

# ANNUAL REPORT

## 2014/15 (2071/72)

चेकबाट कारोबार गरौं



NEPAL  
CLEARING  
HOUSE

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# 01 Overview

## About NCHL

Nepal Clearing House Ltd. (NCHL) is a public limited company established on 23<sup>rd</sup> December 2008 (9<sup>th</sup> Mangsir 2065) under the leadership and guidance of Nepal Rastra Bank (The Central Bank of Nepal). It has the equity participation from Nepal Rastra Bank, commercial banks, development banks, finance companies and Smart Choice Technologies (SCT), a private card switch operator. NCHL is incorporated as public limited company with Company Registrar's Office and is licensed and regulated by Nepal Rastra Bank.

Shareholding structure of NCHL is as follows:

Shareholders	Holding
Nepal Rastra Bank	10%
Commercial Banks	80%
Development Banks	
Finance Companies	
Smart Choice Technologies P. Ltd.	10%

NCHL recognizes banking & financial technology oriented services as one of the key ingredients for the Banks and financial institutions (BFIs) to improve their efficiency, productivity and also provide innovative financial solutions to their customers. And NCHL intends to help them realize these by providing various technology based payment related services without having to invest heavily into infrastructures by the BFIs.

NCHL was established with an objective to implement and operate multiple national payment and settlement systems with ultimate aim of establishing a payment gateway in Nepal. With the continuous and valuable support of all the member banks and financial institutions, NCHL is now in the path of becoming one.

NCHL has successfully replaced the old manual system of cheque clearing with electronic cheque clearing (NCHL-ECC) system. It was the first national payment system in Nepal and has been recognized as foundation for introducing other multiple payment & settlement systems. Having achieved the initial objective to rollout electronic cheque clearing services across Nepal, NCHL is in process of implementing an interbank payment system (NCHL-IPS).

In attaining its objective, NCHL has been and will continue to facilitate the development of secure and trusted payment methods and technologies in Nepal.

NCHL values the highest standards of ethics, integrity and teamwork. NCHL is committed towards its employees, members, partners and shareholders for creating itself as one of the valuable institutions in Nepal.

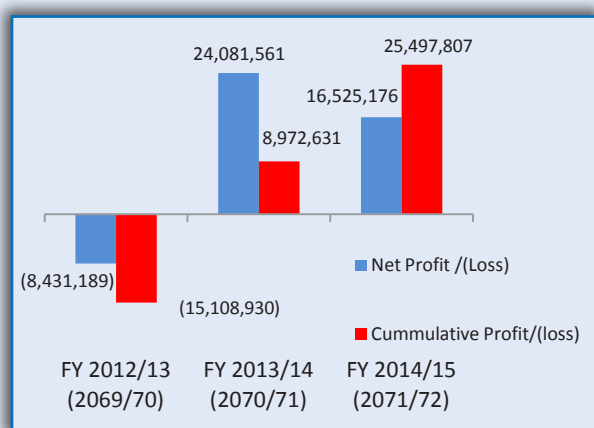
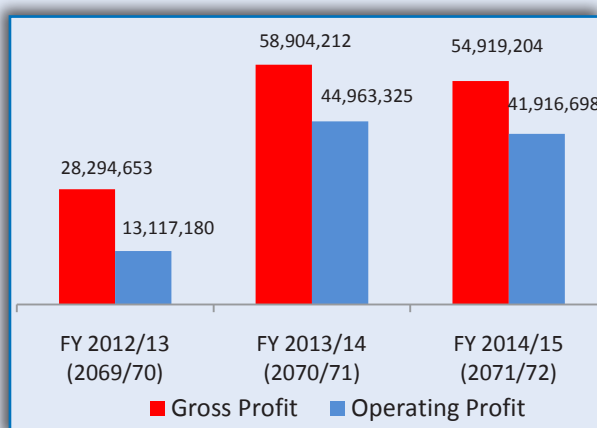
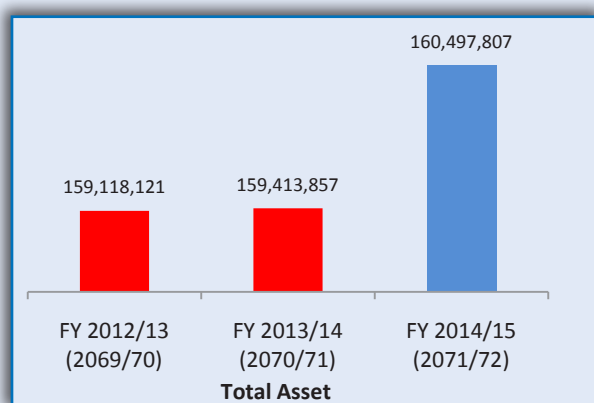
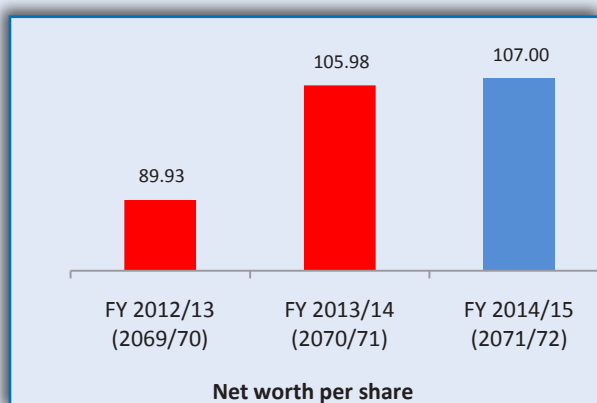
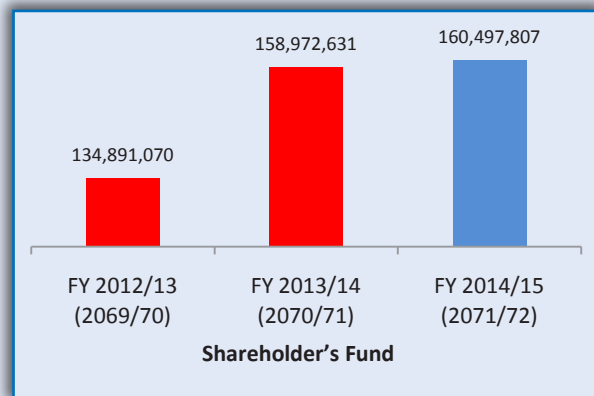
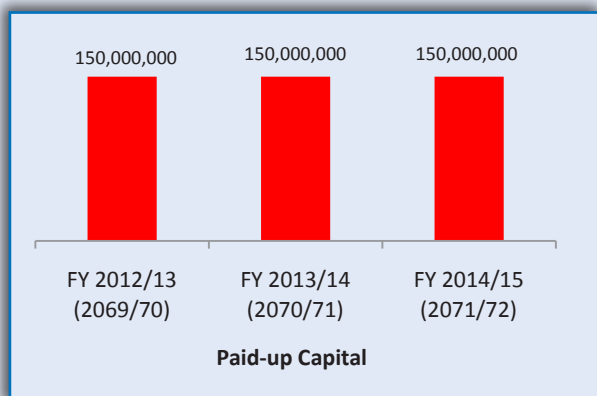
## Vision, Mission and Values Statement

Vision	Mission	Values
To be a leading provider of electronic payment and settlement services	<p>Establish and operate national systems for clearing, payments and settlements;</p> <p>Facilitate the development of secure &amp; trusted new payment methods and technologies in Nepal;</p> <p>Protect and increase shareholders' values;</p> <p>Establish itself as an organization of choice for the employees.</p>	NCHL values the highest standards of ethics, integrity and teamwork. NCHL is committed towards its employees, members, partners and shareholders.

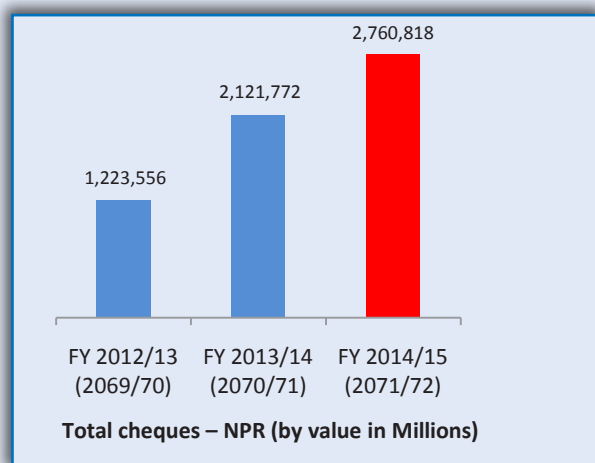
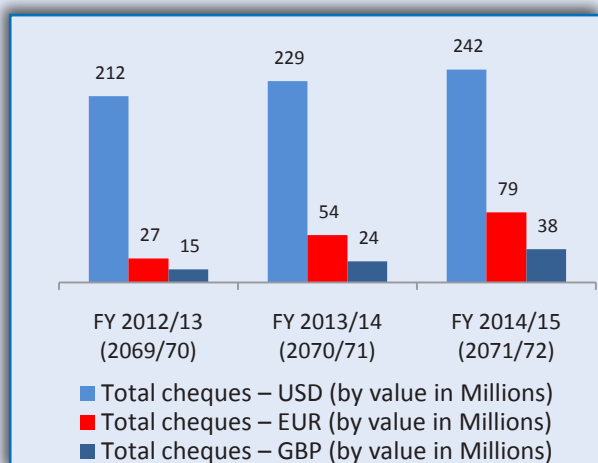
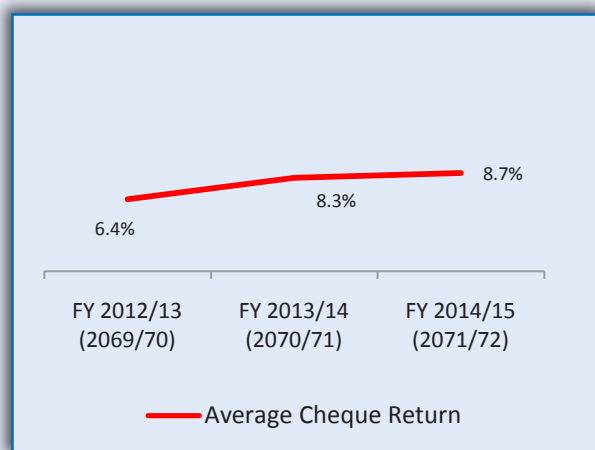
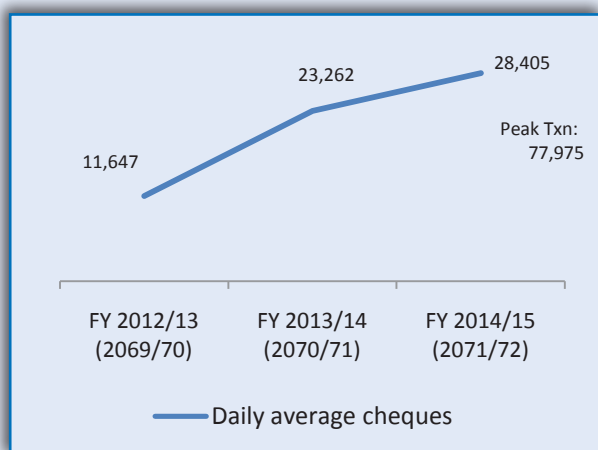
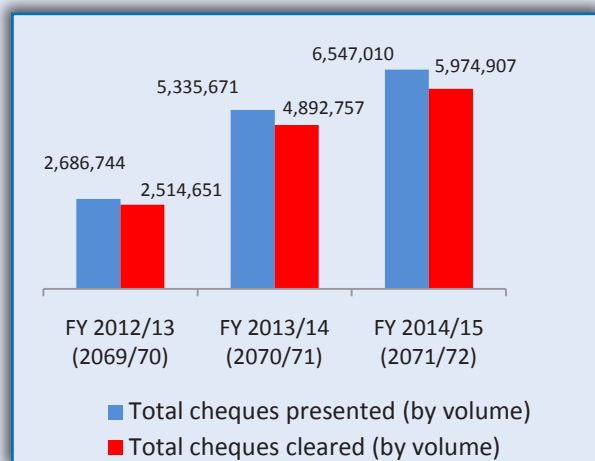
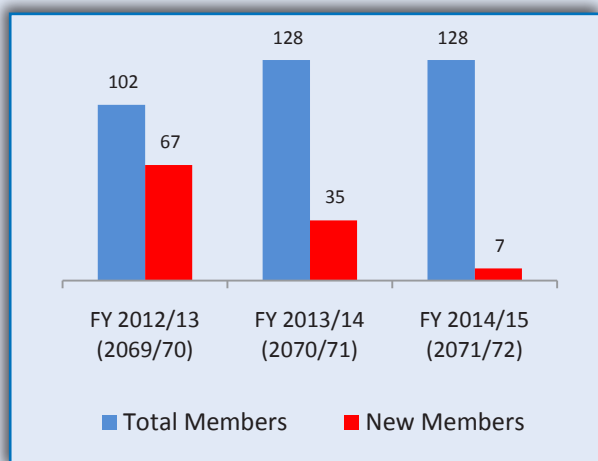
## Major Milestones

Period	Major Achievements
23 <sup>rd</sup> December 2008	Company incorporated
22 <sup>nd</sup> December 2010	Electronic Cheque Clearing (NCHL-ECC) project initiated
29 <sup>th</sup> December 2011	NCHL-ECC project implementation completed
3 <sup>rd</sup> February 2012	NCHL-ECC started with foreign currency denominated cheques
9 <sup>th</sup> April 2012	NCHL-ECC started with Nepali currency denominated cheques
16 <sup>th</sup> December 2012	Migration of manual clearing to NCHL-ECC at Kathmandu completed
9 <sup>th</sup> April 2014	Nationwide rollout of NCHL-ECC completed
16 <sup>th</sup> February 2015	Interbank Payment System (NCHL-IPS) project Initiated

## Financial Highlights



## Operational Highlights





## Message from Chairman

Dear Shareholders,

It is with great pleasure to welcome you all in the 4<sup>th</sup> Annual General Meeting of Nepal Clearing House Ltd (NCHL) and to present the Annual Report and the Audited Accounts of NCHL for the fiscal year 2014/15 (2071/72).

