We believe creating sustainable institution is largely dependent on inculcating ownership towards NCHL from all the banks and financial institutions. This has largely been achieved by making NCHL an equitable amongst all the banks and financial institutions both as shareholders and as its members. We have successfully raised additional capital of NPR 60,001,000 from the interested banks & financial institutions in the last fiscal year; the total paid-up capital now stands at NPR 150,000,000. In terms of the company's financial performance, our profit from the operation has increased to NPR 13,117,179.87 against NPR 2,574,175.59 in the last fiscal year. We have incurred net loss of NPR 8,431,189.06 for the fiscal year against net loss of NPR 9,456,123.78 in the last fiscal year. Our membership base is growing which as of the end of Ashad 2070 stands at 102 as compared to 37 in the last year and we believe this will increase further as we rollout the service in other regions.

Based on transaction value and number of members associated with us, NCHL has now become one of the systemically important financial market infrastructures in Nepal. This has also been recognized by the government of Nepal by enlisting NCHL's service under VAT exemption list through the Financial Ordinance of 2070/71. But risks possessed by and to such systemically important financial market infrastructure may create larger cascading effect in the banking sector. Hence it is important to implement processes and controls to manage and stabilize such infrastructure, which we have been successful in major fronts. We will continue to strengthen our risk management system going forward.

Our strategy for the coming year will be to rollout NCHL-ECC across the country so that cheques drawn on any of the member banks can be presented and cleared at any of the member banks across the country. We will also add the regional banks & financial institutions as our valued members during the year. Assisting our members for migrating to MICR cheques will also be one of the key success factor for NCHL, as we believe risks associated with electronic cheques clearing can be reduced by introducing such cheques and also increase operational efficiency. To this effect, NCHL has remained equally concerned as to facilitate the member institutions with simplified but effective process with minimum additional cost burden. Efforts are being made at the behest of NCHL to conclude the matter in consultation with the regulator and all stake holders.

Creating NCHL as a sustainable institutions also depend on our medium term strategy to enhance current NCHL-ECC system and also to expand our product & services into similar other ventures. We have already started initial work for introducing interbank payment system and working as certifying authority. We will develop ourselves as one of the leading provider of interbank clearing, payment and settlement services in Nepal.

We have been able to bring this company up to this level due to the support from the shareholders, regulators, other Banks/FIs, and most importantly the board members. This is also paramount to the commitment and untiring dedication shown by our management and other employees. My sincere gratitude to all our shareholders, Nepal Rastra Bank, other banks & financial institutions and other regulatory bodies for their support and cooperation. I also assure you that your suggestions and recommendations will be given due attention and acted upon as appropriate. I look forward to the continuous guidance from the members of the Board of Directors, dedication and hard work from our employees, valuable advice and support from our shareholders and as well as other stakeholders.

I would like to reassure shareholders that we are committed towards NCHL's vision of being a leading provider of electronic payment and settlement services in Nepal and for building NCHL as a sustainable and valuable institution.

I once again welcome all of you in the 2nd Annual General Meeting of our company.

Mr. Ratna Raj Bajracharya
Chairman

CEO's MESSAGE

The fiscal year 2012/13 (2069/70) could be described as a year of creating NCHL as a 'Sustainable' institution and creating solid foundations to face challenges for making it a successful national payment system infrastructure provider in Nepal. After having been incorporated since 23rd December 2008 and been in operation of NCHL-ECC system since 3rd February 2012, we have successfully rolled out our services in Kathmandu and Birgunj. We are now in a turning point to rollout NCHL-ECC across the country.

Financially, the operating profit has increased to NPR 13,117,179.87 against NPR 2,574,175.59 in the previous year and the net loss for the current year stood at NPR 8,431,189.06 as against net loss of NPR 9,456,123.78 in the previous year. Loss for the current year is mainly due to the adjustment in the net realizable value of the ECC software inventory in account of reduction in the number of potential members BFIs due to their merger and reduced software price for accommodating development banks and finance companies as members. The cumulative loss as of the end of current year stands at NPR 15,108,930.12 as against NPR 6,677,741.06 in the previous year. The paid-up capital has been increased to NPR 150,000,000 in the current year from NPR 89,999,000 in the previous year.

Operationally, NCHL-ECC supports clearing of NPR, USD, EUR and GBP denominated instruments and is now highly stable with average daily cheque volume of 11,647 as compared to 8,112 in the previous year. The peak transaction volume processed by NCHL-ECC was 25,877 in a single day and in terms of transaction value it was NPR 14.47 billion in a single day in the fiscal year 2012/13. The rejection rate has also improved to 6.4% from 8.1% in the previous year. Current membership base of NCHL stands at 102 as against 37 in the previous year. And there are 1,663 listed branches and 1,729 business users in the NCHL-ECC system as of the end of fiscal year 2012/13. All these users are being supported by our limited but committed staffs. Total headcount currently stands at 12 as compared to 11 in the last fiscal year.

NCHL will continue to upgrade its existing infrastructure to support increasing number of members and transaction volume. We have successfully upgraded the NCHL-ECC software to version 19 which incorporated some of the enhancements in the system. We have also implemented NCHL-CRM & Billing System to improve internal efficiency of the Helpdesk and Accounts function, which is an in-house developed system.

Success of NCHL depends on smooth rollout of NCHL-ECC across the country and implementation of MICR cheques by the member participants. We have successfully replaced manual clearing within Kathmandu and Birgunj. And many of our members are using (both outward and inward) NCHL-ECC system from various other regions and we plan to rollout NCHL-ECC at Biratnagar, Janakpur, Pokhara, Bhairawa, Nepalgunj and Dhangadi, where NRB currently performs manual clearing. We are even assisting regional banks & financial institutions from other regions to join NCHL and have been successful in many of the regions like Narayangarh, Hetauda, Butwal, Sindhupalchok, Dhulikhel/Kavre, etc. In order to further improve operational efficiency of the members and to reduce associated risks of using electronic cheque clearing, we will provide all the necessary support to our members to introduce MICR cheques in coming fiscal year.

At the end, I would like to thank and acknowledge Nepal Rastra Bank, the Board, shareholders, member Banks/FIs, our staff, the vendors and the community as a whole who have supported and guided in creating NCHL as a sustainable institution. And I am confident that similar support will be extended in the days to come.

Mr. Neelesh Man Singh Pradhan
Chief Executive Officer

DIRECTOR'S REPORT

Dear Shareholders,

It is with great pleasure on the behalf of the Board of Directors of Nepal Clearing House Ltd. (NCHL) to welcome you and the invited guests in our second annual general meeting. We present you the company's performance, achievements, challenges, business review along with the audited reports of the financials for the fiscal year ending 2012/13.

Snapshot of last year's performance:

With an objective of transforming NCHL as a sustainable institution for providing nationwide electronic cheque clearing services to the Banks/FIs, we have successfully expanded the clearing services of NPR, USD, GBP & EUR denominated cheques. We have now completely replaced manual clearing within Kathmandu valley, Birgunj and have assisted many of our members to start electronic cheque clearing from other regions also. By the end of the fiscal year under review, we already have 102 participating member Banks/FIs compared to 37 in the last year. Summary of the financial position of the company for the fiscal year 2012/13 is presented through the following table.

Particulars	FY 2012/13 (2069/70)	FY 2011/12 (2068/69)	FY 2010/11 (2067/68)
Paid up capital	150,000,000.00	89,999,000.00	89,999,000.00
Reserve & Surplus	(15,108,930.12)	(6,677,741.06)	2,778,382.72
Investment	-	-	-
Operating Income	88,122,020.33	66,650,713.00	-
Other Income	693,891.21	1,051,171.58	8,621,352.80
Operating Expenses	(75,698,731.67)	(65,127,708.99)	(4,805,074.93)
Operating Profit	13,117,179.87	2,574,175.59	3,616,277.87
Interest Expense	(5,227,085.77)	(3,016,666.42)	-
Depreciation	(16,709,521.76)	(8,277,159.45)	(168,411.74)
Differed Tax Surplus/(Deficit)	388,238.60	(736,473.50)	(754,553.14)
Profit /(Loss) for the year	(8,431,189.06)	(9,456,123.78)	2,893,312.99

Profit/ Loss:

During the year under review the company has made net loss of NPR 8,431,189.06 as against net loss of NPR 9,456,123.78 for the last fiscal year. Cumulative loss till the end of the fiscal year stands at NPR 15,108,930.12

Capital and Reserves:

Additional equity capital of 60,001,000 was raised during the fiscal year 2012/13 from Nepal Rastra Bank, Banks & Financial Institutions (commercial banks, development banks and finance companies) and Smart Choice Technologies P. Ltd., as per the decision made in the 1st annual general meeting. The paid-up capital of the company now stands at NPR 150,000,000. The net loss made during the fiscal year has been transferred to the balance sheet as Reserve & Surplus.

NCHL-ECC Service:

NCHL-ECC is the first national payment system offered by NCHL to its member BFIs and hence has given due importance to stabilize it both operationally and financially during the year under review. We have successfully migrated from the manual clearing to NCHL-ECC in Kathmandu valley from 1st Poush 2069 and in Birgunj from 15th Chaitra 2069. Additionally, many of our members are already using NCHL-ECC from various other regions including Narayangarh, Hetauda, Banepa/ Dhulikhel, Sindhupalchok, Biratnagar, Birtamod, Janakpur, Pokhara, Butwal, Nepalgunj, Dhangadi. Our existing member Banks/FIs can extend the service to their customers from any of their branches across the country. We are now in the process of enrolling the regional Banks/FIs and for complete migration of manual clearing to NCHL-ECC at Biratnagar, Janakpur, Pokhara, Bhairawa, Nepalgunj and Dhangadi, where Nepal Rastra Bank currently runs manual clearing.

Human Resource:

The major achievements of NCHL are due to the dynamism and commitment of our staffs. By the end of the year under review we have total headcount of 12 supporting over 1800 business users of 102 members. Formal and on the job trainings have been arranged to the staffs to improve their technical and non-technical skills. We will keep building the right team for providing efficient and effective services.

Affect of national and international situation on business:

Banks and in some cases non-bank players have started providing various electronic payment services and hence alternative electronic payment solutions introduced could be a major challenge for NCHL. NCHL needs to innovate with the ever changing technology based payment solutions and introduce to its member Banks/FIs. The acute electricity problem, appreciation of US Dollars against NPR, merger of banking & financial institutions, absence of qualified & experienced human resources are some of the major challenges and hurdles that we had to face in the year gone by. Excessive appreciation of US\$ against NPR could be major challenge in the coming fiscal year, as

the first installment (50%) of the NCHL-ECC software annual maintenance contract equivalent to US\$ 25,000 for NHCL's software and US\$ 100,000 for participant's software is due on 1st March 2014. With the recent trend of merger of banks and financial institutions, it has created difficulty in obtaining membership commitment from many of the Banks/FIs and has reduced the existing membership base also. Despite of such challenges, our company gathered considerable support from the Banks/FIs with total membership base of 102 (after adjusting members due to merger) against 37 at the end of the last fiscal year. Target for the fiscal year 2012/13 was to achieve membership base of 80.

Current years' achievement and future plan:

Planned activities of NCHL for the FY 2012/13 include:

- Achieve membership base of up to 125. We expect reduction of 9-10 existing members due to merger.
- Rollout of NCHL-ECC System at Biratnagar, Janakpur, Pokhara, Bhairawa, Nepalgunj, Dhangadi.
- Assist member Banks/FIs for introducing standard MICR cheques.
- Strengthen risk management of NCHL.
- Organize continuous training for the participating member Banks/FIs and for the NCHL staff.
- Initiate interbank payment system project.

Industrial and business relationship:

NCHL has always maintained cordial relationships with Nepal Rastra Bank, Banks & Financial Institutions and various other business groups. And because of the continuous support and confidence shown by all the parties, NCHL has been able to bring the institution up to the current state. NCHL has also maintained a balanced relationship with the national and international vendors and service providers. NCHL will continue to gain the trust and confidence from different sectors and will work in future to fulfilling their expectations.