The primary focus at NCHL for the last four years or over has been its establishment as a sustainable institution, whereby we have made remarkable achievements with the successful operation of electronic cheque clearing system (NCHL-ECC), as the first national payment system in Nepal. The fiscal year 2014/15 has been a year of transformation as we step towards Growth from Sustainability.

We have maintained the profitability of the company and for the very first time, since its inception, NCHL is distributing dividend to the shareholders of the company. And in line with the company's objectives, we have initiated and currently at the middle of implementing Interbank Payment (NCHL-IPS) System. With stability, good governance and prudent management, we are committed towards creating NCHL as a valuable institution with the vision of being a leading provider of electronic payment and settlement services in Nepal.

The NCHL-ECC system is now a stable and systemically important payment system in Nepal with the membership base of 128 banks and financial institutions with coverage of over 2,545 branches all over Nepal. Our operational capacity and its resilience are showcased by the transaction volume that we have handled so far. During the review period, the average daily transaction volume was 28,405 with over NPR 11.9 Billion in settlement value per day. Our focus during the period was to increase transaction volume and to increase outward clearing branches. The outward clearing branches now stands at 1,434, an increase of over 475 branches

during the review period. We were also able to add 7 new members during the review period.

We have been able to book net profit of NRs. 16,525,175.74 for the FY 2014/15, from which the Board has proposed 10% cash dividend on paid up capital.

As the notable achievement during the fiscal year 2014/15, it gives me a sense of satisfaction to announce that we plan to complete the implementation of NCHL-IPS system by the end of current fiscal year. Once it comes into operation, it will largely help clearing large volume transactions thereby promoting non-paper based financial transactions by supporting both Direct Credit and Direct Debit transactions. We believe that NCHL-IPS system will be yet another milestone system in the banking and financial industry of Nepal.

Given the size of the transaction value and the number of BFIs associated with NCHL, risk management has always been our prime focus as it bears systemic risk to the entire banking industry. As the part of our prudent risk management strategy, particularly to mitigate technology risk, we have recently certified NCHL's information security management system as per ISO27001:2013. As of date, we are the only company to obtain such certification in Nepal. We will continue to put in place all our efforts to enhance our risk management system.

With the recent policy of Nepal Rastra Bank to increase paid-up capital of the banks and financial institutions, we anticipate major reduction in the number of our members and possibly interbank transactions also. This will certainly have short term impact to our revenue, however, we also believe that in medium to long term, the requirements of technology based payment and settlement services for larger banks will

considerably increase as they will have to service their large customer base and improve geographical reach. To mitigate the immediate business risk, we are in process of revisiting our pricing strategy and remain vigilant to put in place other necessary strategies.

Lastly, I, on behalf of the Board of Directors and myself, wish to express sincere gratitude to Nepal Rastra Bank, other regulatory bodies, all our shareholders as well as other BFIs for their continuous support and cooperation. I would also like to appreciate the commitment and dedication

shown by our management and the entire NCHL team. 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 thank you for your presence and once again welcome in the 4<sup>th</sup> Annual General Meeting of our company.

**Rajan Singh Bhandari**  
**Chairman**



## Board of Directors



**Mr. Rajan Singh Bhandari**  
Chairman

Mr. Bhandari is the founding CEO of Citizens Bank International Ltd and Immediate Past President of Nepal Bankers Association. He is also the Chairman of the Board of Mero Micro Finance Ltd. He has serviced Nepal Rastra Bank for over 26 years. He holds Chartered Accountant degree from Institute of Chartered Accountant of India and holds M.A (Economics) from Tribhuvan University. Mr. Bhandari is a member of the Board of NCHL representing commercial bank shareholders since 2<sup>nd</sup> Shrawan 2069.



**Mr. Shiba Raj Shrestha**  
Director

Mr. Shrestha is the Executive Director at Nepal Rastra Bank (NRB). He has been serving NRB since last 26 years. He holds double MBA degree from Tribhuvan University and University of Lincolnshire & Humberside, UK. He also holds M.A (Economics) degree from Tribhuvan University and Post Graduate Diploma in Bank Management from National Institute of Bank Management, Pune, India. Mr. Shrestha is a member of the Board of NCHL representing Nepal Rastra Bank since 5<sup>th</sup> Magh 2070.



**Mr. JyotiPrakash Pandey**  
Director

Mr. Pandey is the CEO of Nepal Investment Bank Ltd. He is also a member the Board of Credit Information Bureau of Nepal. He has experience in banking sector for more than 28 years. He holds the degree in commerce from BESC College and MBA from Patna University. Mr. Pandey is a member of Board of NCHL representing commercial bank shareholders since 14<sup>th</sup> Mangsir 2069.



**Mr. Upendra Poudyal**  
Director

Mr. Poudyal is the CEO of NMB Bank Ltd. and current President of Nepal Bankers Association. He is also an independent director in the Board of National Banking Institute Ltd. He started his career in 1980 from Hotel Soaltee and later moved to Standard Chartered Bank (Erstwhile Nepal Grindlays Bank Ltd) in 1986. He has more than 29 years of experience in banking sector. He holds MBA (Finance) degree from Tribhuvan University. He is a member of the Board of NCHL representing commercial bank shareholders since 20<sup>th</sup> Jestha 2072.



**Mr. Rabindra B Malla**  
**Director**

Mr. Malla is the Chairman of Smart Choice Technologies P. Ltd (SCT) and the Managing Director of Alpine Card Service P. Ltd. He is also a member of the Board of Union Finance Ltd. He holds BSBA (Banking and Finance) degree from Philippines Christian University, Philippines. He is a member of the Board of NCHL representing SCT since 26<sup>th</sup> Magh 2065.



**Mr. Krishnaraj Lamichhane**  
**Director**

Mr. Lamichhane is the CEO of KailashBikash Bank Ltd. and the current President of Nepal Development Bankers Association. He holds MBA degree and Bachelor in Law from Tribhuvan University. He has more than 29 years of experience in banking sector. He is a member of the Board of NCHL representing development bank shareholders since 18<sup>th</sup> Shrawan 2070.



**Mr. Saroj Kaji Tuladhar**  
**Director**

Mr. Tuladhar is the CEO of Goodwill Finance Ltd and the current Vice-President of Nepal Financial Institutions Association. He holds MBA degree from Pokhara University. He is a member of the Board of NCHL representing finance company shareholders since 18<sup>th</sup> Shrawan 2070.

## Message from CEO



The fiscal year 2014/15 (2071/72) has been a challenging yet rewarding year for NCHL, as we transform the institution from its sustainability to growth. It gives me a great pride and a sense of honor, that the institution that was initiated under the leadership of Nepal Rastra Bank and the banks and financial institutions is now ready to reap benefits in terms of returns to the shareholders and at the same time ready to reinvest in the next national payment and settlement system, which is an interbank payment (NCHL-IPS) system.

The same day clearing facility of NCHL-ECC has resulted in an increased use and acceptability of cheques. Daily cheques transaction volume has increased from 23,262 in the previous year to 28,405 in current year, which was 8,112 in the year the system was started. The daily transaction settlement value has also increased from NPR 9.2 Billion in the previous year to NPR 11.9 Billion in the current year. The acceptability will further increase as we extend the outward clearing branches of the existing member banks and financial institutions, which currently remains at 1,434 branches out of 2,545 listed branches. NCHL-ECC is currently being serviced through 128 member banks and financial institutions.

We have given highest level of importance to the operational excellence. This relates to the stability of NCHL-ECC infrastructure and support to our member BFIs. The operational risks, particularly technology risk, could be a major setback for NCHL and hence we have put all our efforts to be vigilant on such risks through implementation of relevant policies and standardization against international benchmarks. We will continue to upgrade the critical components of the infrastructure, enhance our NCHL Helpdesk function and conduct internal/external assessments.

Financially, the operating profit of the company remains at NPR 41,916,698 as against NPR

44,963,325 in the previous year. The decrease in operating profit is largely due to the increase in operating expenses and increased tax liability. The net profit for the current year stood at NPR 16,525,176 as against NPR 24,081,561 in the previous year. The shareholders fund has increased to NPR 160,497,807 with book value per share at NPR 107.

Business outlook for NCHL remains challenging for next two years, largely due to the possible merger of banks and financial institutions in line with Nepal Rastra Bank's recent policy. This will reduce our membership base and possibly interbank transactions. However, our strategy to introduce NCHL-IPS seems to be rightly timed to partly mitigate our dependency on NCHL-ECC system only and NCHL-IPS will also give leverage to service the post-merger larger banks and financial institutions for their technology based payment service requirements.

Interbank payment system (NCHL-IPS) is currently being implemented, corresponding to which various related information is being shared with all the banks and financial institutions. We expect to bring NCHL-IPS into operation by the end of the fiscal year 2015/16. We believe involvements of the central bank, banks and financial institutions and other stakeholders during the implementation of NCHL-IPS system is of prime importance for its success. Hence we have ensured their involvements from the very beginning and will continue to do so.

At the end, I would like to thank and acknowledge Nepal Rastra Bank, the Board of Directors, shareholders, member banks and financial institutions for their continuous support and guidance. I extend my appreciation to our NCHL colleague for their hard work and dedication towards the company. And I am confident that similar support will be extended by all the stakeholders in building NCHL as a valuable institution.

**Neelesh Man Singh Pradhan**  
Chief Executive Officer

## 02 Financial Review

### Statement of 5 years performance

Past five years of NCHL has ensured operational and financial stability, business growth and has steered the company's direction for future. Summary of the financial position of our company for the fiscal year 2014/15 in comparison with the last four years are presented in the following table.

*Amount in NRs.*

Particulars	FY 2014/15 (2071/72)	FY 2013/14 (2070/71)	FY 2012/13 (2069/70)	FY 2011/12 (2068/69)	FY 2010/11 (2067/68)
Paid up capital	150,000,000.00	150,000,000.00	150,000,000.00	89,999,000.00	89,999,000.00
Reserve & Surplus	10,497,807.01	8,972,631.27	(15,108,930.12)	(6,677,741.06)	2,778,382.72
Investment	90,000,000.00	55,000,000.00	-	-	-
Operating Income	113,468,891.84	97,207,095.26	88,122,020.33	66,650,713.00	-
Other Income	5,278,322.85	2,976,382.98	693,891.21	1,051,171.58	8,621,352.80
Operating & Admin Expenses	(76,830,516.59)	(55,220,153.62)	(75,698,731.67)	(65,127,708.99)	(4,805,074.93)
Operating Profit	41,916,698.10	44,963,324.62	13,117,179.87	2,574,175.59	3,616,277.87
Interest Expense	-	(305,532.91)	(5,227,085.77)	(3,016,666.42)	-
Depreciation	(17,235,210.68)	(16,930,782.48)	(16,709,521.76)	(8,277,159.45)	(168,411.74)
Differed Tax Surplus/(Deficit)	1,046,615.73	708,902.23	388,238.60	(736,473.50)	(754,553.14)
Profit /(Loss) for the year	16,525,175.74	24,081,561.39	(8,431,189.06)	(9,456,123.78)	2,893,312.99

#### Capital and Reserves:

No additional equity capital was raised during the fiscal year 2014/15 and the paid-up capital of the company stands at NRs. 150,000,000. Capital and reserve has increased to NRs. 160,497,807.01 in the FY 2014/15 against NRs 92,777,382.72 in the FY 2010/11, which constitutes compounded annual growth rate of 11.58% per annum even after proposed dividend of 10% for the current fiscal year.

#### Profit/ Loss:

The net profit of NCHL which was NRs. 2,893,312.99 in the FY 2010/11 has increased to NRs. 16,525,175.74 in the FY 2014/15. This constitutes compounded annual growth rate of 41.69% per annum. During the year under review, NCHL achieved net profit of NRs.16,525,175.74 as against net profit of NRs. 24,081,561.39 in the last fiscal year. Cumulative profit till the end of the fiscal year stands at NRs.10,497,807.01.

#### Operating Income and Profit:

The operating income of NCHL has increased to NRs. 113,468,891.84 in the FY 2014/15 as against NRs 66,650,713.00 in FY 2011/12 which constitute compounded annual increase rate of 14.23% per annum. The operating profit of NCHL has increased to NRs. 41,916,698.10 at FY 2014/15 as against NRs 3,616,277.87 in FY 2010/11, which constitute compounded annual increase rate of 63.24% per annum.

#### Operating and Administrative Expenses:

The total operating and administrative expense of NCHL has increased to NRs. 76,830,516.59 in FY 2014/15 as against NRs 4,805,074.93 in FY 2011/12, which constitute compounded annual increase of 74.09% per annum.

## Achievements of Current Year

Financial year 2014/15 is the second year since its inception when the company has booked the net profit. Growth in business volume and performance under operating lines were recorded against the budgeted targets set for the year. In this section we present a review of current year's performance with that of the previous year in terms of equity, uses of funds, and other performance under operating lines.

### Equity:

The equity fund of NCHL has increased to NRs. 160,497,807.01 (after adjustment of 10% of proposed dividend) as against NRs. 158,972,631.27 in the previous year. The increase was mainly due to additional profit transferred to Reserve and Surplus from the FY 2014/15. NCHL has implemented a policy to set aside 20% of net profit of the year to Technology Enhancement Reserve with an objective to create fund for the major enhancement/upgrade of existing system(s) and/or for funding requirement of new payment and settlement system in future.

*Amount in NRs.*

Particulars	FY 2014/15	FY 2013/14	Growth	
			Volume	%
Share Capital	150,000,000.00	150,000,000.00	-	0.00%
Reserve & Surplus	10,497,807.01	8,972,631.27	1,525,175.74	17.00%
<b>Total</b>	<b>160,497,807.01</b>	<b>158,972,631.27</b>	<b>1,525,175.74</b>	<b>0.96%</b>

### Fixed Assets:

The net fixed assets remained at NRs. 28,809,540.01 at the end of the FY 2014/15. Office equipment of NRs. 1,284,163.99 and software of NRs. 495,797.67 was added during the fiscal year. NCHL charges depreciation on Straight Line Method (SLM) basis at the rate prescribed by the Board. The accumulated depreciation on the fixed assets increased to NRs. 59,219,847.47 as against NRs. 42,051,567.21 in the previous year. All the initial project cost related to the ongoing Interbank Payment System (NCHL-IPS) project has been booked under NCHL IPS Project-WIP.

### Investment:

The year end cash surplus has been parked in interest bearing call deposits and intermittently invested in fixed deposits. By the end of the fiscal year, total of NRs. 90,000,000 has been invested in fixed deposit for the period ranging from 6 months to 13 months, while NRs. 34,427,157.26 remains as call deposits at various commercial banks. The fixed deposit at the end of the previous year was NRs. 55,000,000.00.

The investment decisions are made based on the liquidity position, returns and concentration risk. Growth in investment and interest income are 63.64% and 82.50% respectively as compared to previous year.

*Amount in NRs.*

Particulars	FY 2014/15	FY 2013/14	Growth	
			Volume	%
Fixed Deposit	90,000,000.00	55,000,000.00	3,500,000.00	63.64%
Interest Income	5,237,896.18	2,869,023.56	2,368,872.62	82.50%

### Prepaid, loans and Advances:

The Prepaid, Loan, Advances & Deposits decreased to NRs. 32,371,849.90 as against NRs. 37,898,155.24 in the previous year, which is mainly on account of advance tax deducted on revenue and interest income.

Amount in NRs.

Particulars	FY 2014/15	FY 2013/14	Growth	
			Volume	%
Net Advance tax deposit	27,110,515.02	32,443,085.10	(5,332,570.08)	(16.44)%
Prepaid Expenses	4,777,644.88	4,702,621.26	75,023.62	1.60%
Other Deposit and Advance	483,690.00	752,448.88	268,758.88	(35.72)%
<b>Total</b>	<b>32,371,849.90</b>	<b>37,898,155.24</b>	<b>(5,526,305.34)</b>	<b>(14.58)%</b>

#### Inventory:

Inventory constitutes ECC software that was purchased for participating banks and financial institutions. Considering the present market conditions and Nepal Accounting Standard (NAS-02), valuation of stock should be a minimum of cost or net realizable value. Because of merger of the banks and financial institutions and no more potential banks and financial institutions as member exist, entire software inventory balance amounting to NRs.13,914,554.26 has been written-off in the current year.

Amount in NRs.

Particulars	Amount
Opening Inventory	15,770,554.26
Less: Software Sale during the year	1,856,000.00
Less: Inventory to be w/off	13,914,554.26
<b>Closing Inventory</b>	<b>-</b>

#### Fees, Charges and Other Income:

The major source of income for NCHL is the cheque clearing transaction fees, which constitutes of 61.9% of the total operating income. NCHL signed membership agreement with 7 additional BFIs and has recovered the cost of ECC Software of value NRs. 1,856,000.00 from the newly added BFIs in the current year.

Amount in NRs.

Particulars	FY 2014/15	FY 2013/14	Growth	
			Volume	%
Cheque Clearing Fees- NPR	61,802,120.00	47,557,055.00	14,245,065.00	29.95%
Cheque Clearing Fees-USD	745,930.00	745,070.00	860.00	0.12%
Cheque Clearing Fees- EUR	23,200.00	17,090.00	6,110.00	35.75%
Cheque Clearing Fees-GBP	9,465.00	8,575.00	890.00	10.38%
Other Fees & Charges	7,636,325.00	7,131,950.00	504,375.00	7.07%
NCHL Login ID Fee	6,810,473.61	4,520,559.72	2,289,913.89	50.66%
NCHL-Membership Fee	575,000.00	2,618,750.00	(2,043,750.00)	(78.04)%
NCHL-Membership Fee – Renewal	11,511,244.15	8,376,255.94	3,134,988.21	37.43%
NCHL Software AMC Renewal	12,772,649.73	10,538,933.74	2,233,715.99	21.19%
NCHL-ECC Archive Fee	35,800.00	39,400.00	(3,600.00)	(9.14)%
N/w Connectivity & Management Fee	9,690,684.35	8,949,539.19	741,145.16	8.28%
<b>Total Revenue</b>	<b>111,612,891.84</b>	<b>90,503,178.59</b>	<b>21,109,713.25</b>	<b>23.32%</b>
ECC Software License – Members	1,856,000.00	6,703,916.67	(4,847,916.67)	(72.31)%
<b>Total Operating Income</b>	<b>113,468,891.84</b>	<b>97,207,095.26</b>	<b>16,261,796.58</b>	<b>16.73%</b>

It has booked membership (including renewal) fees and login id fees income of NRs.18,896,717.76; Transaction fees income (including Archive fee) of NRs.70,252,840.00; and software AMC fee of NRs.12,772,649.73 during the review period. Increase in revenue against previous year is 23.32%, which was mainly due to the increase in transaction fees income. Total operating income during the year increased by 16.73% compared to the previous year.



### Staff Expenses:

The staff expenses have increased marginally by 9.04% in the current fiscal year. The increase was mainly due to the regular annual increment in salaries and allowances based on the annual performance appraisals.

Amount in NRs.

Particulars	FY 2014/15	FY 2013/14	Growth	
			Volume	%
Staff - Salary & Allowance Expenses	8,566,728.00	7,721,349.13	845,378.87	10.95%
Staff - Provident Fund Contribution	558,638.46	476,781.08	81,857.38	17.17%
Staff - Dashain Allowance	372,480.00	410,802.50	(38,322.50)	(9.33)%
Staff - Leave Fare Allowance	180,000.00	161,250.00	18,750.00	11.63%
Staff - Training Expenses	210,675.00	209,430.49	1,244.51	0.59%
Staff - HR activity	-	75,000.00	(75,000.00)	(100.00)%
Staff-Gratuity Provision	289,634.29	329,826.61	(40,192.32)	(12.19)%
Staff-Leave Provision	285,019.28	211,566.07	73,453.21	35.72%
<b>Total</b>	<b>10,463,175.03</b>	<b>9,596,005.88</b>	<b>867,169.15</b>	<b>9.04%</b>

### Operating and Administration Expenses:

Increase in Operating Expenses and Administration Expenses in the current year is 8.06% and 92.13% respectively as compared to the previous year. The increase in operating expenses is largely due to increase in annual maintenance charge (AMC) of ECC software for BFIs & NCHL, payment of which was started from the fiscal year 2013/14 (1<sup>st</sup> March 2014) only and as per the service agreement with the software vendor. Annual maintenance charge of ECC software is US\$ 200,000 for the participant's component and US\$ 50,000 for NCHL's component, payable on half yearly basis.

Amount in NRs.

Particulars	FY 2014/15	FY 2013/14	Growth	
			Volume	%
<b>Operating Expenses</b>	<b>42,779,133.97</b>	<b>22,265,413.43</b>	<b>20,513,720.86</b>	<b>92.13%</b>
ECC Software AMC for BFIs & NCHL	32,522,667.09	12,058,990.26	20,463,677.15	169.70%
Network Connectivity	5,501,479.16	5,288,569.50	212,909.66	4.03%
Other AMC & expenses	4,754,987.72	4,917,853.67	(162,865.95)	(3.31)%
<b>Administrative Expenses</b>	<b>18,280,828.36</b>	<b>16,917,270.02</b>	<b>1,363,558.34</b>	<b>8.06%</b>
Staff Expenses	10,463,175.03	9,596,005.88	867,169.15	9.04%
Other Admin Expenses	7,817,653.33	7,321,264.14	496,389.19	6.78%

### Staff Bonus, Corporate Tax and Net Profit:

During the review period, NCHL generated net profit of NRs.16,525,175.74 as against the net profit of NRs. 24,081,561.39 in the last year. NCHL's operating profit before tax for the year remained at NRs.22,437,715.84 posting a negative growth of (10.98)% as against the last year. Decrease in profit is due to the write-off of unsold software inventory (amounting to NRs. 13,914,554.26), increased operating expenses and increased tax provision.

The income tax provision and staff bonus for the review year are NRs. 6,959,155.83 and NRs. 2,243,771.58 respectively as against NRs. 1,833,712.87 and NRs. 2,520,637.20 respectively in the previous year.

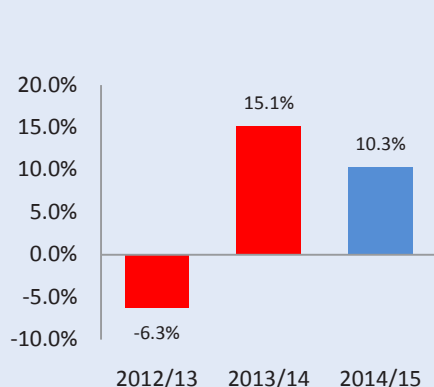


## Key Financial Indicators and Ratios

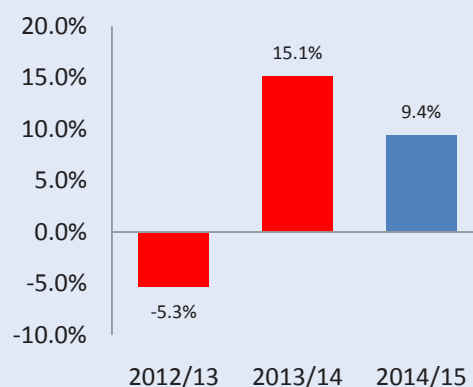
Key financial indicators of NCHL are as follows:

Indicators	2012/13	2013/14	2014/15
Net Profit/ Total Operating Income	(9.6)%	24.8%	14.6%
Gross Profit/ Total Operating Income	32.1%	60.6%	48.4%
Txn Fees Income/ Total Operating Income	30.5%	57.1%	61.9%
ECC S/W Income/ Total Operating Income	48.5%	6.9%	1.6%
Book Net worth per share	89.93	105.98	107.00

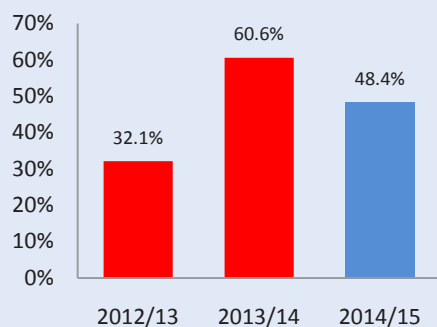
**Return on Investment**



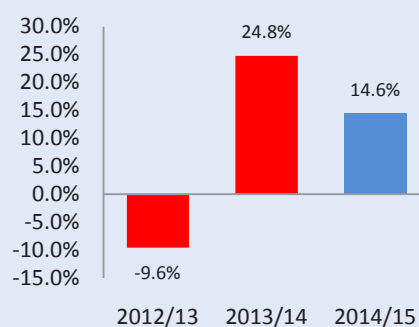
**Return on Assets**



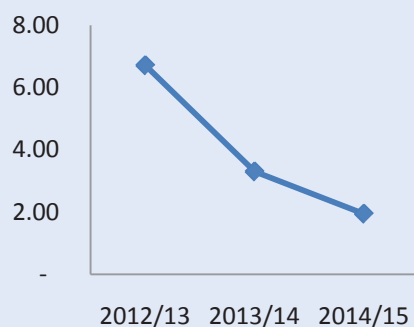
**Gross Margin Ratio**



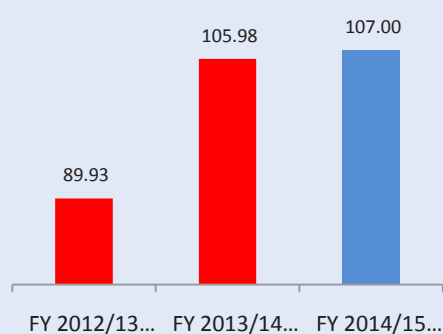
**Net Profit Rate**



**Current Ratio**



**Net worth per Share**



# 03 Operational Review

## Operational Achievements

Efficient and effective operation of overall processes is the key to successful business. An operational review gives an in-depth and objective assessment of the overall processes. It allows to evaluate the processes, which are implemented to support members against leading practices in the industry and enhances the value for the organization. NCHL continuously evaluates, updates and complies with the organization's policies, statutory compliances and other requirements. Operational reviews are conducted at various levels including Board, Audit Committee and Management. NCHL performs on annual basis a compliance self-assessment against all policies and procedures by the function heads.