Change in Board of Directors:

Mr. Ratna Raj Bajracharya representative of Global IME Bank Ltd., Mr. Rajan Singh Bhandari representative of Citizens Bank International Ltd. and Mr. Jyoti Prakash Pandey representative of Nepal Investment Bank Ltd. were elected by the 1st Annual General Meeting held on 29th November 2012 (14/08/2069) as the board representatives from the Group B shareholders. They replaced the outgoing Chairman Mr. Ashoke SJB Rana representative of Himalayan Bank Ltd. and Director Mr. Sashin Joshi representative of NIC Bank Ltd. Mr. Ratna Raj Bajracharya was unanimously elected as the Chairman of the Board by the 54th board meeting held on 12th December 2012. NCHL would like to thank and acknowledge the contributions made by Mr. Ashoke SJB Rana and Mr. Sashin Joshi during their tenure.

Major factors affecting business:

Following are some of the major factors that may adversely affect NCHL's business.

1. Current trend of merger of various Banks and Financial Institutions ultimately reducing the potential and existing members.
2. Not able to increase cheque transaction volume.
3. Continuation of both manual cheque clearing and electronic cheque clearing for long period.
4. Possibility of change of rules and policies from the regulatory bodies.
5. Increase in overall risk to member Banks/FIs due to non implementation of MICR cheques.
6. Increase in the exchange rate of US\$ against NPR.
7. Limited availability of the skilled resources.

Remarks from Auditors report:

Auditor has expressed their satisfaction on the financial transactions of the company. Complete audit report is attached in the later section of the report.

Dividend:

There is no provision of dividend for the fiscal year 2012/13.

Share seized:

No share has been seized.

Company and its subsidiary company's transaction and review of situations at the end of the fiscal year:

The reviews of the company have been mentioned in the report in various sections. Also there is no subsidiary of NCHL.

Major transactions that the Company and its subsidiary company have performed and any important changes that occurred in business of the company:

NCHL does not have subsidiary and the details of transactions of the company have been mentioned in the presented balance sheet, profit & loss statement, cash flow statement and auditor's report.

Information provided to the company on share transactions by the shareholders:

There was no report on share transactions by the shareholders.

Information regarding personal interest of any of the directors or their relatives regarding the agreement related to the company:

Not Applicable.

Mention if the company has purchased its own share:

Not Applicable.

Internal control mechanism of the company and details of the same:

NCHL has formulated and implemented major policies and procedures for the company. Other control policies and procedures will be developed as per the requirement. The management ensures the implementation of the approved policies and procedures. And a separate board level audit committee, formed as per the prevailing Company Act, oversees to ensure adequate controls are in place for the financial and operational activities of the company. Two half yearly internal audits have also been conducted in the FY 2012/13 which was outsourced to BRS Neupane & Co. under the supervision of the Audit Committee.

Total management expenses in the fiscal year 2011/12:

The details of the management expenses are as follows:

	2012/13 (2069/70)	2011/12 (2068/69)
Employee Expenses	8,784,240.21	7,905,252.52
Office Operation Expenses	7,087,124.29	5,275,295.74
Total Administration Expenses	15,871,364.50	13,180,548.26

Members of the Audit Committee, their remunerations and benefits and details of their activities performed along with recommendations:

Members of the Audit Committee are:

1. Mr. Hari Prasad Kaphle – Chairman of the Committee
2. Mr. Rabindra B Malla – Member of the Committee
3. Mr. Man Bahadur Khatri – Member Secretary of the Committee

There was no provision for remunerations to any of the members of the Audit Committee. As a meeting allowance for each Audit Committee meetings, NPR 2,500 for the members was provided except for the Member Secretary who is not provided with the meeting allowance. Total of NPR.40,000.00 was disbursed as meeting allowance to the Audit Committee members. Applicable tax was deducted prior to the payment in all such payments. 8 audit committee meetings were held in the fiscal year.

Details of remunerations, allowances and other benefits paid to Directors, Managing Director, Chief Executive:

1. There was no provision for remunerations to any of the Directors. As a meeting allowance for each board meeting, NPR 2,500 for each Director was provided per sitting. The Board had 13 meetings during the period under review and total of NPR 77,500 was disbursed as board meeting allowance to the Directors. Applicable tax was deducted prior to the payment in all such payments.

Board Member	Total Meeting Allowance
Mr. Ashoke SJB Rana	10,000
Mr. Sashin Joshi	10,000
Mr. Ratna Raj Bajracharya *	-
Mr. Hari Prasad Kaphle	30,000
Mr. Rajan Singh Bhandari *	-
Mr. Jyoti Prakash Pandey *	-
Mr. Rabindra B Malla	27,500
Mr. Krishnaraj Lamichhane **	-
Mr. Saroj Kaji Tuladhar **	-

* These directors have foregone sitting fees.

** Mr. Krishnaraj Lamichhane and Mr. Saroj Kaji Tuladhar were nominated representing Group D and E institutions effective 2nd August 2013, up to the AGM date.

2. The Chief Executive Officer during the year under review was paid salary of NPR.1,929,375.00 and NPR.1,835,437.50 as allowance & benefits including provident fund contribution. A car facility with fuel expense of up to 100 liters per month on actual and mobile expense of up to NPR 2,000 per month on actual were also provided.

Dividend payable:

NCHL has not yet paid any dividend.

Any transactions with associated companies:

Not Applicable.

Other necessary information:

- a. Finance Ordinance 2070/71 published by the Government of Nepal has enlisted NCHL service under VAT exemption. The request to enlist NCHL service under VAT exemption was initiated from 17th Ashad 2066 immediately after the company was incorporated and is finally achieved in the FY 2069/70. This has largely avoided possible tax liability to NCHL in case it was not achieved.
- b. Due to the merger of the banks & financial institutions and also reduction in the price of NCHL-ECC software for participants that was made to induct development banks & finance companies, we expect net realizable value of the ECC software from the members is less than the cost. Hence the net unrecoverable software inventory of NPR 9,198,000 equivalent to the extent of the merged non-member BFIs till the end of Ashad 2070 has been adjusted.

c. Auditor

J. B. Rajbhandary & DiBins was the external auditor for the statutory audit of the fiscal year 2012/13. They are eligible for reappointment for the fiscal year 2013/14 also, and Audit Committee has recommended for their reappointment accordingly.

Finally, on the behalf of the Board of Directors I would like to thank Nepal Rastra Bank, Banks & Financial Institutions, other regulatory bodies and other stakeholders for placing their trust and confidence in our company. Sincere thanks to the management team and other staffs whose commitment and hard work has brought the company up to this stage. We look forward toward continued support and suggestions from all the stakeholders as NCHL marches ahead as the first national payment service provider in Nepal.

Thank you.

On behalf of Board of Directors.

Mr. Ratna Raj Bajracharya
Chairman

OUR PRODUCTS & SERVICES

Electronic Cheque Clearing (NCHL-ECC) is an image-based nationwide MICR cheque processing & settlement solution where an original paper cheque is converted into an image for electronic processing and is transferred through a secured medium between participating member Banks/FIs. The physical movement of the cheques are truncated or stopped at the level of the presenting bank resulting in a faster and easier processing of the cheque transactions. Cheques of the member Banks/FIs will be accepted by any of the member banks/FIs across the country and hence they can service their customers from any of their branches. Membership is open to all the banks & financial institutions in Nepal.

NPR Electronic Cheque Clearing

This is an electronic cheque clearing service for NPR denominated cheques. It is available for both standard (MICR based) and non-standard (existing non-MICR based) cheques.

FCY Electronic Cheque Clearing

This is an electronic cheque clearing services for USD, GBP and EUR currency cheques. Participating members need to have settlement account in the respective foreign currency at Nepal Rastra Bank to avail of this service. It is available for both standard (MICR based) and non-standard (existing non-MICR based) cheques.

Express Cheque Clearing

Express NCHL-ECC service is a special arrangement of short duration for cheque presentment, response and settlement allowing the Banks/FIs and their customers to present and realize their cheques faster. Currently one express cheque clearing session is available for all four currencies NPR, USD, GBP and EUR.

Cut-off times for cheques clearing are as follows:

	Standard Cheques	Non-Standard Cheques	Express Clearing
Presentment cut-off time	14:00	12:00	10:00 to 11:00
Paying bank response cut-off time	15:00	15:00	11:30
Settlement of the session	15:30	15:30	12:00

National Cheque Archive

National Cheque Archive is an additional service provided to the member Banks/FIs to have an access to the historical cheques and transaction details. All the cheque transactions older than three months are moved from the NCHL-ECC System to National Cheque Archive system to store the cheques for up to 7 years and will be made available on request.

CORPORATE GOVERNANCE

Corporate governance provides an effective direction and control to the company ensuring transparency, business integrity and timely financial reporting. NCHL-ECC system being one of the systemically important national payment systems with stakeholders involving the central bank, Banks/FIs and their customers, it is important for NCHL to exercise highest level of transparency in all aspects of business operation. The Board of Directors of NCHL are committed to ensure effective overseeing and direction of the business conducts of the company; to adhere to the applicable regulations and; to maintain highest standards of business best practices. NCHL is regulated by the Company Act, Negotiable Instrument Act, Electronic Transaction Act, Nepal ECC Rules and regulations promulgated by Nepal Rastra Bank from time to time.

The Board

The Board of NCHL is responsible for protecting the rights and interests of the Shareholders and hence is accountable to the Shareholders. The Board normally involves in making decisions related to the company's strategic plan; ensuring proper control mechanisms and ensuring financial health of the company. The Board currently comprises of 7 non-executive Directors including the Chairman, who is elected from amongst the Directors. Current composition of the Directors includes one representative from Nepal Rastra Bank, 3 from commercial banks, 1 from development banks, 1 from finance companies and 1 from Smart Choice Technologies Pvt. Ltd.

All major policy and procedure related guidelines are approved by the Board. Financial Rules & Regulation, Employee Service Rules, Employee Performance Objectives & Appraisal Procedure, Travel & Advance Policies, NCHL Code of Conduct, IT Policies, Disaster Recovery Plan, Standard Operating Procedures (covering majority of the company functions), Discount & Waiver Policies are formulated and implemented.

Board Meetings

Board meeting is called by the Company Secretary in writing to the Directors along with the necessary documents so that the Directors are well informed in the matters to be discussed. Board sometimes

invites external independent experts in some of the meetings to have their professional advice. The decisions made by the Board are deliberated for implementation by the Management. The Board had 13 meetings during the fiscal year 2012/13.

Shareholders Communication

Shareholder communication is mainly through Annual General Meeting. Necessary information is incorporated in the Annual Report and are in adherence with the prevailing Company Act. NCHL has also shared necessary information to the respective shareholders through various mediums and in various platforms. Other company information is also available in NCHL's website (www.nchl.com.np).

Audit and Audit Committee

The financials for the fiscal year 2012/13 was audited by J. B Rajbhandari & DiBins. The details of the audited financials for the fiscal year 2012/13 (2069/70) are incorporated in the Financial Information section of this report. Total fees paid to the external auditor for the fiscal year 2012/13 was NPR 62,150 including taxes.

An Audit Committee comprising of two Board of Directors as its members and a member secretary from the management, formed as per the requirement of the Company Act 2063, oversees the controls put in place for financial and operational transactions of the company. The Audit Committee had 8 meetings during the fiscal year 2012/13. Also half yearly internal audits (Shrawan to Poush 2069 and Magh 2069 to Ashad 2070) were carried out during the year which was outsourced to BRS Neupane & Co. under the supervision of the Audit Committee.

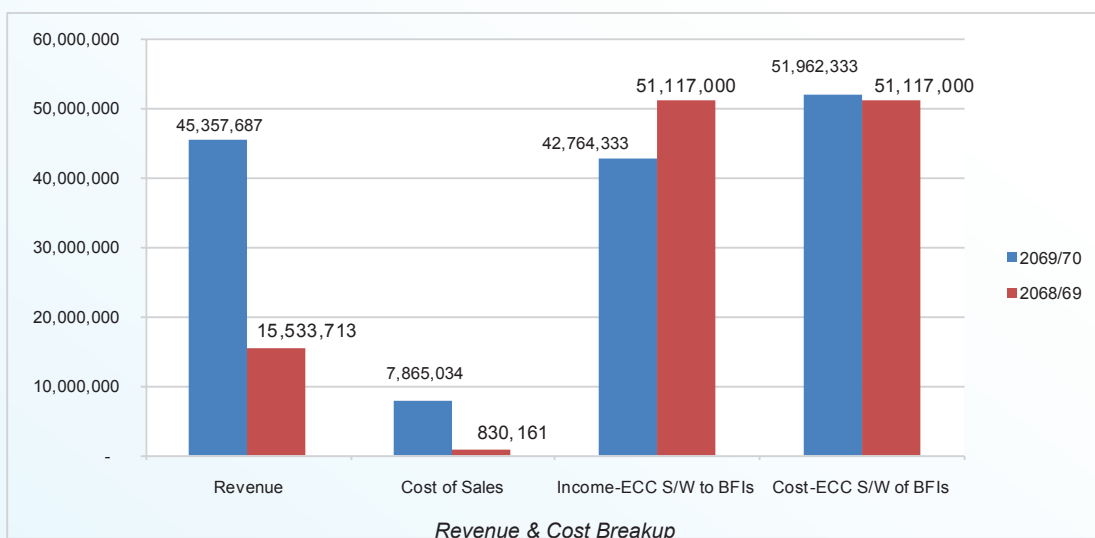
FINANCIAL REVIEW

NCHL's equity from the shareholders is fully paid amounting to NPR 150,000,000. The total shareholders fund at the end of fiscal year was NPR 134,891,069.88. The company made a net loss of NPR 8,431,189.06 during the year under review against the net loss of NPR 9,456,123.78 the last year. As of the year end the cumulative loss stands at NPR 15,108,930.12. The increase in operational income during the fiscal year was mainly due to increased income from the transaction fees and membership fees; whereas net loss was mainly in account of adjustment of unrealizable software inventory related to the loss of potential members due to the merger of non-member banks & financial institutions.

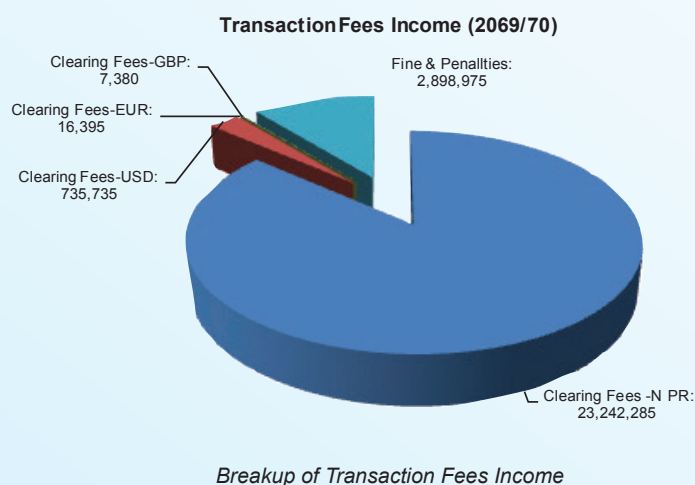
Key indicators of the company are as follows.

Indicators	2069/70	2068/69
Net Profit /Total Operating Income	-9.6%	-14.2%
Gross Profit/ Total Operating Income	32.1%	22.1%
Txn Fees Income/ Total Operating Income	30.5%	8.0%
ECC S/W Income/ Total Operating Income	48.5%	76.7%
Total Number of shares (Face value 100)	1,500,000	899,990
Book Net worth per share	89.9	92.6

NCHL signed membership agreement with total of 65 new member Banks/FIs and has recovered the cost of ECC Software from the Banks/FIs of value NPR 42,764,333.33. It has booked membership (including renewal) fee & Login Id fees income of NPR. 9,401,416.67; Transaction fees income (including NCHL-ECC Archive fee) of NPR. 26,903,570.00; and S/w AMC fee of NPR.1,737,166.66 during the period.



The Company made an additional capital expenditure of NPR 979,681.16 for the fixed assets during the fiscal year against NPR 77,353,183.55 in the last fiscal year. The accumulated depreciation on the fixed assets increased to NPR 25,158,859.61 from NPR 8,449,337.85 in the last fiscal year. The Prepaid, Loan, Advances & Deposits increased to NPR 20,646,332.45 as compared to NPR 6,605,265.55 the last fiscal year which is mainly on account of advance tax deducted on revenue and interest income. The administrative expenses increased to NPR 15,871,364.50 from NPR 13,180,548.26 the last year out of which the staff salary & allowance increased from NPR 7,905,252.52 last fiscal year to NPR 8,784,240.21 in the year under review.



In the absence of major capital expenditure, effective receivable management and addition of the equity capital, the operation of NCHL led to yearend cash surplus which has been parked in interest bearing call deposits. In view of the cash flow for the fiscal year 2012/13, excess cash surplus will be used to pre-pay the outstanding term loan to reduce the finance cost for the next fiscal year.

OPERATIONAL REVIEW

Stability and efficiency of national payment and settlement systems is critical for the development of banking & financial sector of a country. NCHL largely contributes towards this in Nepal under the guidance and supervision of Nepal Rastra Bank; in collaboration with the Banks/FIs and; in support from the local & global technology partners.

NCHL-Helpdesk:

NCHL has its corporate office including the main data center at Kamaladi Complex, Kamaladi, Kathmandu and disaster recovery site at Thimi, Bhaktapur. First level of support to the users of member Banks/FIs is performed by a dedicated Helpdesk function which is adequately staffed with technical / non-technical resources backed by second level of support from senior resources in the operations department. Arrangements are made such that member Banks/FIs can raise their support queries through multiple channels including phone, e-mail, on-line helpdesk system and chat tool.

Members:

NCHL-ECC was completely rolled out in Kathmandu since 1st Poush 2069 and in Birgunj since 15th Chaitra 2069. By the end of the fiscal year, there were total of 102 member banks/FIs including 1,663 listed branches and 1,729 business users within NCHL-ECC System. Following are the list of the members as of the end of Ashad 2070.

Nepal Rastra Bank	
Commercial Banks	
Agriculture Development Bank Ltd.	Mega Bank Nepal Ltd.
Bank of Kathmandu Ltd.	Nabil Bank Ltd.
Century Commercial Bank Ltd.	Nepal Credit and Commerce Bank Ltd.
Citizens Bank International Ltd.	Nepal Bangladesh Bank Ltd.
Civil Bank Ltd.	Nepal Bank Ltd.

Commerz and Trust Bank Nepal Ltd.	Nepal Investment Bank Ltd.
Everest Bank Ltd.	Nepal SBI Bank Ltd.
Global IME Bank Ltd.	NIC Asia Bank Ltd.
Grand Bank Nepal Ltd.	NMB Bank Ltd.
Himalayan Bank Ltd.	Prime Commercial Bank Ltd.
Janata Bank Nepal Ltd.	Rastriya Banijya Bank Ltd.
Kist Bank Ltd.	Sanima Bank Ltd.
Kumari Bank Ltd.	Siddhartha Bank Ltd.
Laxmi Bank Ltd.	Standard Chartered Bank Nepal Ltd.
Lumbini Bank Ltd.	Sunrise Bank Ltd.
Machhapuchchhre Bank Ltd.	

Development Banks

ACE Development Bank Ltd.	Kailash Development Bank Ltd.
Apex Development Bank Ltd.	Kasthamandap Development Bank Ltd.
Araniko Development Bank Ltd.	NDEP Development Bank Ltd.
Axis Development Bank Ltd.	Manakamana Development Bank Ltd.
Bright Development Bank Ltd.	NIDC Development Bank Ltd.
Business Universal Development Bank Ltd.	Prabhu Bikas Bank Ltd.
Clean Energy Development Bank Ltd.	Public Development Bank Ltd.
Corporate Development Bank Ltd.	Siddhartha Development Bank Ltd.
Country Development Bank Ltd.	Sindhu Bikas Bank Ltd.
Professional Diyalo Bikas Bank Ltd.	Subhechha Bikas Bank Ltd.
H & B Development Bank Ltd.	Supreme Development Bank Ltd.
Infrastructure Development Bank Ltd.	Tourism Development Bank Ltd.
International Development Bank Ltd.	Triveni Bikas Bank Ltd.
Jyoti Bikas Bank Ltd.	Vibor Bikas Bank Ltd.

Finance Companies

Bhaktapur Finance Ltd.	NIDC Capital Market Ltd.
Central Finance Ltd.	Om Finance Ltd.
Civil Merchant Finance Ltd.	Paschimanchal Finance Ltd.
Fewa Finance Ltd.	Pokhara Finance Ltd.
Goodwill Finance Ltd.	Premier Finance Ltd.
Guheshwori Merchant Banking & Finance Ltd.	Progressive Finance Ltd.
ICFC Finance Ltd.	Prudential Finance Ltd.

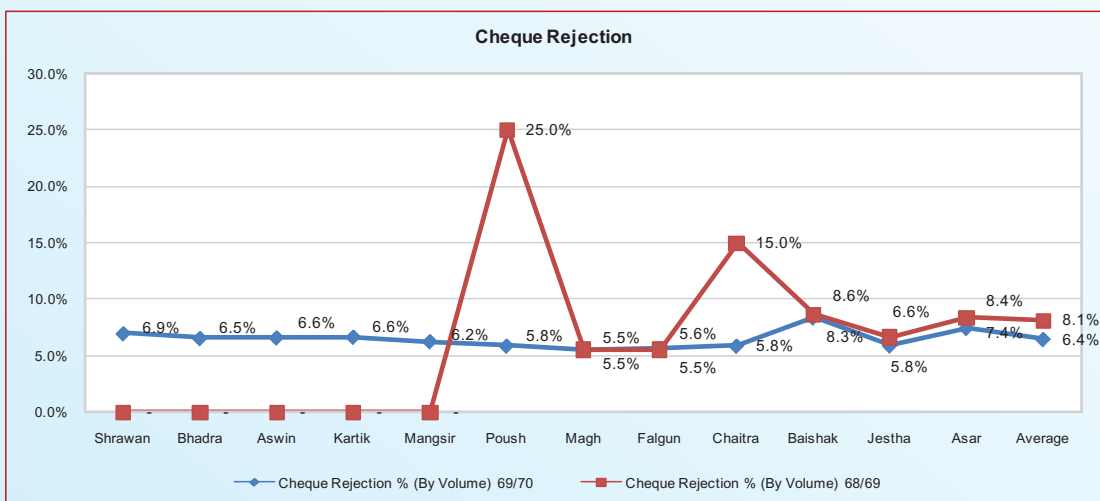
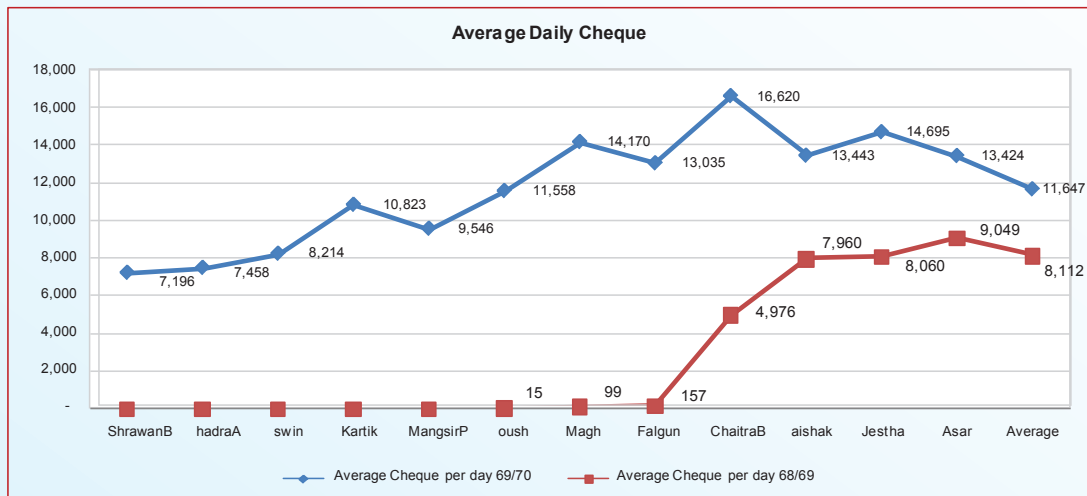
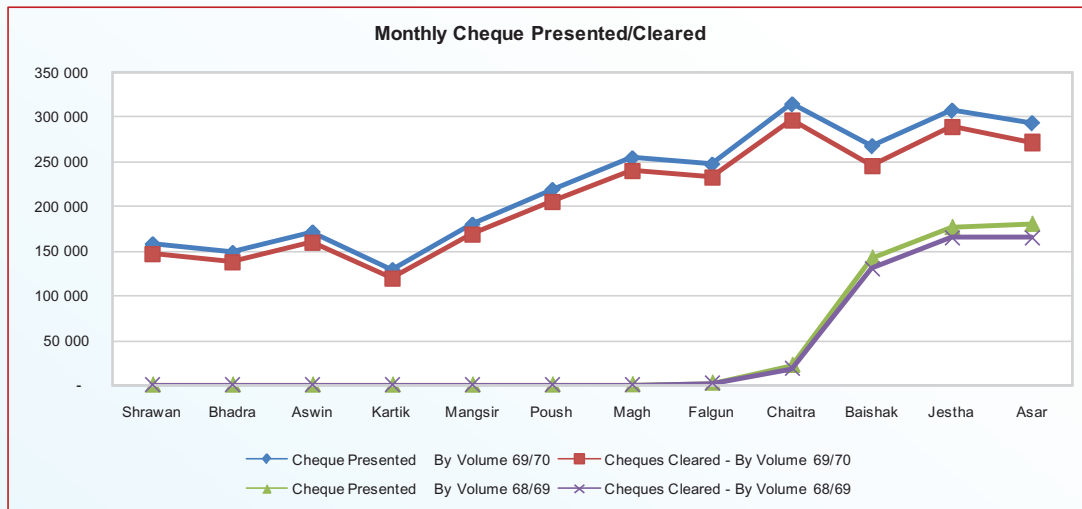
International Leasing & Finance Co.Ltd	Reliable Finance Ltd.
Imperial Finance Ltd.	Reliance Finance Ltd.
Jebils Finance Ltd.	Sagarmatha Merchant Banking Finance Ltd.
Kathmandu Finance Ltd.	Shree Investment & Finance Co. Ltd.
Lalitpur Finance Ltd.	Shubha Laxmi Finance Ltd.
Lotus Investment Finance Ltd.	Synergy Finance Ltd.
Lumbini Finance & Leasing Co. Ltd.	Union Finance Ltd.
Mahalaxmi Finance Ltd.	Unique Finance Ltd.
Manjushree Finance Ltd.	United Finance Ltd.
Narayani National Finance Ltd.	Valley Finance Ltd.
Navadurga Finance Ltd.	World Merchant Banking & Finance Ltd.
Nepal Awas Finance Ltd.	Yeti Finance Ltd.
Nepal Express Finance Ltd.	Zenith Finance Ltd.
Nepal Finance Ltd.	Nepal Housing & Merchant Finance Ltd.