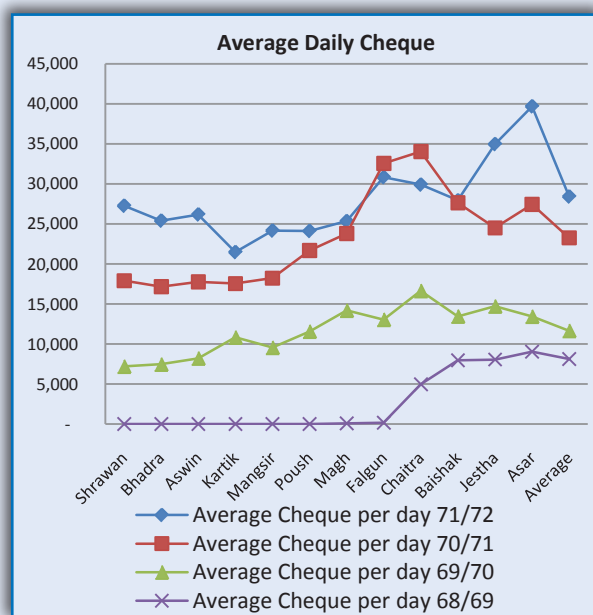
Operational activities and achievements during the review period are as listed below:

### NCHL-ECC System

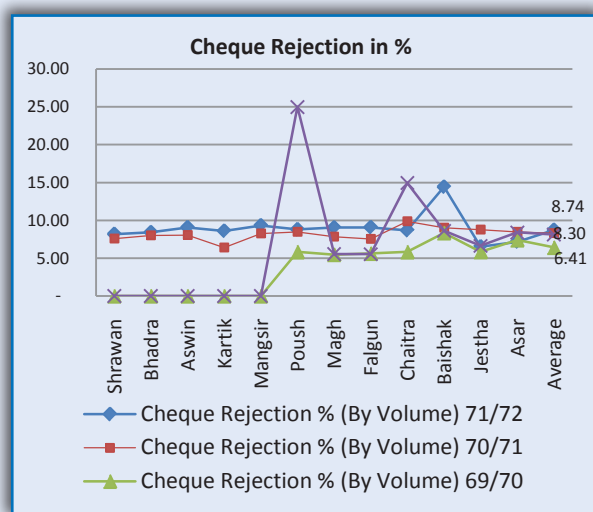
NCHL-ECC system is the core system for electronic cheque clearing and hence its operation and maintenance have been given utmost priority. The system was available to all member BFIs 24x7 and there were no major incident noticed during the review year. NCHL-ECC resumed its service and provided support to its member BFIs even after the major earthquake of 25<sup>th</sup> April 2015. Some of the components of NCHL-ECC system infrastructure were upgraded during the review year and are planned for further upgrades in the next year considering an increase in transaction volume.

Daily average cheque transaction volume during the review period increased by 22% with average cheques volume per day of 28,405 compared to 23,262 in the previous year. NCHL-ECC System has handled a peak load of 77,975 cheques in a day. Total of 6,547,010 cheques were presented

during the review period out of which 5,974,967 cheques were cleared/ accepted. Average daily settlement value has also increased from 9.2 Billions in the previous year to 11.9 Billion in year under review.



An average cheque return percentage with respect to the total cheques presented was 8.7% compared to 8.3% in the previous year.

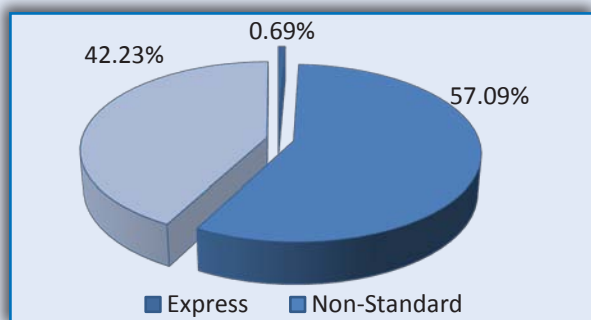


### MICR based Standard Cheques

MICR line encoded standard cheques conforms to imaging and security requirements in an electronic cheque clearing process. Standard cheques are those complying with the Cheque Standard & Specification as specified by NRB, which carries security features and a MICR code line at the bottom of the cheque that makes it machine readable.

In order to increase the operational efficiency and to reduce the risk associated with the electronic cheque clearing, issuance of MICR based standard cheques was made mandatory for BFIs with effect from 1<sup>st</sup> Kartik 2071 by Nepal Rastra Bank. All member BFIs are now issuing MICR cheques to their customers. However, old non-MICR cheques already in circulation are also processed through NCHL-ECC System.

Out of the total 6,547,010 cheques presented in the NCHL-ECC during the review period 2,763,155 (42.2%) cheques were presented through Regular Standard Sessions (MICR Cheques) as against 7.7% in the previous year. MICR cheques processed during the last quarter of the review year was 66%.



To phase out and to discontinue the old format cheques and as per the latest circular of NRB, only 2 sessions in a week will be made available for the month of Ashwin 2072 to clear the non-MICR cheques that are already drawn till month of Bhadra.

### NCHL Members

At the end of the fiscal year, the total membership base remained at 128. Seven new members were

added during the review year. Following is the summary of the membership number:

Members	Number
Nepal Rastra Bank	1
Commercial Banks	30
Development Banks	61
Finance Companies	36
<b>Total</b>	<b>128</b>

### Mergers of BFIs

During the review year, 7 BFIs merged and the total number of member BFIs which have been merged till date remains 19. This trend of merger of BFIs are expected to further increase due to the latest policy by NRB to increase the capital base of the BFIs. This will largely impact on our fixed revenue (such as AMC Software and Membership) and will reduce interbank cheque transactions also. However, NCHL anticipates that post-merger larger BFIs will use technology based payment systems to service their customer base and to extend geographical reach.

### NCHL-ECC Outward Clearing

Nationwide rollout of NCHL-ECC system was already achieved in the FY 2013/14. The primary focus during the year under review was to extend outward clearing branches of the existing members. 2,545 branches of member BFIs across the country are listed in NCHL-ECC system as at end of the fiscal year, which means cheques issued from these branches can be processed through NCHL-ECC while over 1,434 branches are currently providing outward clearing service, which was only 959 at the end of the previous year. NCHL has been encouraging the member BFIs to initiate outward clearing from all their branches, which will fasten the clearing process for those presented from these branches, facilitating same day clearing facility to their customers. This will also maximize the capacity utilization of the NCHL-ECC system. NCHL will continue to encourage and assist the member BFIs to increase outward clearing branches.

### NCHL-Helpdesk

Efficient, effective and standardized support to the member BFIs is the primary objective of the NCHL-Helpdesk function. It is the first level of support to provide information and support to the users of member BFIs. NCHL-Helpdesk is backed up by sufficient staff having both technical and operational expertise. Member BFIs can raise their support query through various channel of communication such as Phone, E-mail, On-line NCHL-Helpdesk system and chat tool. NCHL-Helpdesk function will be further enhanced to improve support facilities.

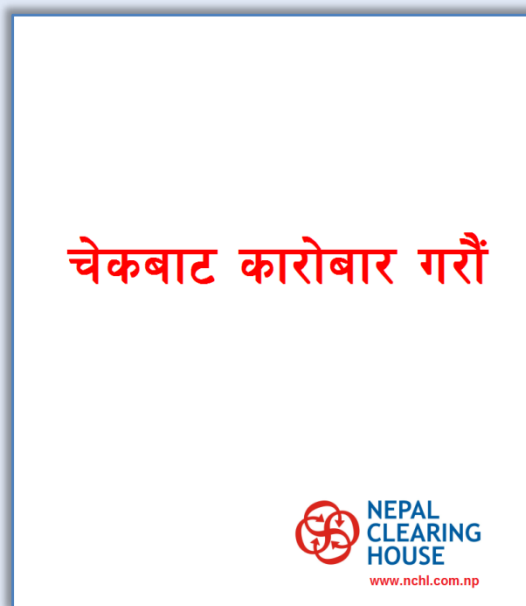
### Member Trainings, Orientations and Public Awareness

NCHL has continuously provided training and orientation programs to its members and prospective member BFIs. While trainings were focused towards the operation of NCHL-ECC System, orientation programs were more about sharing feedbacks on various facets of clearing processes.

Particulars	No. of Trainings	No. of BFIs	No. of Trainees
Member Trainings	10	22	213

With an objective to create awareness amongst the BFIs and general public about the electronic cheque clearing and to increase acceptability of the cheques, NCHL had published public awareness information with tagline “चेकबाट कारोबार गरौं” in various print and other communications media, the impact of which

seems to have increased the volume of cheque transaction. NCHL will strive to continue these trainings and awareness programs in the next fiscal year also.



### NCHL-CRM & Billing System

NCHL-CRM & Billing System is an in-house system for internal processes of recording necessary information of members and their billing details. This has largely increased efficiency of billing process at NCHL and to reduce credit cycle, which currently remains at 28.59 days. Continuous enhancements of the NCHL-CRM System has been done to automate the internal processes as far as possible.

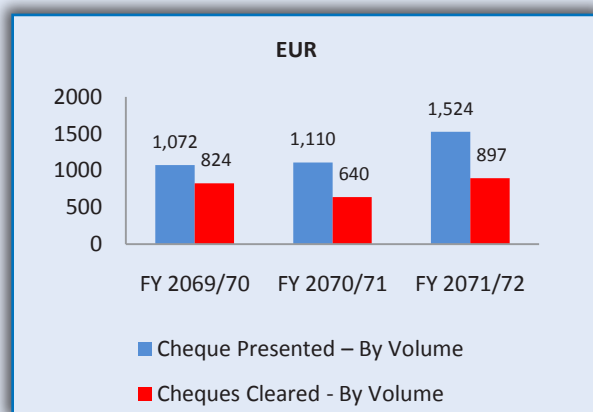
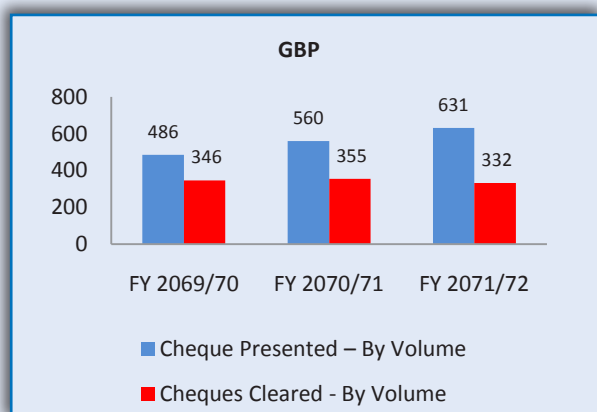
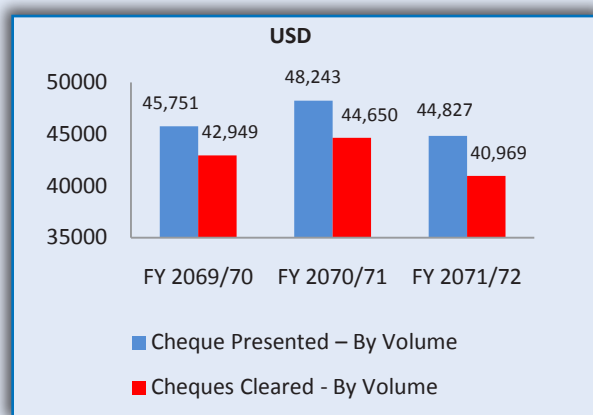
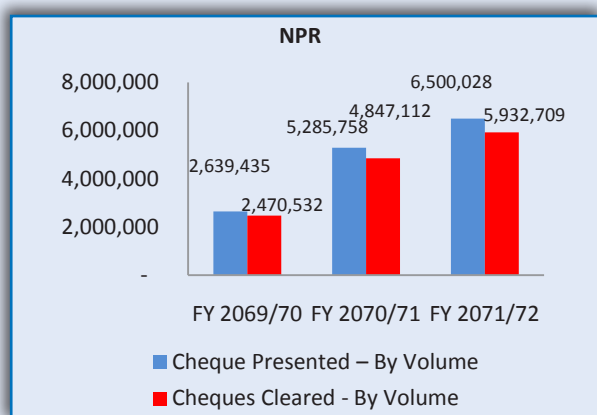
## Operational Snapshots

A snapshot of the transactions in NCHL-ECC System during the fiscal year 2014/15 is as follows.

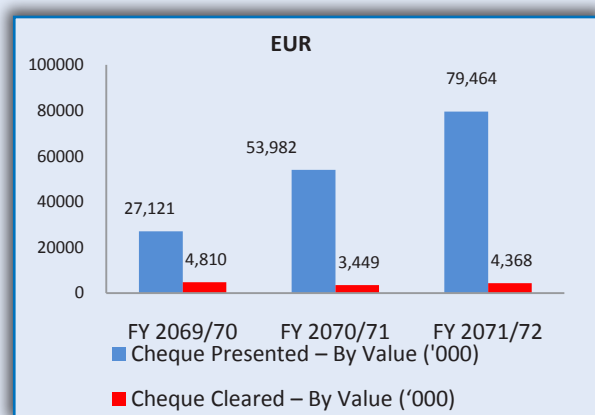
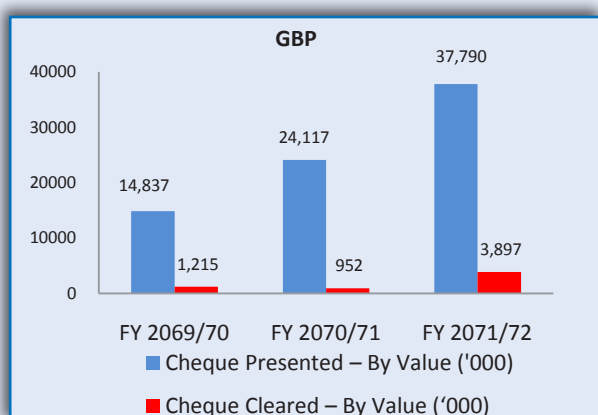
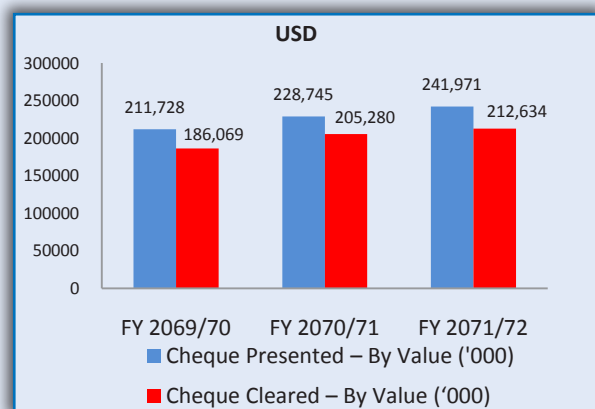
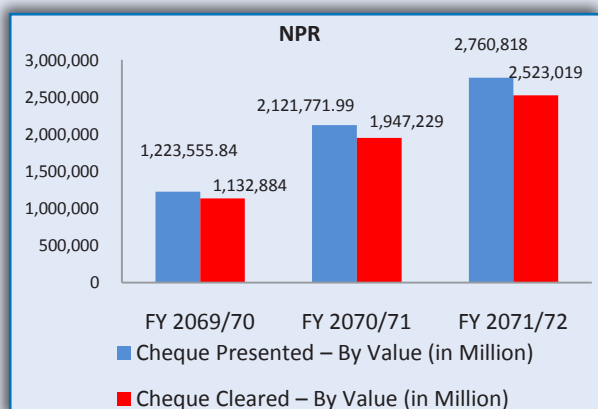
Particulars	2014/15					2013/14	2012/13
	NPR.	USD	EUR	GBP	Total	Total	Total
Cheque Presented – By Volume	6,500,028	44,827	1,524	631	6,547,010	5,335,671	2,686,744
Cheque Cleared - By Volume	5,932,709	40,969	897	332	5,974,907	4,892,757	2,514,651
Cheque Presented - By Value ('000,000)	2,760,818	242	79	38			
Cheque Cleared - By Value ('000,000)	2,523,019	213	4	4			
Cheque Rejection % (By Volume)	8.7%	8.6%	41.1%	47.4%	8.8%	8.3%	6.4%
Average Cheque per day *	28,139	255	9	4	28,406	23,262	11,647
Number of Clearing Days (including Friday sessions)					268	277	278

\* Friday session not considered for computing daily average

Cheques presented and cleared by volume in the last three years including the year under review are depicted in the following graphs.