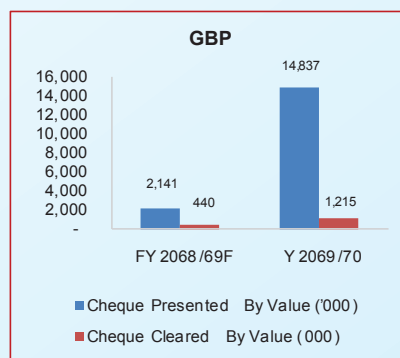
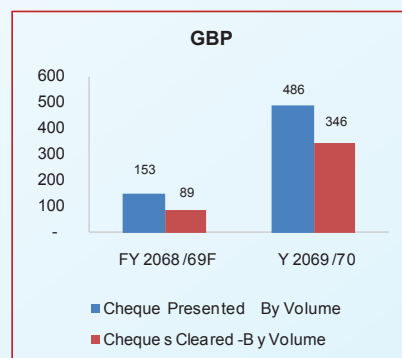
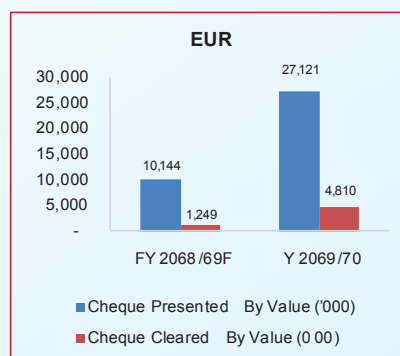
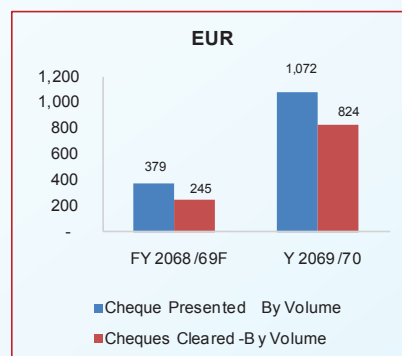
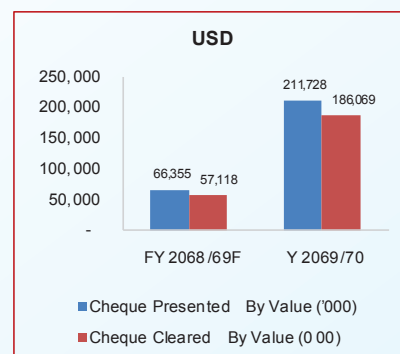
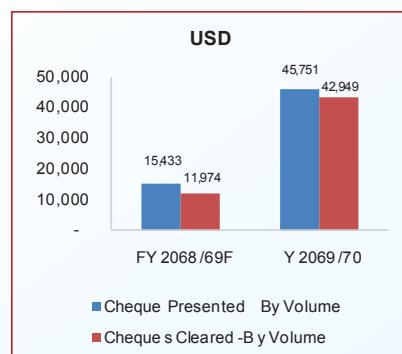
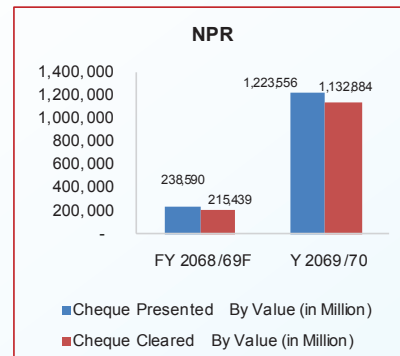
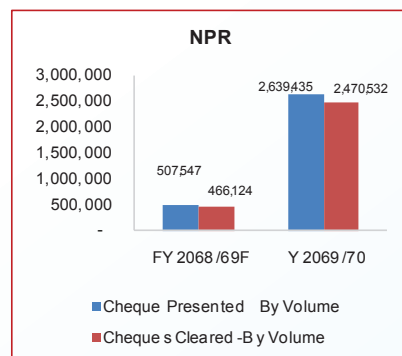
Transactions:

Total of 2,686,744 cheques were presented through NCHL-ECC System during the fiscal year 2012/13 out of which 2,514,651 were cleared. An average presented cheques per day during the period was 11,647 as compared to 8,112 in the last fiscal year. An average cheque return percentage with respect to the total cheques presented was 6.4% as compared to 8.1% in the last year. The snap shot of the transactions through NCHL-ECC System during the fiscal year 2012/13 are depicted as follows.

	NPR	USD	EUR	GBP	Total
Cheque Presented – By Volume	2,639,435	45,751	1,072	486	2,686,744
Cheques Cleared - By Volume	2,470,532	42,949	824	346	2,514,651
Cheque Presented – By Value ('000)	1,223,555,839	211,728	27,121	14,837	
Cheque Cleared – By Value ('000)	1,132,884,174	186,069	4,810	1,215	
Cheque Rejection % (By Volume)	6.4%	6%	23%	29%	6.4%
Average Cheque per day *	11,377	261	6	3	11,647
Number of Clearing Days (including Friday sessions)					278

* Friday session not considered for computing daily average.





Cheques presented vs cleared
(By Volume)

Cheques presented vs cleared
(By Value)

NCHL CORE TEAM

1. Neelesh Man Singh Pradhan, Chief Executive Officer

Mr. Pradhan has experience of over 12 years in the field of banking and financial technology with an expertise in financial systems & technologies design, operation and management. He was earlier working with TAIB Bank, Bahrain in the capacity of Assistant Vice President prior to which he was associated with Tata Consultancy Services Ltd. in India and Netherlands. He has also worked at Kathmandu University. He holds Engineering degree from Kathmandu University, Nepal and MBA from Indian Institute of Technology, India. He is also Certified Information System Auditor (CISA) and Project Management Professional (PMP).

2. Dipesh B Shrestha, Operation Manager

Mr. Shrestha has experience of over 16 years in the field of banking systems implementation and support. He has worked at Thesys Technologies in India as Business Consultant; at Rastriya Banijya Bank as IT Consultant under the World Bank project; and at Himalayan Bank Ltd. as Senior Officer. He holds Computer Science degree from University of Philippines and MBA from Asian Institute of Technology, Thailand.

3. Man Bahadur Khatri, Finance & Admin Officer

Mr. Khatri has experience of over 15 years in the field of Accounts, Finance and Administration. He has worked at New Bibek Enterprises P. Ltd. as Finance & Administration Manager; at Bhargav Development Bank Ltd as Head of Finance & Administration; and at Sagarmatha Insurance Co. Ltd as Assistant Manager Finance & Administration. He holds MBA degree with specialized in Management Accountancy, Tax Law & Planning, from Tribhuvan University, Nepal.

4. Dilli Man Shakya, Technology & Infrastructure Manager

Mr. Shakya has 10 years of experience in the field of IT infrastructure operations. He has earlier worked as Head of IT at Social Development Bank, prior to which he was associated with Rastriya Banijya Bank as Data Center In-charge and at Serving Minds P. Ltd. as Manager Technology. He holds Bachelor of Commerce and MBA degrees from Tribhuvan University and MSc-IT from Sikkim Manipal University. He is also a Microsoft Certified Technology Specialist and ITIL certified.

5. Bishnu Gautam, System Manager

Mr. Gautam has over 8 years of experience in the field of banking system operation and software development. He has worked as Assistant Manager at Nepal Bank Ltd. prior to joining NCHL. He holds Bachelor of Computer Application degree from Pokhara University and MSc-IT from Sikkim Manipal University. He is also an Oracle Certified Professional and ITIL certified.

6. Rupak Gyawali, Network Engineer/ Helpdesk Incharge

Mr. Gyawali has over 5 years of experience in the field of network. He has worked as Support Engineer at Worldlink Communication Ltd. prior to joining NCHL. He holds Bachelor of Engineering degree from Tribhuvan University. He is a Cisco trained professional.

7. Other Team Members are:

Rabin Panthi, System Analyst **Shovit Sharma**, System Analyst **Subash Thapa**, System Analyst
Raju Maharjan, Fin/Admin Assistant **Raju Shrestha**, Office Assistant

RISK MANAGEMENT

NCHL being a systemically critical financial market infrastructure, it should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a range of options for recovery. And it should regularly review the material risks it bears from and poses to other entities as a result of interdependencies and develop appropriate risk-management tools to address such risks. NCHL has continued to update and upgrade its risk management system in a continuous basis.

Business Risk

The main business risk faced by NCHL as the national service provider for clearing & settlements is the risk of not having sufficient banks and financial institutions enrolled as its members and thus significant reduction in the cheque transaction volume. And this is of a major concern given the current trend of merger of many of the banks & financial institutions. To mitigate this risk NCHL has always worked together with Nepal Rastra Bank, most of the Banks/FIs, their associations and other stakeholders. NCHL continuously evaluates the past trends of the clearing and forecast the volume of such transactions in order to ascertain the transaction fluctuations. NCHL has kept abreast with the technological developments in the clearing, payments & settlements area in order to provide the necessary infrastructure. Further, NCHL will also look out for other similar ventures in the area of payment & settlement in future to off-set high dependency into a cheque clearing only.

Operational Risk

The operational risk management at NCHL is focused at establishing itself as an efficient and effective electronic cheque clearing service provider. In order to accomplish this, risks need to be mitigated in the areas of processes, people and technology. Appropriate policies and procedures required for the operation have been formulated and implemented. It's IT Policies are closely aligned with COBIT standards in order to mitigate the risks associated with information security and to follow best practices.

NCHL has also setup a fully functional Disaster Recovery Site (DRS) at Thimi, Bhaktapur for both redundancy and high availability to mitigate the risk of main site failure. Continuity of Business (COB) site has also been setup at NCHL premise to provide business continuity to access NCHL-ECC System by the members in case they have a failure at their bank/branch. As a contingency planning for the regional banks/FIs, an alternate arrangement to access the NCHL-ECC System through internet has also been made.

The effectiveness of our clearing systems and the associated processes and technology are testimony to the well qualified and trained staff, who we believe are our valued assets. In order to minimize the risk associated with our people, we have ensured that right skills are developed and continuously improved.

Various event based risks that may damage the physical assets/property of the company are extensively reviewed to cover from insurance policies. Any incident having or potential impacts to the operations are recorded and casual analysis done to ensure preventive controls are identified & put in place. A well defined Incident Management Process is in place for this matter. Apart from the physical risk, various other risks have been analyzed and are mitigated by means of service contracts with the vendors. In order to maintain the financial accounts of the company, we are using Tally accounting software.

Systemic Risk:

Risks arising due to interdependencies and possibility of transmitting disruptions beyond NCHL and one/few participants are the systemic risks. This may be due to an inability of one or more of the participants to perform as expected which could cause other participants to be unable to meet their obligations when due. These adverse effects, for example, could arise from unwinding or reversing of transactions; delaying of settlement. In such cases the participants could suddenly face significant and unexpected credit and liquidity exposures that might be extremely difficult to manage at the time leading to further cascading effect. NCHL works very closely with the settlement bank (Nepal Rastra Bank) and with the participating members there by reducing the overall impact of such risk.

Financial Risks:***Liquidity Risk***

Though NCHL is expected to be profitable in a long run, there is a high probability of liquidity risk in a short run. The liquidity risk includes the inability of the company to handle the short and medium term financial liabilities. In order to manage the liquidity risk, the Board and the management regularly monitor and analyze the cash flow forecasts. Company financials are also analyzed and monitored in a regular basis.

Risk on revenue due to limited number of memberships

The main driver for our revenue is the increase in NCHL membership resulting in increase of cheque transaction volume. Give the current situation of many Banks/FIs in the process of merger, not achieving targeted membership may adversely affect our cash flow and hence revenue. This factor has already shown some effect.

Interest Rate Risk

In the fiscal year 2012/13, considerable portion of the expenses was in the form of finance cost against the loan obtained to bridge the funding required for participating member bank's software. As of today, we have already paid all the outstanding loans but downward interest rate in coming year may affect adversely in the interest income in view of our anticipated cash inflows.

Foreign Exchange Risk

A significant proportion of the software and maintenance services are sourced from the international vendor and the payment is made in US Dollars. In order to avoid the upside risk due to the fluctuations of the Rupee against the Dollar, NCHL managed to enter into US dollar forward contract with a local bank and hence was able to manage the foreign exchange risk at manageable levels. Total savings in the fiscal year under review due to the US\$ forward contract was equivalent to NPR 5,387,744. In view of payment to the software vendor against software maintenance contract in the coming fiscal year (first installment due on 1st March 2014), we expect major upside risk due to excessive US\$ appreciation against NPR.

AUDIT REPORT & FINANCIAL INFORMATION

J . B . Rajbhandary & DiBins

CHARTERED ACCOUNTANTS

2nd Floor (North Wing), Sherpa Mall, Durbar Marg
P.O. Box: 23725, Kathmandu, Nepal
Tel: (01) 4228352, (01) 4247177
Fax: 977-1-4244971
E-mail: jitendrarb@mos.com.np
E-mail: pdjoshi@mos.com.np

Auditor's Report to the Shareholders of Nepal Clearing House Limited

We have examined the attached Balance Sheet of Nepal Clearing House Limited as at 31 Ashad 2070 (Corresponding to 15 July 2013), Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity for the period ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, proper books of accounts as required by law have been maintained by the Company, in so far as appears from our examination of those accounts, Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity dealt with by this report are in agreement with the books of accounts.

In our opinion, the financial statements read with Notes to Account give true and fair view of the financial position of the company as of 31 Ashad 2070 (15 July 2013), results of its operations, its cash flows and changes in equity for the year ended on that date in accordance with Nepal Accounting Standards, Companies Act 2063 and other applicable prevailing Laws of the land.

Further, in our opinion, to the best of our information, according to the explanations given to us and from our examination of the books of accounts of the Company, we have not come across cases where any member or Board of Directors or any employee of the Company have acted contrary to the provisions of law or caused loss or damage to the Company or committed any misappropriation and acted in a way to jeopardize the interest and security of the Company.

Kathmandu, Nepal

Date: 25 Bhadra 2070 (10 September 2013)



CA. Jitendra B. Rajbhandary
Senior Partner

NEPAL CLEARING HOUSE LTD.

Balance Sheet As at Ashad 31, 2070 (July 15, 2013)

Particulars	Schedule	As on Ashad 31, 2070 (15 July, 2013)	As on Ashad 31, 2069 (15 July, 2012)
Shareholder's Fund:			
Share Capital	1	150,000,000.00	89,999,000.00
Reserve & Surplus	2	(15,108,930.12)	(6,677,741.06)
Total Shareholder's Fund		134,891,069.88	83,321,258.94
Medium & Long Term Loans	3	23,076,923.07	-
Deferred Tax Liability		1,150,127.60	1,538,366.20
Total		159,118,120.55	84,859,625.14
Fixed Assets	4 & 4.1		
Gross Block		85,048,321.00	84,068,639.84
Less : Accumulated Depreciation		25,158,859.61	8,449,337.85
Net Block		59,889,461.39	75,619,301.99
Investment	5	-	-
Current Assets		116,604,305.41	101,956,243.76
a) Inventories	6	31,808,024.43	83,770,357.76
b) Trade & Other Receivables	7	4,780,855.00	11,396,219.51
c) Cash & Bank Balances	8	59,369,093.53	184,400.94
d) Prepaid, Loans, Advances & Deposits	9	20,646,332.45	6,605,265.55
e) Deferred Tax Assets		-	-
Less: Current Liabilities & Provisions		17,375,646.25	92,715,920.61
a) Current liabilities		16,665,112.09	92,301,937.27
i) Current liabilities and Payables	10	16,665,112.09	81,098,372.69
ii) Short Term Loan (secured Overdraft)		-	11,203,564.58
b) Provisions	11	710,534.16	413,983.34
Net Current Assets		99,228,659.16	9,240,323.15
Expenditures to the extent not written off	12	-	-
Total		159,118,120.55	84,859,625.14

Contingent Liability

13

Notes to Accounts

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Schedules 1 to 17 form integral part of this statement

As per our report of even date

Neelesh Man Singh Pradhan
Chief Executive Officer

Ratna Raj Bajracharya
Chairman

CA. Jitendra B. Rajbhandary
Senior Partner
For J. B. Rajbhandary & DiBins
Chartered Accountants

Hari Prasad Kaphle
Director

Rajan Singh Bhandari
Director

Jyoti Prakash Pandey
Director

Rabindra B. Malla
Director

Krishnaraj Lamichhane
Director

Saroj Kaji Tuladhar
Director

NEPAL CLEARING HOUSE LTD.

Profit & Loss Account

For the period 01 Shrawan 2069 to 31 Ashad 2070
(Corresponding to 16 July 2012 to 15 July 2013)

Particulars	Schedule	As on Ashad 31, 2070 (15 July, 2013)	As on Ashad 31, 2069 (15 July, 2012)
Operating Income			
Revenue/ Sales	14	45,357,687.00	15,533,713.00
ECC Software sales to BFIs		42,764,333.33	51,117,000.00
Operating Expenses			
Cost of Sales	15	7,865,033.84	830,160.73
ECC Software cost		51,962,333.33	51,117,000.00
Gross Profit		28,294,653.16	14,703,552.27
Other commercial income		693,891.21	1,051,171.58
i) Interest Income		692,849.06	616,837.98
ii) Other Income		1,042.15	434,333.60
Administrative Expenses	16	15,871,364.50	13,180,548.26
Profit from Operation		13,117,179.87	2,574,175.59
Financial expenditure		5,227,085.77	3,016,666.42
Depreciation		16,709,521.76	8,277,159.45
Staff Bonus		-	-
Profit / (Loss) before Tax		(8,819,427.66)	(8,719,650.28)
Provision for Tax		-	-
Deferred Tax Surplus (Deficit)		388,238.60	(736,473.50)
Net Profit / (Loss) after Tax		(8,431,189.06)	(9,456,123.78)
Profit / (Loss) Up to Last year		(6,677,741.06)	2,778,382.72
Profit / (Loss) Balance		(15,108,930.12)	(6,677,741.06)
Appropriation:			
a. Ordinary Reserve Fund		-	-
b. Proposed Dividend		-	-
c. Balance of profit and loss transferred to Balance Sheet		(15,108,930.12)	(6,677,741.06)

Schedules 14 to 17 from integral part of this statement

As per our report of even date

Neelesh Man Singh Pradhan
Chief Executive Officer

Ratna Raj Bajracharya
Chairman

CA. Jitendra B. Rajbhandary
Senior Partner
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Director

NEPAL CLEARING HOUSE LTD.

Cash Flow Statement

**For the period 01 Shrawan 2069 to 31 Ashad 2070
(Corresponding to 16 July 2012 to 15 July 2013)**

Particulars	Current Year	Previous Year
Net Profit/(Loss)	(8,819,427.66)	(8,719,650.28)
Add/(Less) : Adjustment		
Depreciation	16,709,521.76	8,277,159.45
Gratuity Provision	127,541.66	95,750.01
Leave Provision	169,009.16	165,046.67
Provision for bonus	-	-
Financial Expenses	5,227,085.77	3,016,666.42
Income Tax Paid	-	-
Cash Flow from Operation Before Working Capital	13,413,730.69	2,834,972.27
Increase(Decrease) in Current Liabilities	(75,636,825.18)	73,044,074.49
Decrease (Increase) in Current Assets	44,536,630.94	(43,893,281.77)
Cash Flow From Operating Activities	(17,686,463.55)	31,985,764.99
Purchase of Fixed Assets	(979,681.16)	(77,353,183.55)
Investment- Capital WIP	-	-
Investment	-	-
Sale of Fixed Assets	-	-
Cash Flow From Investing Activities	(979,681.16)	(77,353,183.55)
Interest on loan	(5,227,085.77)	(3,016,666.42)
Increase(Decrease) in Loans	23,076,923.07	11,203,564.58
Share Capital	60,001,000.00	-
Sale of Fixed Assets	-	-
Cash Flow From Financing Activities	77,850,837.30	8,186,898.16
Net Increase(Decrease) in Cash & Bank Balances	59,184,692.59	(37,180,520.40)
Cash & Bank Balances at the Beginning of the Year	184,400.94	37,364,921.34
Cash & Bank Balance at the end of the Year	59,369,093.53	184,400.94

Neelesh Man Singh Pradhan
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NEPAL CLEARING HOUSE LTD.