Cheques presented and cleared by value in the last three years including the year under review are depicted in the following graphs.



## 04 Products and Services

NCHL's main focus has always been to providing best possible products and services to the member banks and financial institutions. NCHL-ECC system is the first national payment and settlement system in Nepal and is providing multiple services through the system. NCHL will continuously enhance and innovate to introduce multiple products and services.

NCHL-ECC system is an image and MICR based cheque processing solution wherean original paper cheque is converted into an image for electronic processing and is transferred through a secured medium between participating member BFIs. 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 transaction. Here are the main products and services that NCHL is currently providing and has planned in near future.

### NPR Electronic Cheque Clearing

This is an electronic cheque clearing service for NPR denominated cheques. Participating members need to have settlement account in Nepali currency at Nepal Rastra Bank to avail this service. It is available for both standard (MICR based) and non-standard (non-MICR based) cheques.

### FCY Electronic Cheque Clearing

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

### Express Cheque Clearing

Express cheque clearing service is a special arrangement of short duration for cheque presentment, response and settlement, allowing its member BFIs and their customers to present and realize their cheques faster. Currently one express cheque clearing session is available for all four currencies namely NPR, USD, GBP and EUR. However, NCHL will soon extend this service by introducing 2<sup>nd</sup> and 3<sup>rd</sup> express sessions, subject to approval from NRB.

### High Value Cheque Clearing

This is an electronic cheque clearing services for cheque amount exceeding NPR 100 Million and up to NPR 200 Million in case of NPR cheques and exceeding FCY 1 Million and up to FCY 2 Million in case of USD, GBP and EUR cheques.

Cut-off times for cheques clearing are as follows:

	Standard Cheques	Non-Standard Cheques	1 <sup>st</sup> Express Clearing	High Value Clearing
Presentment cut-off time	14:00	12:00	10:00 to 11:00	10.30
Paying bank response cut-off time	15:00	15:00	11:30	11.30
Settlement of the session	15:30	15:30	12:00	12.00

However, the cut-off timings set by the member BFIs could be different depending on their internal operational arrangements.



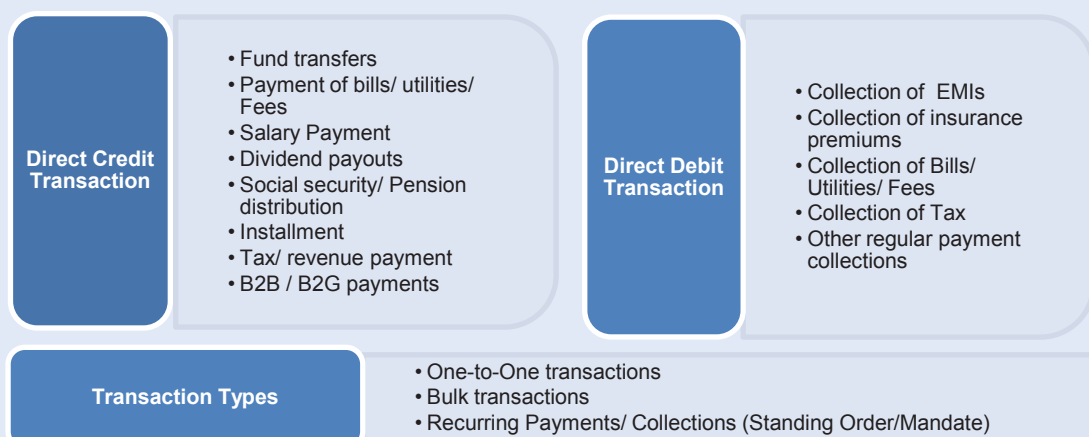
### National Cheque Archive

National Cheque Archive is an additional service provided to the member BFIs 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 are made available to the member BFIs on request.

### Interbank Payment (NCHL-IPS) System - Under implementation

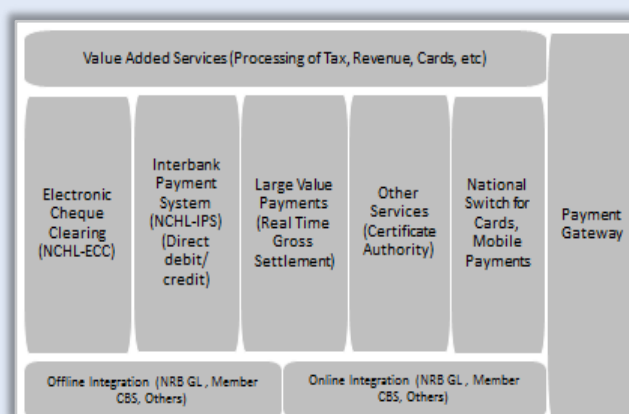
NCHL-IPS is a system for clearing large volume financial transactions that provides a mechanism for the participating banks and financial institutions to safely and efficiently transfer funds on behalf of their customers as well as for their own trading purposes. It facilitates nationwide fund transfer between the accounts held at different banks. It promotes payment and settlement of non-paper based transactions based on international standard of payment systems. And it supports both direct debit and direct credit transactions on deferred net settlement basis.

NCHL-IPS system is currently under implementation phase and will be introduced soon by NCHL. Following are some of the products (purposes) that will be introduced through the NCHL-IPS system.



### Future Strategic Product/Services

NCHL has been established to implement and operate various national payment and settlement systems in Nepal and ultimately establish a national payment gateway that can facilitate electronic transactions in Nepal. In medium to long term, NCHL will be working towards providing various products/ services in line with the Nepal National Payment System Strategy as envisioned by NRB.



# 05 Governance

## Corporate Governance

A good corporate governance practice provides a framework for timely responses to issues affecting the company and ensures clear alignment of interests of the stakeholders, ensures accountabilities, transparency, controls and inspires the right behavior leading towards better performance of the company. Based on NCHL's objectives and the criticality of its operation, NCHL adopts a robust corporate governance practices.

NCHL is committed towards the highest level of ethics, integrity, transparency, professionalism, and compliance. The Board of Directors of NCHL are committed to ensure the integrity of governance, effective overseeing and providing leadership and control by directing and supervising the business affairs at the strategic and governance level to adhere to the applicable regulations and to maintain highest standards of business best practices to deliver long-term value for the stakeholders.

NCHL's governance is guided by the Company Act, its Memorandum of Article and Article of Association, Negotiable Instrument Act, Electronic Transaction Act, Nepal ECC Rules, Payment and Settlement Bylaws and regulations promulgated by Nepal Rastra Bank from time to time.

### The Board of Directors

The Board of Directors is a body of elected or appointed members who jointly oversee the activities of the company and are responsible for its strategy, structure and performance including the assessment and management of risk related activities of NCHL.

The Board is accountable and responsible for ensuring adequate system and controls are in place; strategic decision and financial performance of company. Adopting procedure for appointment of board member is clearly specified in Memorandum and Article of Association of the company. NCHL's Board comprises of 7 non-executive directors including Chairman, who is elected from amongst the Directors. 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. However, day to day management is delegated to a team of professionals coming from diverse range of business, banking, technology and professional

experience. The reporting line between the Board and Management team has been clearly defined ensuring effective monitoring of the senior management by the Board. Board is mainly involved in formulating strategic and annual plans, approving annual budget, formulating internal policies and procedure including risk management framework. All the key policy and procedures are regularly reviewed by board.

### Board Meetings

The Board has appointed the Chief Executive Officer of the company as the Company Secretary who is responsible for calling the members for Board meetings in writing along with the relevant documents of the agendas to be discussed in the meeting well in advance. Board sometimes invites external independent experts to provide expert opinion and clarifications insome of the meetings. The minutes of the board meetings are preserved by the Company Secretary.

The Board had 12 meetings during the review year and a summary of the attendance of the

Directors in the Board meeting is as shown in the following table.

Name of Director	Meetings attended
Rajan Singh Bhandari	11/12
Ratna Raj Bajracharya	9/9
Shiba Raj Shrestha	11/12
Jyoti Prakash Pandey	9/12
Upendra Poudyal	2/2
Rabindra Bdr. Malla	11/12
Krishna Raj Lamichhane	12/12
Saroj Kaji Tuladhar	11/12

### Audit Committee

Audit Committee is governed by the Company Act 2063 and reports directly to the Board. It comprises of threemembers from the Board of Directors and a member secretary from the management. The committee regularly reviews the internal control system, risk management system, and compliance, related to financial and operational matters. The Audit Committee periodically updates the Board on all control and risk related matters.

A total of 6 meetings were held during the review period.

### Other Committees

Other than the formal and permanent Audit Committee, the oversight function of the Board is supported through other special purpose based Committees.

### Corporate Social Responsibility

Corporate initiatives to assess and take responsibility for the company's effect on the environment and impact on social welfare are some of the concerns of NCHL. Despite being an organization with limited capital base and profit, NCHL has contributed to the Prime Minister Relief Fund for NRs. 1,000,000.00 for relief and support of the victim of the devastating earthquake of 25<sup>th</sup> April 2015 (12<sup>th</sup> Baisakh 2072).

A special "NCHL HR Compensation Review Committee" was formed during the review year under the Chairmanship of Mr. Jyoti Prakash Pandey and Mr. Upendra Poudyal and Mr. Krishna Raj Lamichhane as members of the Committee to review employee salary and benefits. The recommendations were duly considered by the Board and amendments adopted in the Employee Service Rules and Human Resource Plan.

A special committee "NCHL-IPS Committee" was formed during the review year under the Chairmanship of Mr. Shiba Raj Shrestha and Mr. Saroj Kaji Tuladhar and Mr. Neelesh Man Singh Pradhan as members of the Committee to study and prepare a roadmap of the NCHL-IPS project, evaluate alternatives and provide recommendations to the Board.

### Shareholders Communication

Annual General Meeting is a forum for shareholders to exchange their opinions and views. All necessary information as per the prevailing company act is incorporated in the annual report. It covers all the necessary financials and disclosures required to provide detailed information to the shareholders. Mentioned information is also uploaded at NCHL's website ([www.nchl.com.np](http://www.nchl.com.np)). Any other information that requires to be communicated to the shareholders are shared and communicated on regular basis through various mediums and in various platforms.

## Internal Controls

Internal control system of an organization ensures effectiveness and efficiency of operations, reliability of financial reporting and compliances with applicable laws and regulation. It is ensured through set of a well-established organizational structure and comprehensive rules, policies and procedures.

### Policies and Procedures

NCHL Board formulates and regularly reviews its policies and procedures and are implemented by the management. Major policies and procedures of NCHL include: Financial Rules & Regulation, Employee Service Rules, Employee Performance Objectives & Appraisal Procedure, Travel & Advance Policies, NCHL Code of Conduct, IT Security Policies, Disaster Recovery and Business Continuity Plan, Standard Operating Procedures, Discount & Waiver Policies, Information System Management System Policies and Risk Management Framework.

Quarterly financial, business performance and variance thereof with the approved plan are reviewed by the Board for regular monitoring and control.

### Compliance Self-Assessment

In order to ensure compliance to all the policies, procedures and regulatory requirements, NCHL has adopted a practice of Compliance Self-Assessment, whereby compliance assessment of all relevant policies and procedures are carried out annually by individual function heads. The assessment results are shared and discussed at the Audit Committee.

### Internal Audit

The Internal Audit reviews the effectiveness of internal control procedures and compliance with policies and procedures across all system and operational departments. The Internal Audit was outsourced to J.B Rajbhandari & DiBins for the FY 2014/15 (2071/72). Half yearly internal audits were carried out during the review period under the supervision of the Audit Committee. J. B Rajbhandari & Dibins was paid NRs. 80,795

including VAT for the internal audit assignments for the fiscal year.

### External Audit

The statutory auditor for the review period was G.B & Company. The details of the audited financials for the fiscal year 2014/15 (2071/72) are incorporated in the Financial Information section of this report. Total fees paid to the external auditor for the fiscal year 2014/15 (2071/72) was NRs. 80,795 including VAT.

### ISO 27001:2013

ISO 27001:2013 certification assures organization's confidentiality, integrity and availability of the information. Being one of the major financial infrastructure institutions of Nepal, information security and its management (ISMS) has always been the priority at NCHL. Hence, an ISO27001:2013 certification was obtained by NCHL during the year under review, in which its ISMS was fully audited by the ISO27001 certified auditors. NCHL will require to undergo annual surveillance audit of the ISMS to maintain the certification. NCHL is the only company in Nepal to have such certification.

### Accountability

The organizational structure ensures separation of duties and clearly defined responsibilities. Such organizational structure and responsibilities are clearly defined by the Board under Human Resource Plan. Each employee is assigned with individual annual performance objectives and in line with the overall organizational business objectives and budget approved by the Board. This creates accountability of each employee towards the company and also aligns individual objectives with that of the company for the particular year.