Statement of Changes in Equity

For the Financial Year ended as at 31 Ashad 2070 (15 July 2013)

Particulars	Share Capital	Share Premium	Revaluation Reserve	Translation Reserve	Accumulated Profit	Total
Balance at 16 July 2011	89,999,000.00	-	-	-	2,778,382.72	92,777,382.72
Changes in Accounting Policy	-	-	-	-	-	-
Restated balance	89,999,000.00	-	-	-	2,778,382.72	92,777,382.72
Surplus on Revaluation of properties	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-
Net gains and losses not recognized in the income statement	-	-	-	-	-	-
Net Profit for period	-	-	-	-	(9,456,123.78)	(9,456,123.78)
Dividend	-	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-	-
Balance as at 15 July 2012	89,999,000.00	-	-	-	(6,677,741.06)	83,321,258.94
Surplus on Revaluation of properties	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-
Net gains and losses not recognized in the income statement	-	-	-	-	-	-
Net Profit for period	-	-	-	-	(8,431,189.06)	(8,431,189.06)
Dividend	-	-	-	-	-	-
Issue of Share Capital	60,001,000.00	-	-	-	-	60,001,000.00
Balance as at 15 July 2013	150,000,000.00	-	-	-	(15,108,930.12)	134,891,069.88

NEPAL CLEARING HOUSE LTD.

Kathmandu, Nepal.

Schedule Attached To and Forming Part of Financial Statements for Ashad 31, 2070

Share Capital

Schedule -1

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Authorized Capital		
2,500,000 Ordinary Shares of Rs 100/- each	250,000,000.00	250,000,000.00
Issued Capital		
1,500,000 Ordinary Shares of Rs 100/- each	150,000,000.00	128,570,000.00
Subscribed Capital		
1,500,000 Ordinary Shares of Rs. 100/- each	150,000,000.00	89,999,000.00
Paid up Capital		
1,500,000 Ordinary Shares of Rs. 100/- each	150,000,000.00	89,999,000.00
Less: Calls in Arrears	-	-
Deposit for Share	-	-
Total	150,000,000.00	89,999,000.00

Reverse & Surplus

Schedule -2

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Capital Reserve	-	-
Profit (Loss) Account	(15,108,930.12)	(6,677,741.06)
Total	(15,108,930.12)	(6,677,741.06)

Medium & Long Term Loans

Schedule -3

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
i) Secured Loan	23,076,923.07	-
ii) Un Secured Loan	-	-
Total	23,076,923.07	-

NEPAL CLEARING HOUSE LTD.

Kathmandu, Nepal.

Schedule Attached To and Forming Part of Financial Statements

As at 31 Ashad 2070

Fixed Assets and Depreciation

Particulars	Office Equipment	Vehicles	Others	Software	Schedule -4	
					Total	Total
Cost Price						
Opening Balance	44,859,682.57	2,884,100.00	30,337.00	36,294,520.27		84,068,639.84
Addition during the year	597,040.16	161,500.00	-	221,141.00		979,681.16
Deletion during the year	-	-	-	-		-
TOTAL	45,456,722.73	3,045,600.00	30,337.00	36,515,661.27		85,048,321.00
<u>Depreciation</u>						
Opening Balance	7,807,569.04	504,717.50	4,590.98	132,460.33		8,449,337.85
For the year	8,996,514.19	440,690.00	4,550.55	7,267,767.02		16,709,521.76
Deletion during the year	-	-	-	-		-
Total Depreciation	16,804,083.23	945,407.50	9,141.53	7,400,227.35		25,158,859.61
WDV as on 31/03/2070 (15/07/2013)	28,652,639.50	2,100,192.50	21,195.47	29,115,433.92		59,889,461.39

NEPAL CLEARING HOUSE LTD.
Kathmandu, Nepal.

Detail of Fixed Assets & it's Depreciation
As at 31 Ashad 2070

Schedule -4.1

Particulars	Purchase Date	Cost Value				Month	Dep. Rate	Depreciation up to 2068/69	WDV for 2068/69	Depreciation for 2069/70	WDV for 2069/70
		Up to Last Year	Current Year	Del	Balance						
Group A											
Building & Structure		-	-	-	-	-	-	-	-	-	-
TOTAL											
Group B											
Computer & Accessories :											
Computer	67/02	90,400.00	-	-	90,400.00	12	20%	39,173.33	51,226.67	16,573.34	34,653.33
Printer	67/02	22,600.00	-	-	22,600.00	12	20%	9,793.33	12,806.67	4,143.33	8,663.34
Lenovo Desktop Computer	68/01	104,000.00	-	-	104,000.00	12	20%	24,266.67	79,733.33	20,800.00	58,933.33
Lenovo Desktop Computer	68/02	255,000.00	-	-	255,000.00	12	20%	55,250.00	199,750.00	51,000.00	148,750.00
Lenovo Desktop Computer	68/04	204,000.00	-	-	204,000.00	12	20%	37,400.00	166,600.00	40,800.00	125,800.00
Lenovo Desktop Computer	69/02	61,020.00	-	-	61,020.00	12	20%	1,017.00	60,003.00	12,204.00	47,799.00
USB Hard disk 500 GB	67/12	12,511.00	-	-	12,511.00	12	20%	3,127.75	9,383.25	2,502.20	6,881.05
3 units of 1 TB USB HDD	69/07	37,290.00	37,290.00		37,290.00	8	20%	-	-	4,972.00	32,318.00
1 TB Transcend HDD USB 3.0	69/09	19,840.00	19,840.00		19,840.00	6	20%	-	-	1,984.00	17,856.00
HDD - 600GB SAS	69/12	56,500.00	56,500.00		56,500.00	3	20%	-	-	2,825.00	53,675.00
1 TB External Hard Disk	68/05	9,300.00	-	-	9,300.00	12	20%	1,550.00	7,750.00	1,860.00	5,890.00
Laptop HP Pavilion	67/12	63,600.00	-	-	63,600.00	12	20%	15,900.00	47,700.00	12,720.00	34,980.00
2 units Lenovo Laptop	69/10	131,000.00	131,000.00		131,000.00	5	20%	-	-	10,916.67	120,083.33
Ben Q Note Book	68/04	34,500.00	-	-	34,500.00	12	20%	6,325.00	28,175.00	6,900.00	21,275.00
Canon Multimedia Printer	67/12	22,455.50	-	-	22,455.50	12	20%	5,613.88	16,841.62	4,491.10	12,350.52
Brother Multifunctional Printer	68/03	65,700.00	-	-	65,700.00	12	20%	13,140.00	52,560.00	13,140.00	39,420.00
Epson TM-S100 MICR Scanner	68/03	136,000.00	-	-	136,000.00	12	20%	27,200.00	108,800.00	27,200.00	81,600.00
Panini MICR Scanner	68/05	141,577.70	-	-	141,577.70	12	20%	23,596.28	117,981.42	28,315.54	89,665.88
Brother Multifunctional Printer-Tonner	68/03	6,780.00	-	-	6,780.00	12	20%	1,356.00	5,424.00	1,356.00	4,068.00
IBM X3250 M3 Server with 8GB RAM	68/03	296,000.00	-	-	296,000.00	12	20%	59,200.00	236,800.00	59,200.00	177,600.00

IBM X3250 M3 Server with 4GB RAM	68/03	133,500.00	-	-	-	133,500.00	12	20%	26,700.00	106,800.00	26,700.00	80,100.00
Database Server - 740	68/04	3,443,900.52	-	-	-	3,443,900.52	12	20%	688,780.10	2,812,518.76	688,780.10	2,123,738.66
Application server - 740	68/04	4,358,692.50	-	-	-	4,358,692.50	12	20%	871,738.50	3,559,598.87	871,738.50	2,687,860.37
Test Server - 740	68/04	1,452,897.50	-	-	-	1,452,897.50	12	20%	290,579.50	1,186,532.96	290,579.50	895,953.46
IBM- 300GB SAS SFF DHH	68/08	135,600.00	-	-	-	135,600.00	12	20%	27,120.00	119,780.00	27,120.00	92,660.00
National Archive Infrastructure Mgmt.	68/04	1,728,999.44	-	-	-	1,728,999.44	12	20%	345,799.89	1,412,016.21	345,799.89	1,066,216.32
External Storage Server	68/04	6,412,124.72	-	-	-	6,412,124.72	12	20%	1,282,424.94	5,236,568.52	1,282,424.94	3,954,143.58
Server	68/04	819,000.00	-	-	-	819,000.00	12	20%	163,800.00	668,850.00	163,800.00	505,050.00
Security Server	68/04	819,000.00	-	-	-	819,000.00	12	20%	163,800.00	668,850.00	163,800.00	505,050.00
SAN Switch	68/04	4,412,500.42	-	-	-	4,412,500.42	12	20%	882,500.08	3,603,542.01	882,500.08	2,721,041.93
OME Rack	68/04	1,138,588.00	-	-	-	1,138,588.00	12	20%	227,717.60	929,846.87	227,717.60	702,129.27
Tape Library	68/04	1,237,270.90	-	-	-	1,237,270.90	12	20%	247,454.18	1,010,437.90	247,454.18	762,983.72
Fortinet Firewall 60C	68/03	64,000.00	-	-	-	64,000.00	12	20%	12,800.00	51,200.00	12,800.00	38,400.00
Planet 24 Port Gigabyte Smart Switch	68/03	17,000.00	-	-	-	17,000.00	12	20%	3,400.00	13,600.00	3,400.00	10,200.00
Fortinate Fortigate 620B	68/06	3,254,400.00	-	-	-	3,254,400.00	12	20%	650,880.00	2,766,240.00	650,880.00	2,115,360.00
Fortinate Fortigate 50B	68/12	53,110.00	-	-	-	53,110.00	12	20%	10,622.00	50,454.50	10,622.00	39,832.50
Cisco Catalyst Ws-C2960 Switch	68/06	491,550.00	-	-	-	491,550.00	12	20%	98,310.00	417,817.50	98,310.00	319,507.50
Cisco Catalyst Ws-C2960S	68/08	160,000.00	-	-	-	160,000.00	12	20%	32,000.00	141,333.33	32,000.00	109,333.33
Cisco Catalyst Stack Plex	68/06	178,540.00	-	-	-	178,540.00	12	20%	35,708.00	151,759.00	35,708.00	116,051.00
Cisco Catalyst Stack Plex	68/08	158,200.00	-	-	-	158,200.00	12	20%	31,640.00	139,743.33	31,640.00	108,103.33
TEIW- 634GRU 300 Mbps	67/11	7,910.00	-	-	-	7,910.00	12	20%	1,582.00	5,800.67	1,582.00	4,218.67
3KVA UPS with Battery	68/01	94,999.00	-	-	-	94,999.00	12	20%	18,999.80	72,832.57	18,999.80	53,832.77
Power Ware 9155 30 KVA UPS	68/05	1,993,320.00	-	-	-	1,993,320.00	12	20%	398,664.00	1,661,100.00	398,664.00	1,262,436.00
Power Ware 9155 15 KVA UPS	68/05	542,626.00	-	-	-	542,626.00	12	20%	108,525.20	452,188.33	108,525.20	343,663.13
Battery with Connector	68/05	1,370,644.80	-	-	-	1,370,644.80	12	20%	274,128.96	1,142,204.00	274,128.96	868,075.04
Battery Cabinet	68/05	116,277.00	-	-	-	116,277.00	12	20%	23,255.40	96,897.50	23,255.40	73,642.10
Panasonic Air Condition	68/03	158,200.00	-	-	-	158,200.00	12	20%	31,640.00	126,560.00	31,640.00	94,920.00
Mitsubishi & Acon	68/01	231,069.00	-	-	-	231,069.00	12	20%	46,213.80	181,004.05	46,213.80	134,790.25
Panasonic Fax Machine	68/02	9,944.00	-	-	-	9,944.00	12	20%	1,491.61	7,292.27	1,491.61	5,800.66
Projector NEC NP115	67/11	42,000.00	-	-	-	42,000.00	12	20%	9,800.00	32,200.00	9,800.00	22,400.00
Jumbo Electronics Pvt. Ltd	68/01	11,500.00	-	-	-	11,500.00	12	20%	2,108.33	8,625.00	2,108.33	6,516.67
Electrical Cable - 4 Core - AL - AR	69/12	-	48,185.91	-	-	48,185.91	3	20%	2,409.30	-	-	45,776.61
Electrical Cable - 4 Core - Copper	70/03	-	4,915.50	-	-	4,915.50	0	20%	-	-	-	4,915.50