## Risk Management

Effective risk management is fundamental to any of the business activities. While we remain committed to increasing value to our stakeholder, we at NCHL are equally vigilant with potential risks and their mitigation control that are required for national payment and settlement systems. We seek to achieve an appropriate balance between risk and reward in our business and continue to build and enhance the risk management framework. Due to the complexity of the infrastructure and processes that NCHL-ECC and its future systems operate with, NCHL has formulated and implemented a clear and comprehensive Risk Management Framework for identifying and managing various risks. NCHL Risk Management framework is based on the principles for financial market infrastructures (recommended by Committee on Payment & Settlement Systems - CPSS) and ISO27001 standards.

The risks identified and assessed as per the provisions laid down in the framework are compiled by the management under detailed Risk Register and reviewed periodically by the Audit Committee assuring that necessary risk management process is in place. Following are the major domains under which risks and risk events are analyzed.

### Operational Risk

Operational risk is the risk of potential loss or service delay due to inadequate internal controls, human errors and external events. NCHL is exposed to operational risk arising from uncertainty of inherent nature of its business

Being a technology driven financial service provider, operational risk within NCHL needs to be properly identified, managed, monitored and reported continuously. Ensuring integrity, confidentiality and availability of information is crucial, so NCHL has effectively managed the risk by implementing ISO 27001 standard Information Security Management System.

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 operational 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 and put in place. A well-defined Incident Management Process is in place for this matter.

Apart from the physical risk, various other operational 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.

### Disaster Recovery and Business Continuity Plan

NCHL has setup a fully functional Disaster Recovery Site (DRS) at Thimi, Bhaktapur which remains as primary DR site and is equipped with redundancy, load balancing and high availability of critical systems to mitigate the risk of main site failure. Secondary backup site is also setup at Bhairawa, which is in a different seismic zone than that of Kathmandu, for maintaining cold backups of the critical system information and data. NCHL was able to resume its operation from the DR site without any issues even after the devastating earthquake of 12<sup>th</sup> Baisakh 2072, with no impact in the operations and support of NCHL-ECC system. Periodic disaster recovery mock drills are conducted to test the readiness of DR site.

Continuity of Business (COB) site has also been setup at NCHL premise to provide access to NCHL-ECC System for the members in case they have a failure at their bank/branch. As a contingency planning for the regional banks/FIs, an alternate arrangement, Virtual COB, to access the NCHL-ECC System through internet is also available.

### **Business Risk**

Business Risk is any potential impairment of the NCHL's financial position (as a business concern) due to declining revenues or an increase in its expenses. Such impairment may be as a result of adverse reputational effects, poor execution of business strategy, ineffective response to competition, losses in other business lines, etc. NCHL has continuously made projections by evaluating the past trends and future prospects of the company. Given the current trend of merger of banks & financial institutions, NCHL is facing risk of reduced membership base. And it will impact both transactional and fixed annual revenue. Hence, strategy is under consideration for review of its fees and charges. High dependency on NCHL-ECC will also be offset by NCHL-Interbank payment system (NCHL-IPS), which is already in process of implementation and is expected to be in operation by the end of FY 2015/16.

NCHL assesses various volatilities related to financial market risks, including foreign exchange rate and interest rate that affects the business of NCHL. 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 NPR against USD, NCHL has followed a strategy to enter into USD forward contract with a local bank depending on the market outlook. We expect major upside risk due to excessive USD appreciation against NPR.

### **Liquidity Risk**

Liquidity risk concerns the risk that member BFIs will not be able to fulfill their financial obligations

on the settlement date of NCHL-ECC system and have potential risks to create systemic problems. Another potential liquidity risk that NCHL may face is to not having sufficient liquidity to meet its financial obligations.

In order to manage the potential liquidity risk of NCHL-ECC System that may arise from the member BFIs, necessary arrangement has been made with NRB, who also acts as the settlement bank for NCHL-ECC, to consider their settlement accounts that are used for maintaining their statutory balance.

Regular monitoring and analysis of cash flow has been done considering the liquidity position of NCHL, risk and returns on investment, concentration of investment and actual and expected cash movements. NCHL's liquid assets in the form of deposits are held only at BFIs which are licensed by NRB. At the end of the review period all the deposits of NCHL are held only with Class 'A' commercial banks.

### **Credit Risk**

Credit risk is the current or potential loss on the NCHL's earning as a result of counterparties inability to meet with the financial or other contractual obligations to NCHL when due. Majority of the counterparty for NCHL being BFIs, defaults of counterparty for NCHL is very unlikely. In order to improve the credit cycle of NCHL, the participant's accounts maintained at NRB are directly debited for monthly fees and charges.

Management of credit risks from the participants associated with NCHL-ECC system in the form of unsettled transactions and failure of settlement have been effectively managed by additionally making arrangement with NRB to consider settlement accounts of the members that are used for maintaining their statutory balance. The participants are also provided with necessary timely information to identify their required fund for the day's settlement.



### Legal and Compliance Risk

NCHL and its operations are guided by the Nepal Company Act 2063, its Memorandum of Article and Article of Association, Negotiable Instrument Act, Electronic Transaction Act, Nepal ECC Rules, Payment and Settlement Bylaws and directives laid down by Nepal Rastra Bank. Failure to comply with statutory and regulatory obligation leads to legal and compliance risk. It may also arise if the application of relevant laws and regulations including rights & obligations of parties involved are uncertain.

NCHL has fully complied with all the relevant laws and regulations. While the operation of NCHL-ECC is fully guided by Nepal ECC Rule Book, Operating Rules and Cheque Standard & Specifications published by NRB, NCHL has entered into standard individual membership agreement with all the participating BFIs.

All critical supports are managed through service contracts entered with the vendors covering clear and comprehensive information including service level, minimizing any possible litigation and compliance issues. For legal coverage on

information security and as per the requirement of Information Security Management System, all contractual agreements with the vendors include non-disclosure clause. NCHL's internal staff are also required to sign Non-Disclosure Agreement (NDA).

### Systemic Risk

Systematic risk is the risk arising due to interdependencies and possibility of transmitting disruptions beyond NCHL and one or more participants. This may be due to an inability to perform as expected, resulting into inability/disruption of other participants 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-ECC is exposed to such risk and hence has been working very closely with the settlement bank, Nepal Rastra Bank, and with the participating members thereby reducing the overall impact of such risk.



## 06 Human Resource

Achieving organizational goal, integration between employee's and employer's interest is vital for any organization. NCHL recognizes the value and effort invested by the employees in attaining the overall organizational objectives. HR at NCHL is guided by the policies including NCHL Code of Conduct, Employee Service Rules, HR Plan and Employee Performance Objectives & Appraisal Procedures, which are formulated by the Board.

NCHL has a total of 12 employees, supporting more than 4,000 business user of 128 member BFIs, which means, providing service to over 333 average business users per employee. Responsibilities and job descriptions for each of the positions are defined in the HR Plan.

### Human Resource Indicators

Particulars	FY 2014/15	FY 2013/14	FY 2012/13
Number of Staff	12	12	12
Staff Expenses	10,463,175.03	9,596,005.88	9,029,550.21
Expense per Staff	871,931.25	799,667.16	752,462.52
Staff Expense per Total Operating Expenses	17.9%	25.1%	15.1%
Staff Bonus	2,243,771.58	2,520,637.20	-

### Remuneration and Benefits

All the processes of employee screening, terms, benefits are governed by the company's Employee Service Rules. Remunerations and Benefits for the employee are guided by the Employee Service Rules and HR Plan. Salary scales and benefits are reviewed on regular basis by the Board based on the financial position of the company and the market conditions. Employee performance is appraised on half yearly basis and accordingly annual performance appraisal based salary increments are awarded.

### Staff Training

In order to enhance skills of the staff for better performance of their responsibility, NCHL identifies and provides appropriate trainings to them. Skill developments are embedded as a part of the individual performance objectives under Training Objectives for all staff and separate budget is allocated for Staff Training Expenses.

Particulars	FY 2014/15	FY 2013/14	FY 2012/13
Staff Training Expenses	210,675.00	209,430.49	245,310.00
Training Expense / Staff Expenses	2.0%	2.2%	2.7%

NCHL arranges for internal trainings in the form of Knowledge Sharing sessions whereby one of the staff shares his/ her domain knowledge to other related and interested staff. The total of 18 knowledge sharing sessions were conducted during the review year. External trainings with professional certifications are also provided to the staff in specific domains. During the review period, NCHL provided staff with external trainings in ISMS (Information Security Management System), Advanced JAVA training, ISA (Information System Auditor) training, CCNA (Certified Cisco Network Associate) training.

## NCHL Core Team

### 1. Neelesh Man Singh Pradhan

*Chief Executive Officer*

Mr. Pradhan has experience of over 14 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 a Certified Information System Auditor (CISA) and a Project Management Professional (PMP).

### 2. Munni Rajbhandari

*Operations Manager*

Ms. Rajbhandari has experience of over 11 years in the field of banking operations and management. She was earlier working with Citizens Bank International Limited in the capacity of Executive Operating Officer heading various departments under operations including Treasury, SME loan, Branch Operations, Trade, Credit Back office, Remittances, Clearing, Card and Branchless banking prior to joining NCHL. She has also worked with NIC Bank Ltd. (NIC Asia Bank Ltd. now) as Officer-Finance. She holds MBA degree with specialization in Finance from The Department of Management Science (PUMBA), University of Pune, India.

### 3. Dilli Man Shakya

*Technology & Infrastructure Manager*

Mr. Shakya has experience of over 12 years in the field of IT infrastructure operations. He was earlier working with Social Development Bank as Head of IT prior to joining NCHL. He was also associated with Rastriya Banijya Bank as Data Center In-charge and with 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.

### 4. Bishnu Gautam

*System Manager*

Mr. Gautam has experience of over 10 years in the field of banking systems operation and software development. He was earlier working with Nepal Bank Ltd. as Assistant Manager 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.

### 5. Rupak Gyawali

*Network Engineer*

Mr. Gyawali has experience of over 7 years in the field of networking. He was earlier working with Worldlink Communications Ltd. as Support Engineer prior to joining NCHL. He holds Bachelor of Engineering degree from Tribhuvan University. He is also a Cisco trained professional.

### 6. Nabina Dhungana

*Finance & Admin Officer*

Ms. Dhungana is a qualified Chartered Accountant from Institute of Chartered Accountants of India (ICAI) and is with NCHL since December 2013. She was associated with BR Neupane and Associates, Nepal and was involved in system, statutory and internal audits of various companies. During her articleship, she was associated with Rajesh Shubra and Associates, India. She also holds a BBS degree from Tribhuvan University, Nepal.

### 7. Other Team Members are:

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

# 07 Financial & Related Information

## Director's Report and Disclosure as per Companies Act 2006

Dear Shareholders,

It is with great pleasure on the behalf of the Board of Directors of Nepal Clearing House Ltd. (NCHL) to welcome all the shareholders and the invited guests in our fourth 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 2014/15 (2071/72).

### Performance review of last year:

This has been disclosed under sections Financial Review and Operational Review of this report.

### Effect on business of the company due to national and international situation:

Banks and in some cases non-bank players have started providing various electronic payment services and hence alternative electronic payment solutions introduced are the 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. With the recent requirement of capital base increment, trend of merger of banks and financial institutions is expected to continue decreasing the total membership base to 50 by the end of next 2 fiscal years. De-spite the challenges of continuous merger, NCHL was able to maintain the membership base of 128 members by adding 7 new members. Similarly, NCHL-IPS system is also under implementation, which will largely reduce the business dependency on NCHL-ECC system only.

### Human Resource:

As disclosed under section Human Resource of this report.

### Industrial and professional relationships:

NCHL has always maintained cordial relationships with Nepal Rastra Bank, Banks & Financial Institutions and various other business groups. Due to the continuous support and confidence shown by all the parties, NCHL has been able to bring the institution up to the current level. 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 Director:

Mr. Upendra Poudyal (representative NMB Bank Limited) representative from commercial bank shareholders has joined the Board of Directors with effect from 20<sup>th</sup> Jestha 2072 after departure of the Chairman, Mr. Ratna Raj Bajracharya (representative Global IME Bank Ltd). Mr. Rajan Singh Bhandari (representative Citizens Bank international Limited) was nominated as the Chairman of the company effective from 20<sup>th</sup> Jestha 2072. NCHL would like to thank and acknowledge the contributions made by Mr. Ratna Raj Bajracharya during his tenure as Chairman and Director of NCHL.

### Main factors affecting the business:

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

- Current trend of merger of various Banks and Financial Institutions (BFIs) ultimately reducing the potential and existing members will directly impact the annual income of the company. However, due to the requirements to service huge customer base by the post-merger larger BFIs, it is also expected that the transaction volume may increase.
- Possibility of change of rules and policies from the regulatory bodies including recently published Payment and Settlement Bylaw. However, we believe policies to promote non-cash transactions will be given importance by the regulators and will increase opportunities for NCHL.
- Increase in overall risk to member BFIs due to non-implementation of MICR cheques by all the members.
- Increase in the exchange rate of USD against NPR. Company has taken a short term policy of entering into forward contract for USD payments to international vendor based on the market information to minimize foreign exchange risk.
- Risk of cost and schedule overrun of NCHL-IPS project implementation.
- Limited availability of the skilled resources. Company has arranged for various internal and external trainings for its staffs and has regularly reviewed its employee benefits.

#### **Remarks and observation from Independent Auditor's 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.

#### **Amount recommended for Dividend:**

10% on paid up capital amounting NRs. 15,000,000.00 is proposed as cash dividend for the fiscal year 2014/15.

#### **Detail of share forfeited**

No share has been forfeited

#### **Any information given to Company by its principal shareholder (who holds 1% or more shares of the company) during financial year:**

Not applicable

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

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

There is no record of such event/ transaction.

#### **Purchase of its own share:**

Not applicable

#### **Information regarding existing internal control**

This has been disclosed under sub-section Internal Control of section Governance of this report.