Electrical Infrastructure Set up	70/02	-	293,206.75	293,206.75	1	20%	-	-	4,886.78	288,319.97
Cheque Writer	70/01	-	6,102.00	6,102.00	2	20%	-	-	203.40	5,898.60
UTL Telephone Set	67/12	4,880.00	-	-	12	20%	1,301.33	3,578.67	894.67	2,684.00
National Stand Fan	68/02	5,600.00	-	-	12	20%	1,213.33	4,386.67	1,120.00	3,266.67
Stand Fan	69/02	2,900.00	-	-	12	20%	48.33	2,851.67	580.00	2,271.67
Media KIT	68/03	8,800.00	-	-	12	20%	1,760.00	7,040.00	1,760.00	5,280.00
Paper Shredder	68/04	7,006.00	-	-	12	20%	1,284.43	5,721.57	1,401.20	4,320.37
24 port Paths Panel	68/05	7,000.00	-	-	12	20%	1,166.67	5,833.33	1,400.00	4,433.33
24 port Switch	68/05	17,000.00	-	-	12	20%	2,833.33	14,166.67	3,400.00	10,766.67
Power Distribution Unit	68/04	15,000.02	-	-	12	20%	2,750.00	12,250.02	3,000.00	9,250.02
Jacson Cummins Generator.	68/04	1,129,999.78	-	-	12	20%	207,166.63	922,833.15	225,999.96	696,833.19
Data Center Temperature Monitoring	68/11	72,461.25	-	-	12	20%	4,830.75	67,630.50	13,284.56	54,345.94
2kg Co2 Type Fire Extinguisher	68/12	13,447.00	-	-	12	20%	672.35	12,774.65	2,689.40	10,085.25
5kg ABC Type Fire Extinguisher	68/12	7,846.72	-	-	12	20%	392.34	7,454.38	1,569.34	5,885.04
AC Volt Meter	69/02	15,820.00	-	-	12	20%	-	15,820.00	3,164.00	12,656.00
Dark Core Fiber- WLink	68/08	1,130,000.00	-	-	12	20%	131,833.33	998,166.67	226,000.00	772,166.67
Dark Core Fiber- Subisu	68/12	1,250,000.00	-	-	12	20%	62,500.00	1,187,500.00	250,000.00	937,500.00
Earthing DR Site	68/04	50,827.00	-	-	12	20%	8,471.17	42,355.83	10,165.40	32,190.43
Earthing Data center	68/04	69,495.00	-	-	12	20%	11,582.50	57,912.50	12,740.75	45,171.75
Neutral Line -Vertex	69/03	34,691.00	-	-	12	20%	-	34,691.00	6,938.20	27,752.80
Furniture & Fixture										
Furniture & Fixture	68/01	1,466,289.00	-	-	12	20%	342,134.10	1,124,154.90	293,257.80	830,897.10
VIP 32" Steel Locker	68/02	32,451.79	-	-	12	20%	7,031.22	25,420.57	6,490.36	18,930.21
Desk with Drawer	68/06	152,550.00	-	-	12	20%	22,882.50	129,667.50	30,510.00	99,157.50
Over Heads	68/06	47,460.00	-	-	12	20%	7,119.00	40,341.00	9,492.00	30,849.00
Partition and lease hold	68/06	362,490.00	-	-	12	20%	54,373.50	308,116.50	72,498.00	235,618.50
Data Center	68/05	2,382,860.01	-	-	12	20%	397,143.34	1,985,716.67	476,572.00	1,509,144.67
TOTAL		44,859,682.57	597,040.16	-			7,807,569.04	37,052,113.53	8,996,514.19	28,652,639.50
Group C										
Vehicle and Automobile										
Ford Fiesta Car	68/01	2,884,100.00	-	-	12	15%	504,717.50	2,379,382.50	432,615.00	1,946,767.50
Bajaj Discover	69/11	-	161,500.00	-	4	15%	-	-	8,075.00	153,425.00
TOTAL		2,884,100.00	161,500.00	-			504,717.50	2,379,382.50	440,690.00	2,100,192.50

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NEPAL CLEARING HOUSE LTD.

Kathmandu, Nepal.

Schedule Attached To and Forming Part of Financial Statements

As at 31 Ashad 2070

Investment

Schedule -5

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Investment	-	-
Total	-	-

Inventories (NCHL-ECC Software-Banks/FIs)

Schedule -6

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Opening Balance	83,770,357.76	134,887,357.76
Less : ECC Software cost (value consumed) (at net realizable value being lower than cost)	51,962,333.33	51,117,000.00
Total	31,808,024.43	83,770,357.76

Trade & Other Receivables

Schedule -7

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Member Banks	4,780,855.00	11,396,219.51
Total	4,780,855.00	11,396,219.51

Cash & Bank Balance

Schedule -8

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Cash Balance	7,536.05	8,033.81
Bank Balance :		
Janata Bank Nepal Ltd.	58,797,649.50	-
Grand Bank Nepal Ltd.	248,528.58	11,328.02
Laxmi Bank Ltd.	120,806.78	28,163.98
Laxmi Bank Ltd. (Current)	5,000.00	5,000.00
Nepal Rastra Bank	5,000.00	6,600.00
Siddhartha Bank Ltd.	184,572.62	125,275.13
Total	59,369,093.53	184,400.94

Prepaid, Loan, Advances & Deposits

Schedule -9

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Others Receivable	-	22,650.00
Tax Deposit (Advance Tax)	19,333,676.15	5,826,855.83
Prepaid Expenses	580,216.30	473,319.72
Advance for Fuel	300,000.00	100,000.00
Security Deposit	170,190.00	170,190.00
Performance Bond Guarantee - Deposit	250,000.00	-
Deposits	12,250.00	12,250.00
Total	20,646,332.45	6,605,265.55

NEPAL CLEARING HOUSE LTD.

Kathmandu, Nepal.

Schedule Attached To and Forming Part of Financial Statements

As at 31 Ashad 2070

Current Liabilities & Accounts Payable

Schedule -10

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Sundry Creditors	1,178,203.44	45,855,002.49
Accounts Payable	-	3,047,259.12
Provident Fund Payable	82,330.00	67,360.00
Staffs Payable	-	96,866.14
CIT Payable	20,500.00	-
TDS Payable	127,500.68	8,220,115.22
Other Payable - VAT	-	19,599,984.72
Expense Payable	96,159.97	-
Advance Income	15,160,418.00	4,211,785.00
Total	16,665,112.09	81,098,372.69

Provisions

Schedule -11

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Provision for Gratuity	277,458.33	149,916.67
Provision for Leave	433,075.83	264,066.67
Total	710,534.16	413,983.34

Expenditures to the extent not written off

Schedule -12

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
Expenditure to the extent not written off	-	-
Total	-	-

Contingent Liabilities

Schedule -13

Particulars	As at 31 Ashad 2070 (15 July 2013)	As at 31 Ashad 2069 (15 July 2012)
a. Claim against company	-	-
b. Capital commitment	-	-
Total	-	-

NEPAL CLEARING HOUSE LTD.

Kathmandu, Nepal.

Schedule Attached To and Forming Part of Financial Statements

For the period 01 Shrawan 2069 to 31 Ashad 2070

(Corresponding to 16 July 2012 to 15 July 2013)

Operating Income

Schedule -14

Particulars	Current Year	Previous Year
Cheque Clearing Fees- NPR	23,242,285.00	4,626,390.00
Cheque Clearing Fees- EUR	16,395.00	6,740.00
Cheque Clearing Fees-GBP	7,380.00	2,835.00
Cheque Clearing Fees-USD	735,735.00	235,120.00
Cheque Clearing Fine & Penalties	2,898,975.00	437,700.00
NCHL Login ID Fee	2,450,375.00	420,750.00
NCHL-Membership Fee	5,825,000.00	8,650,000.00
NCHL-Membership Fee – Renewal	1,126,041.67	-
NCHL Software AMC Renewal	1,737,166.66	-
NCHL - ECC Archive Fee	2,800.00	-
Network Connectivity & Management-Income	7,315,533.67	1,154,178.00
Total	45,357,687.00	15,533,713.00

Operating Expenses

Schedule -15

Particulars	Current Year	Previous Year
Network Connectivity – Member	4,003,364.00	719,810.00
AMC Expenses- Dark Core	161,360.00	47,120.00
AMC for Internal S/W & H/W	28,122.26	-
AMC for Power (Generator, UPS & Battery)	195,000.00	-
AMC & Renewal Network / Firewall	1,328,738.75	-
AMC Expenses-Hardware(IBM)	1,260,288.46	-
AMC Expenses-Oracle	511,621.73	63,230.73
Support Contract (Data Center)	28,250.00	-
Renewal for Forefront Antivirus	29,380.00	-
Rollout / Implementation	294,356.50	-
Member Training / Orientation Expenses	24,552.14	-
Total	7,865,033.84	830,160.73

NEPAL CLEARING HOUSE LTD.

Kathmandu, Nepal.

Schedule Attached To and Forming Part of Financial Statements

For the period 01 Shrawan 2069 to 31 Ashad 2070

(Corresponding to 16 July 2012 to 15 July 2013)

Administrative Expenses

Schedule - 16

Particulars	Current Year	Previous Year
Advertisement Expenses	30,172.83	192,837.68
Audit Fee	62,150.00	50,850.00
AGM Expenses	414,564.61	-
Bank Commission	345,555.51	72,299.75
Books and Subscription Expenses	6,839.86	10,100.00
Business Promotion Expenses	31,075.00	20,000.00
Common Area & Parking Exp	264,494.00	279,048.00
Consultancy Fee	128,200.00	185,000.00
Courier Expenses	23,253.50	11,773.35
Dashain Allowance	334,850.00	230,000.00
Electric Goods	-	7,510.11
Electricity Expenses	770,239.00	779,516.00
Fine and Penalties	-	1,000.00
Fuel Expenses	25,588.25	23,310.00
Fuel Expenses-CEO	129,967.00	110,962.90
Fuel Expenses -Generator	1,154,410.55	551,374.00
House Rent	817,384.75	778,461.66
Rental DR Site	435,000.00	467,778.00
Insurance Expenses	270,995.59	275,495.04
Internal Audit Expenses	56,044.00	-
Internet Expenses	137,859.00	203,965.00
Legal Fee	459,000.00	290,000.00
Local Conveyance	20,380.00	19,205.00
Meeting Allowance	117,500.00	137,500.00
Miscellaneous Expenses	2,000.00	-
Mobile Expenses-CEO	8,736.10	11,742.16
Office Expenses	195,449.00	150,890.98
Other Expenses	174,214.34	-
Other Project Expenses	-	110,850.78
Printing & Stationery	75,323.82	94,196.60
Provident Fund Contribution	435,161.50	362,028.39
Renewal & Registration	24,800.00	11,550.00

Repair & Maintenance	140,483.07	138,661.18
Salary & Allowances	7,556,427.89	6,902,427.45
Security Expenses	262,162.00	191,794.97
Telephone Expenses	117,196.51	75,022.58
Training Expenses - Staffs	245,310.00	-
Travelling Expenses	137,386.00	-
Web Site Development/Hosting Expenses	3,390.00	22,600.00
Leave Fare Allowance	161,250.00	150,000.00
Leave Provision	169,009.16	165,046.67
Gratuity Provision	127,541.66	95,750.01
Total	15,871,364.50	13,180,548.26

NEPAL CLEARING HOUSE LTD.**Kathmandu, Nepal.****Schedule Attached to and Forming Part of Financial Statements****Financial year : 2069/070 (2012/13)**

Significant Accounting Policies and Notes to Accounts

1 Background Information

- 1.1** NCHL is a limited liability company registered with Company Registrar Office on 8th Poush 2065 (corresponding to 23rd December 2008). It has obtained the letter of commencement of business from Company Registrar Office effective from 31st Jestha 2068. NCHL has obtained approval from Nepal Rastra Bank for operation of NCHL-ECC system for foreign currency cheques clearance effective from 7th Poush 2068 and obtained circular for conducting the cheque clearance in Nepalese currency effective from 20th Chaitra 2068. NCHL has obtained approval from Nepal Rastra Bank to fully rollout NCHL-ECC in Kathmandu from 1st Poush 2069 and in Birgunj from 15th Chaitra 2069.