#### **Plan of the company for the coming fiscal year:**

Some of the major activities of NCHL that are planned for the FY 2015/16 include:

- Formulation of strategy to minimize the impact on revenue due to possible mergers of member BFIs. There is possibility of reduction of 15 member BFIs due to merger upto end of FY 2015/16 and expected to reduce number of member BFIs to 50 within next two years.
- Promote and encourage member BFIs to introduce outward clearing from majority of their branches.
- Assist member BFIs for implementation and use of standard MICR cheques.
- Introduce 2<sup>nd</sup> and 3<sup>rd</sup> Express Clearing Sessions.
- Organize continuous training for the participating member BFIs and for the NCHL staff.

- Complete implementation of interbank payment system (NCHL-IPS) and to introduce various products and services to the participating member BFIs.
- Upgrade/ Enhance NCHL-ECC System and infrastructure to handle higher cheque volume.

#### Detail of management expenses incurred during the year

The details of the management expenses are as follows:

Particulars	2014/15 (2071/72)	2013/14 (2070/71)	2012/13 (2069/70)
Employee Expenses	10,463,175.03	9,596,005.88	9,029,550.21
Other Administrative Expenses	7,817,653.33	7,321,264.14	6,841,814.29
<b>Total Administration Expenses</b>	<b>18,280,828.36</b>	<b>16,917,270.02</b>	<b>15,871,364.50</b>

Staff Training and HR Activities are also grouped under Employee Expenses

#### Member of Audit Committee, their remunerations & benefits and details of their activities performed along with recommendations:

Members of the Audit Committee are:

1. Mr. Shiba Raj Shrestha – Chairman
2. Mr. Rabindra B Malla – Member
3. Mr. Saroj Kaji Tuladhar – Member
4. Ms. Nabina Dhungana – Member Secretary

There was no provision for remunerations to any of the members of the Audit Committee. As a meeting allowance, NRs. 2,500 for each member was provided per sitting except for the Member Secretary who is not provided with the meeting allowance. Total of NRs. 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. Five audit committee meetings were held in the fiscal year.

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

There was no provision for remunerations to any of the Directors. As a meeting allowance for each board meeting, NRs. 2,500 for each Director was provided per sitting. The Board had 12 meetings during the period under review and total of NRs. 180,000.00 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
Ratna Raj Bajracharya	20,000
Rajan Singh Bhandari	27,500
Shiba Raj Shrestha	27,500
Jyoti Prakash Pandey	20,000
Upendra Poudyal	5,000
Rabindra Bdr. Malla	27,500
Krishna Raj Lamichhane	27,500
Saroj Kaji Tuladhar	25,000

The Chief Executive Officer during the year under review was paid salary of NRs. 2,160,000.00 and NRs. 2,136,000.00 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 NRs. 2,000 per month on actual were also provided.

#### Information disclosure as per Section 141 regarding purchase or sale of assets:

Not Applicable.

#### Details of related party transaction as per the section 175 (transaction between associated companies):

Not Applicable.

#### Any other details to be disclosed:

Disclosed in appropriate part of this report and financial statements.

Finally, on the behalf of the Board of Directors, we 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 staff whose commitment and hard work has brought the company up to this stage. We look forward towards continued support and suggestions from all the stakeholders to establish NCHL as a leading service provider of national payment and settlement systems.

On behalf of Board of Directors

**Rajan Singh Bhandari**  
**Chairman**



# Independent Auditors Report

## G. B. & Co.

Chartered Accountants

Kumari Marg, Naxal

P.O. Box: 5612, Kathmandu, Nepal

Tel. : 977-1-4412064

email : gbbhari@gmail.com

## Independent Auditors' Report

We have audited the accompanying financial statements and related schedules thereto of **Nepal Clearing House Limited (NCHL)**, which comprise the Balance Sheet as at Ashadh 31, 2072 (Corresponding to July 16, 2015), and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of Significant Accounting Policies and Other Explanatory Notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion the financial statements gives a true and fair view of the financial position of **Nepal Clearing House Limited (NCHL)**, as of Ashadh 31, 2072 (Corresponding to July 16, 2015), in accordance with Nepal Accounting Standards.

Date : 17 August, 2015  
Place : Kathmandu, Nepal

CA. Gyanendra B. Bhari





# Financial Statement

## Nepal Clearing House Limited Balance Sheet

**As at Asadh 31, 2072 (July 16, 2015)**

*Amount in NRs.*

Particulars	Schedule	This Year	Last Year
<b>Shareholder's Fund:</b>			
Share Capital	1	150,000,000.00	150,000,000.00
Reserve & Surplus	2	10,497,807.01	8,972,631.27
<b>Total Shareholder's Fund</b>		<b>160,497,807.01</b>	<b>158,972,631.27</b>
Medium & Long Term Loans	3	-	-
Deferred Tax Liability		-	441,225.37
<b>Total</b>		<b>160,497,807.01</b>	<b>159,413,856.64</b>
<b>Fixed Assets</b>	4		
Gross Block		91,428,708.41	86,329,742.32
Less : Accumulated Depreciation		59,219,847.47	42,051,567.21
<b>Net Block</b>		<b>32,208,860.94</b>	<b>44,278,175.11</b>
<b>Investment</b>	5	<b>90,000,000.00</b>	<b>55,000,000.00</b>
<b>Current Assets (A)</b>			
i) Cash & Cash Equivalents	6	34,427,157.26	25,310,884.37
ii) Inventories	7	-	15,770,554.26
iii) Prepaid, Loans, Advances & Deposits	8	32,371,849.90	37,898,155.24
iv) Trade & Other Receivables	9	10,771,609.59	7,290,042.00
<b>Total Current Assets (A)</b>		<b>77,570,616.75</b>	<b>86,269,635.87</b>
<b>Less: Current Liabilities and Provisions (B)</b>			
<b>a) Current Liabilities</b>			
i) Current liabilities and Payables	10	21,691,888.44	20,790,984.65
ii) Short Term Loan (Secured Overdraft)		-	-
<b>b) Provisions</b>	11	18,195,172.60	5,342,969.69
<b>Total Current Liabilities (B)</b>		<b>39,887,061.04</b>	<b>26,133,954.34</b>
<b>Net Current Assets (A-B)</b>		<b>37,683,555.71</b>	<b>60,135,681.53</b>
<b>Deferred Tax Assets</b>		<b>605,390.36</b>	-
<b>Expenditures to the extent not written off</b>	12	-	-
<b>Total</b>		<b>160,497,807.01</b>	<b>159,413,856.64</b>

Contingent Liabilities 13

Significant Accounting Policies and Notes to Accounts 17

Schedule 1-17 form an integral part of financial statements

As per our report of even date

**Neelesh Man Singh Pradhan**  
Chief Executive Officer

**Rajan Singh Bhandari**  
Chairman

**CA. Gyanendra B. Bhari**  
G.B. & Co.  
Chartered Accountants

**Shiba Raj Shrestha**  
Director

**Upendra Poudyal**  
Director

**Jyoti Prakash Pandey**  
Director

**Rabindra B. Malla**  
Director

**Krishnaraj Lamichhane**  
Director

**Saroj Kaji Tuladhar**  
Director

Date: 17th August 2015

Place: Kamaladi, Kathmandu, Nepal

## Nepal Clearing House Limited Income Statement

**For the period from Shrawan 01 , 2071 to Asadh 31 , 2072  
(Corresponding period from 17 July 2014 to 16 July 2015 )**

*Amount in NRs.*

Particulars	Schedule	This Year	Last Year
<b>Operating Income :</b>			
Revenue	<b>14</b>	111,612,891.84	90,503,178.59
ECC Software License - Members		1,856,000.00	6,703,916.67
<b>Operating Expenses :</b>			
Operating Expenses	<b>15</b>	42,779,133.97	22,265,413.43
Cost of ECC Software License - Members		15,770,554.26	16,037,470.17
<b>Gross Profit</b>		<b>54,919,203.61</b>	<b>58,904,211.66</b>
<b>Other commercial income</b>		<b>5,278,322.85</b>	<b>2,976,382.98</b>
i) Interest Income		5,237,896.18	2,869,023.56
ii) Other Income		40,426.67	107,359.42
<b>Administrative Expenses</b>	<b>16</b>	<b>18,280,828.36</b>	<b>16,917,270.02</b>
<b>Operating Profit</b>		<b>41,916,698.10</b>	<b>44,963,324.62</b>
Financial expenditure		-	305,532.91
Depreciation Expenses		17,235,210.68	16,930,782.48
Staff Bonus		2,243,771.58	2,520,637.20
<b>Profit before Tax</b>		<b>22,437,715.84</b>	<b>25,206,372.03</b>
Provision for Tax		6,959,155.83	1,833,712.87
Deferred Tax Surplus (Deficit)		1,046,615.73	708,902.23
<b>Net Profit after Tax</b>		<b>16,525,175.74</b>	<b>24,081,561.39</b>
Profit (Loss) Up to Last year		8,972,631.27	(15,108,930.12)
<b>Accumulated Profit (Loss) up to this year</b>		<b>25,497,807.01</b>	<b>8,972,631.27</b>
<b>Appropriation:</b>			
a. Technology Enhancement Reserve		3,305,035.15	-
b. Ordinary Reserve Fund		-	-
c. Proposed Dividend		15,000,000.00	-
d. Balance of profit & loss transferred to Reserve and Surplus		7,192,771.86	-
		<b>25,497,807.01</b>	<b>8,972,631.27</b>

Schedule 1-17 form an integral part of financial statements

As per our report of even date

**Neelesh Man Singh Pradhan**  
Chief Executive Officer

**Rajan Singh Bhandari**  
Chairman

**CA. Gyanendra B. Bhari**  
G.B. & Co.  
Chartered Accountants

**Shiba Raj Shrestha**  
Director

**Upendra Poudyal**  
Director

**Jyoti Prakash Pandey**  
Director

**Rabindra B. Malla**  
Director

**Krishnaraj Lamichhane**  
Director

**Saroj Kaji Tuladhar**  
Director

Date: 17th August 2015

Place: Kamaladi, Kathmandu, Nepal

## Nepal Clearing House Limited Cash Flow Statement

**For the period from Shrawan 01, 2071 to Asadh 31, 2072  
(Corresponding period from 17 July 2014 to 16 July 2015 )**

*Amount in NRs.*

Particulars	This Year	Last Year
<b>A. Cash flow from Operating Activities</b>		
Net Profit/(Loss) before tax	<b>22,437,715.84</b>	<b>25,206,372.03</b>
Preliminary & Pre-operating (Expenses)/Surplus	-	-
<b>Add/(Less) : Adjustment</b>		
Depreciation	17,235,210.68	16,930,782.48
Gratuity Provision	(322,237.88)	184,044.39
Leave Provision	285,019.28	94,041.07
Staff Bonus Provision	2,243,771.58	2,520,637.20
Financial Expenses	-	305,532.91
Income Tax Paid	-	-
Proposed Dividend	(15,000,000.00)	-
<b>Cash Flow from Operation Before Working Capital</b>	<b>26,879,479.50</b>	<b>45,241,410.08</b>
Increase(Decrease) in Current Liabilities	11,546,553.72	(18,951,050.51)
Decrease (Increase) in Current Assets	12,689,849.05	(3,723,539.62)
<b>Cash Flow From Operating Activities (A)</b>	<b>49,282,169.40</b>	<b>22,566,819.95</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(1,779,961.66)	(1,341,992.32)
NCHL IPS Project_WIP	(3,399,320.93)	-
Investment	(35,000,000.00)	(55,000,000.00)
Sale or Disposal of Fixed Assets	13,386.08	22,496.12
<b>Cash Flow From Investing Activities (B)</b>	<b>(40,165,896.51)</b>	<b>(56,319,496.20)</b>
<b>C. Cash flow from Financing Activities (C )</b>		
Interest on loan	-	(305,532.91)
Increase(Decrease) in Loans	-	-
Share Capital	-	-
Sale of Fixed Assets	-	-
<b>Cash Flow From Financing Activities (C )</b>	<b>-</b>	<b>(305,532.91)</b>
Net Increase(Decrease) in Cash & Bank Balances (A+B+C)	9,116,272.89	(34,058,209.16)
Cash & Bank Balances at the Beginning of the Year	25,310,884.37	59,369,093.53
<b>Cash &amp; Bank Balance at the end of the Year</b>	<b>34,427,157.26</b>	<b>25,310,884.37</b>

**Neelesh Man Singh Pradhan**  
Chief Executive Officer

**Rajan Singh Bhandari**  
Chairman

**CA. Gyanendra B. Bhari**  
G.B. & Co.  
Chartered Accountants

**Shiba Raj Shrestha**  
Director

**Upendra Poudyal**  
Director

**Jyoti Prakash Pandey**  
Director

**Rabindra B. Malla**  
Director

**Krishnaraj Lamichhane**  
Director

**Saroj Kaji Tuladhar**  
Director

Date: 17th August 2015  
Place: Kamaladi, Kathmandu, Nepal

**Nepal Clearing House Limited**  
**Statement of Changes in Equity**  
**For the period from Shrawan 01, 2071 to Asadh 31, 2072**  
**(Corresponding period from 17 July 2014 to 16 July 2015 )**

*Amount in NRs.*

Particulars	Share Capital	Share Premium	Revaluation Reserve	Technology Enhancement Reserve	Accumulated Profit/(Loss)	Total
<b>Balance at 32 Asadh 2071</b>	<b>150,000,000.00</b>	-	-	-	<b>8,972,631.27</b>	<b>158,972,631.27</b>
Changes in Accounting Policy	-	-	-	-	-	-
<b>Restated balance</b>	<b>150,000,000.00</b>	-	-	-	<b>8,972,631.27</b>	<b>158,972,631.27</b>
Surplus on Revaluation of properties	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-
Net Profit for period	-	-	-	-	16,525,175.74	16,525,175.74
Transfer to Technology Enhancement Reserve	-	-	-	3,305,035.15	(3,305,035.15)	-
Proposed Dividend	-	-	-	-	(15,000,000.00)	(15,000,000.00)
Issue of Share Capital	-	-	-	-	-	-
<b>Balance as at 31 Asadh 2072</b>	<b>150,000,000.00</b>	-	-	<b>3,305,035.15</b>	<b>7,192,771.86</b>	<b>160,497,807.01</b>

**Nepal Clearing House Limited**  
**Schedule Attached To and Forming Part of Financial Statements**  
**As at Asadh 31, 2072**

*Amount in NRs.*

**Share Capital**

**Schedule - 1**

Particulars	This Year	Last Year
<b><u>Authorized Capital</u></b>		
2,500,000 Ordinary Shares of Rs 100/- each	250,000,000.00	250,000,000.00
<b><u>Issued Capital</u></b>		
1,500,000 Ordinary Shares of Rs 100/- each	150,000,000.00	150,000,000.00
<b><u>Subscribed Capital</u></b>		
1,500,000 Ordinary Shares of Rs. 100/- each	150,000,000.00	150,000,000.00
<b><u>Paid up Capital</u></b>		
1,500,000 Ordinary Shares of Rs. 100/- each	150,000,000.00	150,000,000.00
Less: Calls in Arrears	-	-
Deposit for Share	-	-
<b>Total</b>	<b>150,000,000.00</b>	<b>150,000,000.00</b>

**Reserve & Surplus**

**Schedule - 2**

Particulars	This Year	Last Year
Technology Enhancement Reserve	3,305,035.15	-
Adjustment for deferred tax liability	-	-
Accumulated Profit/(Loss)	7,192,771.86	8,972,631.27
<b>Total</b>	<b>10,497,807.01</b>	<b>8,972,631.27</b>

**Medium & Long Term Loans**

**Schedule - 3**

Particulars	This Year	Last Year
i) Secured Loan	-	-
ii) Un Secured Loan	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Nepal Clearing House Limited**  
**Schedule Attached To and Forming Part of Financial Statements**  
**As at Asadh 31, 2072**

Amount in NRs.