The principle objective of the company is to facilitate Electronic Cheque Clearance (ECC) for its member banks. Till Ashad end 2070, NCHL has entered agreement with 102 Banks/members (Nepal Rastra Bank, 31 Commercial Banks and 26 Development Banks & 44 Finance Companies each).

These financial statements have been prepared under the responsibility of the management and approved by Board of Directors on 25th Bhadra 2070 (Corresponding to 10th September 2013).

2 Significant Accounting Policies

- 2.1** Financial statement is prepared under accrual basis of accounting and in line with Nepal Accounting Standards (except otherwise stated herein after).

2.1.1 Income Recognition

Fee charged for clearance charges, network connectivity and management charges, ECC software charges, login ID fee and membership fee is accounted for under accrual basis.

2.1.2 Recognition of assets and Depreciation**a. Recognition of fixed assets**

Fixed assets have been recognized in historical cost convention basis at the cost of construction/acquisition inclusive of incidental expenses related to construction/acquisition.

b. Depreciation method and rates

Depreciation on fixed assets is charged on Straight Line Method (SLM) at rates approved by Board specifying the pool heads under Office equipment, Vehicles, and Other assets; and the depreciation rate applied is 20%, 15%, and 15% respectively. Depreciation for procurement of assets during current fiscal year has been applied on month basis from next month of procurement of fixed assets till fiscal year end.

Acquisition of software has been categorized under separate pool called "Software" and depreciation rate has been applied on the basis of estimated life of 5 years on Straight Line Basis as per decision of Board.

2.1.3 Inventories

Inventories are valued at cost (being FIFO value) or net realizable value whichever is lower.

2.1.4 Employee Liabilities

a. Gratuity

Provision for gratuity is considered as per Employee's Service Rules (September 2012).

b. Leave

Provision for accumulated leave is considered as per Employee's Service Rules (September 2012).

c. Bonus

Provision for bonus is considered as per Bonus Act 2030.

2.1.5 Income tax

a. Income tax provision is considered in line with provisions of Income Tax Act 2058.

b. Deferred tax liability/assets is considered at the tax rate applicable to Company as per Income Tax Act 2058 based on the temporary differences between carrying amount and tax base in line with Nepal Accounting Standards -9 (NAS-9) .

3 Notes to Accounts

3.1 Inventories

ECC software purchased for member banks has been accounted for under the head of inventory. Opening stock of inventory amounts to Rs. 83,770,357.76. Sales at cost to member banks & financial institutions during the current fiscal year amounts to Rs. 42,764,333.33.

Management has reviewed the net realizable value of inventories. Considering the present selling conditions, the net realizable value of the inventories has been lower than its initially carrying amount of the inventory being the cost price. The net realizable value is less by Rs. 9,198,000 against the cost of the inventory. The management has presented inventory at net realizable value accordingly giving due consideration to Nepal Accounting Standards on Inventories.

Inventory of other recurring inventory has not been maintained since the value of such purchases was minor which has been expensed off as and when purchased.

3.2 Income tax liability

The company has not provided for income tax provision since it has taxable loss on availing the facility of carry forward losses as per section 20 of Income Tax Act, 2058.

Deferred tax liabilities has been reduced by Rs. 388,238.60 (opening deferred tax liability amounting to Rs. 1,538,366.20) considering the provision of Nepal Accounting Standards (NAS-9) on the temporary timing differences between carrying amount and tax base of assets & liabilities. Outstanding deferred tax liabilities as of the end of Ashad 2070 remains at Rs. 1,150,127.60. NCHL has not considered the tax loss for the purposes of computing deferred tax assets.

3.3 VAT Exemption

NCHL's service has been enlisted under VAT exemption list.

3.4 Provision for Gratuity & Leave

Provision for Gratuity amounting to Rs. 277,458.33 (addition this year Rs. 127,541.66) and Provision for Leave amounting to Rs. 433,075.83 (addition this year Rs. 169,009.16) has been made.

3.5 Forward Contract

Forward contract with Laxmi Bank Ltd. was entered for purchase of USD and accordingly during current fiscal year payment to Progress soft Corporation has been made. Cost relating to rollover of such forward contract has been charged off as bank commission.

3.6 Related party disclosure

Following are the related parties transactions.

3.6.1 With shareholders having more than 5% equity:

The company has been operating current account with Nepal Rastra Bank which was opened for the purpose of settlement of fees and charges. Current Account balance as of the end of Ashad 2070 remains at Rs. 5,000

3.6.2 Related to the banks represented on the Board:

No transaction has been noted except for fee and charges related to the normal business.

3.6.3 Related to Employees:

There are no transactions with the employees except allowed as per the Employee Service Rules of the company.

3.7 Term Loan

The company has availed term loan of Rs. 30 million from Janata Bank Nepal Ltd. against securities of company assets repayable within three years during the year for the purpose of temporary funding of ECC software for participating members. The outstanding term loan as of Ashad 2070 remains at Rs. 23,076,923.07. Entire term loan outstanding has been subsequently settled on 26th July 2013 due to increase in equity capital and also increase in number of members than was estimated.

3.8 Subsequent events

There has not been any occurrence after the reporting date considered as adjusting event requiring provisioning.

3.9 Advance income includes following fees and renewal charges for upcoming fiscal year 2070/071:

Login ID Fees	2,353,000
Network Conn. & Mgmt.	4,357,918
Software AMC Renewal	5,093,250
Membership Fee Renewal	3,356,250

Total	15,160,418
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These have been subsequently transferred to income during FY 2070/071 till date.

4. Previous year's figures are regrouped or rearranged wherever necessary.

दोश्रो बार्षिक साधारण सभा सम्बन्धी सूचना

श्री शेयरधनी महानुभावहरू,

यस कम्पनीको सञ्चालक समितिको मिति २०७०/०५/२५ मा बसेको ६५औं बैठकको निर्णय बमोजिम यस कम्पनीको दोश्रो बार्षिक साधारण सभा निम्न लिखित मिति, स्थान र समयमा निम्न विषयहरूमा छलफल तथा निर्णय गर्न बस्ने भएको हुँदा कम्पनी ऐन, २०६३ को दफा ६७(२) अनुसार सबै शेयरधनी महानुभावहरूको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।

सभा हुने मिति, स्थान र समय :-

मिति : २०७० साल असोज महिना १६ गते बुधवार (2nd October 2013)

स्थान : होटेल याक एण्ड यति, दरबारमार्ग, काठमाडौं

समय : बिहान ११:३०

छलफल गर्ने विषयहरू :-

क. साधारण प्रस्ताव:

१. संचालक समितिको आ. व. २०६९/०७० को प्रतिवेदन पारित गर्ने ।
२. लेखा परिक्षण प्रतिवेदन सहितको २०७० आषाढ मसान्त तकको वासलात तथा सोहि मितिमा समाप्त आ.व. २०६९/०७० को नाफा नोक्सान हिसाब तथा नगद प्रवाह विवरण स्वीकृत गर्ने ।
३. आ.व. २०७०/०७१ को लागि लेखा परिक्षकको नियुक्ति तथा निजको पारिश्रमिक निर्धारण गर्ने । (जे.वि.राजभण्डारी एण्ड डिविन्स पुन नियुक्त हुन योग्य रहनु भएकोले लेखा परिक्षण समितिबाट पुन नियुक्तीको निमित्त शिफारिस भएको)
४. कम्पनीको नियमावली अनुसार समूह "घ" र "ड" का शेयरधनीको तर्फबाट संचालक समितिमा प्रतिनिधित्व गर्ने एक/एक जना संचालकहरूको निर्वाचन गर्ने ।

ख. विविध ।

सञ्चालक समितिको आज्ञाले
कम्पनी सचिव

साधारण सभा सम्बन्धी अन्य जानकारी

- (१) शेयरधनीज्यूहरूको ठेगानामा हुलाक/कुरियरबाट पठाइने वार्षिक साधारण सभाको प्रतिवेदन यस कम्पनीको वेबसाइट www.nchl.com.np मा पनि हेर्न सकिनेछ । कुनै कारणले प्रतिवेदन प्राप्त नगर्नु हुने शेयरधनीज्यूहरूले यस कम्पनीको रजिष्टर्ड कार्यालयमा शेयरधनी प्रमाणपत्र प्रस्तुत गरी सो प्राप्त गर्न सक्नु हुनेछ ।
- (२) लेखापरिक्षकको प्रतिवेदन सहित कम्पनीको वार्षिक आर्थिक विवरण, सञ्चालक समितिको प्रतिवेदन, कम्पनी ऐन, २०६३ को दफा ७८ बमोजिमको प्रतिवेदन समेतका कागजातहरू कम्पनीको रजिष्टर्ड कार्यालय, कमलादी काठमाण्डौमा कार्यालय समय भित्र निरीक्षण गर्न तथा त्यसको प्रतिलिपी माग गरेमा प्रतिलिपी दिने व्यवस्था मिलाईएको छ ।
- (३) सभामा उपस्थित हुने शेयरधनी कम्पनीको प्रतिनिधित्व गर्ने आधिकारिक पत्र साथमा लिई आउनुहुन अनुरोध छ । कथमकदाचित् सो सम्भव नभए शेयरधनी प्रमाणपत्र साथमा लिई आउनुहुन अनुरोध छ, अन्यथा सभाकक्षभित्र प्रवेश गर्न पाइनेछैन ।
- (४) सभामा भाग लिन प्रतिनिधि (प्रोक्सी) नियुक्त गर्न चाहने शेयरधनीज्यूहरूले सभा सुरु हुने समय भन्दा कम्तीमा ४८ घण्टा अगावै यस कम्पनीको केन्द्रीय कार्यालयमा प्रोक्सी फारम दर्ता गरिसक्नुपर्नेछ । सभामा भाग लिन र मतदान गर्नका लागि प्रतिनिधि नियुक्त गरिसकेपछि उक्त प्रतिनिधि बदर गरी अर्कै मुकुरर गर्ने भएमा सोको लिखित सूचना सोही अवधिभित्र कम्पनीको केन्द्रीय कार्यालयमा दर्ता गरिसक्नुपर्नेछ ।
- (५) शेयरधनीज्यूहरूको सुविधाको लागि हाजिरी पुस्तिका सभास्थलमा सभा हुने दिन विहान ११:०० बजे देखि सभा चालु रहेसम्म खुल्ला रहने छ ।
- (६) अन्य कुनै जानकारीका लागि कम्पनीको रजिष्टर्ड कार्यालय, कमलादी, काठमाण्डौमा सम्पर्क गर्नु हुन अनुरोध छ ।

प्रोक्सी फाराम

श्री सञ्चालक समिति,
नेपाल क्लियरिङ हाउस लिमिटेड
कमलादी कम्प्लेक्स तेस्रो तल्ला
कमलादी, काठमाण्डौ ।

विषय : प्रतिनिधि नियुक्ति गरेको बारे ।

महाशय,

.....जिल्ला.....न.पा./गा.वि.स. वडा नं.....बस्ने म/हामी
..... ले त्यस कम्पनीको शेयरधनीको हैसियतले २०७० साल असोज महिना १६
गते बुधबारका दिन हुने दोश्रो वार्षिक साधारणसभामा स्वयंम उपस्थित भई छलफल तथा निर्णयमा
सहभागी हुन नसक्ने भएकोले उक्त सभामा भाग लिन तथा मतदान गर्नका लागि
न.पा./गा.वि.स. वडा न.बस्ने त्यस कम्पनीका शेयरधनी श्रीशेयर
प्रमाणपत्र नं. लाई मेरो /हाम्रो प्रतिनिधि मनोनित गरी पठाएको छु /छौं ।

निवेदक :-

दस्तखत:-

नाम:-

ठेगाना:-

शेयरधनी परिचय नं:-

शेयर प्रमाणपत्र नं:-

कि.नं.देखिसम्म

मिति:-

**द्रष्टव्य: यो निवेदन साधारणसभा हुनुभन्दा कम्तीमा ४८ घण्टा अगावै कम्पनीको रजिष्टर्ड कार्यालयमा
पेश गरिसक्नु पर्नेछ ।**



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