**Schedule - 4**

**Fixed Assets and Depreciation**

Particulars	Office Equipment	Vehicle	Others	Software	Total
<b>Cost Price</b>					
Opening Balance	-	3,045,600.00	32,712.00	36,515,661.27	86,329,742.32
Addition during the year	46,735,769.05	-	-	495,797.67	1,779,961.66
Deletion during the year	1,284,163.99	-	-	-	(80,316.50)
<b>TOTAL</b>	<b>47,939,616.54</b>	<b>3,045,600.00</b>	<b>32,712.00</b>	<b>37,011,458.94</b>	<b>88,029,387.48</b>
<b>Depreciation</b>					
Opening Balance	-	-	-	-	-
For the year	25,932,667.10	1,402,247.50	13,293.01	14,703,359.60	42,051,567.21
Deletion during the year	9,430,428.34	456,840.00	4,906.80	7,343,035.54	17,235,210.68
	(66,930.42)	-	-	-	(66,930.42)
<b>Total Depreciation</b>	<b>35,296,165.02</b>	<b>1,859,087.50</b>	<b>18,199.81</b>	<b>22,046,395.14</b>	<b>59,219,847.47</b>
<b>WDV of Depreciable Assets</b>	<b>12,643,451.52</b>	<b>1,186,512.50</b>	<b>14,512.19</b>	<b>14,965,063.80</b>	<b>28,809,540.01</b>
<b>Non-Depreciable Assets</b>					
NCHL IPS Project_WIP	-	-	-	-	3,399,320.93
<b>WDV as on 31 Asadh 2072</b>	<b>12,643,451.52</b>	<b>1,186,512.50</b>	<b>14,512.19</b>	<b>14,965,063.80</b>	<b>32,208,860.94</b>
<b>WDV as on 32 Asadh 2071</b>	<b>20,803,101.95</b>	<b>1,643,352.50</b>	<b>19,418.99</b>	<b>21,812,301.67</b>	<b>44,278,175.11</b>



**Nepal Clearing House Limited**  
**Schedule Attached To and Forming Part of Financial Statements**  
**As at Asadh 31, 2072**

*Amount in NRs.*

**Investment**

**Schedule - 5**

Particulars	This Year	Last Year
FD - Grand Bank Nepal Ltd.	-	25,000,000.00
FD - Siddhartha Bank Ltd.	20,000,000.00	5,000,000.00
FD - Janata Bank Nepal Ltd.	20,000,000.00	5,000,000.00
FD - Laxmi Bank Ltd.	10,000,000.00	20,000,000.00
FD - Civil Bank Ltd.	20,000,000.00	-
FD - Mega Bank Nepal Ltd.	20,000,000.00	-
<b>Total</b>	<b>90,000,000.00</b>	<b>55,000,000.00</b>

**Cash & Cash Equivalents**

**Schedule - 6**

Particulars	This Year	Last Year
Cash Balance	-	-
<b>Bank Balance :</b>		
Grand Bank Nepal Ltd.	32,773.77	809,232.77
Janata Bank Nepal Ltd.	285,043.59	2,666,262.97
Laxmi Bank Ltd.	20,893,025.45	10,826,991.15
Laxmi Bank Ltd. (Current)	5,000.00	5,000.00
Nepal Rastra Bank	5,000.00	5,000.00
Siddhartha Bank Ltd.	1,411,225.59	10,998,397.48
Civil Bank Ltd.	11,725,378.18	-
Mega Bank Nepal Ltd.	69,710.68	-
<b>Total</b>	<b>34,427,157.26</b>	<b>25,310,884.37</b>

**Inventories**

**Schedule - 7**

Particulars	This Year	Last Year
<b>NCHL-ECC Software-Banks/FIs</b>		
Opening Balance	15,770,554.26	31,808,024.43
Less: ECC Software Sales	1,856,000.00	-
Less: ECC Software cost (value consumed)	13,914,554.26	16,037,470.17
(at net realizable value being lower than cost)		
<b>Total</b>	<b>-</b>	<b>15,770,554.26</b>

**Nepal Clearing House Limited**  
**Schedule Attached To and Forming Part of Financial Statements**  
**As at Asadh 31, 2072**

*Amount in NRs.*

**Prepaid, Loan, Advances & Deposits**

**Schedule - 8**

Particulars	This Year	Last Year
Others Receivable	-	-
Tax Deposit (Advance Tax)	34,069,670.85	32,443,085.10
Less: Provision for tax	6,959,155.83	-
<b>Net Advance tax deposit</b>	<b>27,110,515.02</b>	<b>32,443,085.10</b>
Prepaid Expenses	4,777,644.88	4,702,621.26
Security deposit	170,190.00	170,190.00
Advance Expenses	300,000.00	300,008.88
Deposits	13,500.00	13,500.00
CIT Deposit -Staff Gratuity	-	268,750.00
<b>Total</b>	<b>32,371,849.90</b>	<b>37,898,155.24</b>

**Trade & Other Receivables**

**Schedule - 9**

Particulars	This Year	Last Year
Member Banks	11,127,665.00	7,852,220.00
Less: Provision for doubtful debt	(743,000.00)	(743,000.00)
Interest Receivable	384,109.59	180,822.00
Other Receivable	2,835.00	-
<b>Total</b>	<b>10,771,609.59</b>	<b>7,290,042.00</b>

**Current Liabilities & Payable**

**Schedule - 10**

Particulars	This Year	Last Year
Sundry Creditors	10,176.33	27,038.97
TDS Payable	197,800.62	128,675.33
Expense Payable	703,583.92	679,770.94
Advance Income	20,780,327.57	19,955,499.41
<b>Total</b>	<b>21,691,888.44</b>	<b>20,790,984.65</b>

**Provisions**

**Schedule - 11**

Particulars	This Year	Last Year
Provision for Gratuity	139,264.84	461,502.72
Provision for Leave	812,136.18	527,116.90
Provision for Staff Bonus	2,243,771.58	2,520,637.20
Provision for Tax	-	1,833,712.87
Proposed Dividend	15,000,000.00	-
<b>Total</b>	<b>18,195,172.60</b>	<b>5,342,969.69</b>

**Nepal Clearing House Limited**  
**Schedule Attached To and Forming Part of Financial Statements**  
**for Asadh 31, 2072**

*Amount in NRs*

**Expenditures to the extent not written off**

**Schedule - 12**

Particulars	This Year	Last Year
Expenditure to the extent not written off	-	-
<b>Total</b>	-	-

**Contingent Liabilities**

**Schedule - 13**

Particulars	This Year	Last Year
a. Claim against company	-	-
b. Capital commitment	-	-
c. Unpaid uncalled share amount	-	-
<b>Total</b>	-	-

**Operating Income - Revenue**

**Schedule - 14**

Particulars	This Year	Last Year
Cheque Clearing Fees-NPR	61,802,120.00	47,557,055.00
Cheque Clearing Fees-EUR	23,200.00	17,090.00
Cheque Clearing Fees-GBP	9,465.00	8,575.00
Cheque Clearing Fees-USD	745,930.00	745,070.00
Other Fees & Charges (Reason Based)	7,636,325.00	7,131,950.00
NCHL -Login ID Fee	6,810,473.61	4,520,559.72
NCHL-Membership Fee	575,000.00	2,618,750.00
NCHL-Membership Fee - Renewal	11,511,244.15	8,376,255.94
NCHL- Software AMC Renewal	12,772,649.73	10,538,933.74
NCHL - ECC Archive Fee	35,800.00	39,400.00
Network Connectivity & Management-Income	9,690,684.35	8,949,539.19
<b>Total</b>	<b>111,612,891.84</b>	<b>90,503,178.59</b>

**Operating Expenses**

**Schedule - 15**

Particulars	This Year	Last Year
AMC for ECC Software – NCHL	6,504,533.41	2,411,798.05
AMC for ECC Software – BFIs	26,018,133.68	9,647,192.21
Network Connectivity	5,501,479.16	5,288,569.50
AMC Expenses- Dark Core	178,480.00	178,480.00
AMC for Internal S/W & H/W	65,301.59	39,759.56
AMC for Power (Generator, UPS & Battery)	280,000.00	282,600.00
AMC & Renewal Network / Firewall	1,386,510.00	1,386,510.00
AMC Expenses-Hardware(IBM)	1,284,277.91	1,288,530.22
AMC Expenses-Oracle	639,187.08	586,258.37
Support Contract ( Data Center)	40,680.00	33,900.00
Renewal for Antivirus	57,460.50	48,420.50
Rollout / Implementation	-	879,490.00
Data Hosting - Remote DR	720,533.08	178,650.02
Member Training / Orientation Expenses	102,557.56	15,255.00
<b>Total</b>	<b>42,779,133.97</b>	<b>22,265,413.43</b>

**Nepal Clearing House Limited**  
**Schedule Attached To and Forming Part of Financial Statements**  
**for Asadh 31, 2072**

*Amount in NRs*

**Administrative Expenses**

**Schedule - 16**

Particulars	This Year	Last Year
Advertisement & Public Notice	34,476.80	93,091.20
AGM Expenses	327,372.02	272,349.30
Audit Fee & Expenses- Internal	85,956.50	56,885.00
Audit Fee & Expenses- Statutory	89,765.00	84,875.00
Bank Commission	32,489.26	16,455.05
Books and Subscription Expenses	8,977.03	10,552.42
Business Promotion Expenses	65,002.50	63,550.00
Common Area & Parking Expenses	343,042.64	317,122.35
Consultancy Fee	141,250.00	332,250.00
Courier Expenses	45,916.24	42,263.93
Donation	1,000,000.00	-
Electricity Expenses	805,348.00	891,399.00
Fine and Penalties	-	1,455.79
Fuel Expenses	975,568.35	1,202,135.25
Insurance Expenses	215,895.06	248,513.35
ISO Certification and implementation expenses	222,365.95	-
Legal Fee	90,400.00	151,675.00
Local Conveyance	13,122.00	8,375.00
Loss on disposal of Fixed assets	3,592.75	22,496.12
Meeting Allowance & Expenses	246,655.00	99,550.00
Office Expenses	291,365.15	220,422.50
Other Expenses	5,666.05	111,585.21
Printing & Stationery	92,266.90	94,265.81
Provision-Doubtful debt	-	743,000.00
Public Awareness Program	498,402.92	183,205.76
Renewal & Registration	25,715.00	23,735.00
Rent - House	901,166.67	858,253.97
Rent- DR Site	435,000.00	435,000.00
Repair & Maintenance	285,925.77	230,111.06
Security Expenses	366,120.00	300,000.00
Telephone Expenses	113,116.39	106,214.07
Travelling Expenses	53,019.96	97,087.00
Web Site Development/hosting Expenses.	2,693.42	3,390.00
<b>Staff Expenses</b>		
Staff - Dashain Allowance	372,480.00	410,802.50
Staff - HR activity	-	75,000.00
Staff - Leave Fare Allowance	180,000.00	161,250.00
Staff - Provident Fund Contribution	558,638.46	476,781.08
Staff - Salary & Allowance Expenses	8,566,728.00	7,721,349.13
Staff - Training Expenses	210,675.00	209,430.49
Staff-Gratuity Provision	289,634.29	329,826.61
Staff-Leave Provision	285,019.28	211,566.07
<b>Total</b>	<b>18,280,828.36</b>	<b>16,917,270.02</b>

**Nepal Clearing House Limited**  
**Schedule Attached To and Forming Part of Financial Statements**  
**for Asadh 31, 2072**

**Significant Accounting Policies and Notes to Accounts**

**Schedule – 17**

**Background Information**

NCHL is a limited liability company registered with Company Registrar Office on 8 Poush 2065 (corresponding to 23 December 2008). It has obtained the letter of commencement of business from Company Registrar Office effective from 31 Jestha 2068. NCHL has obtained approval from Nepal Rastra Bank for operation of NCHL-ECC system for foreign currency cheques clearance effective from 7 Poush 2068 and obtained circular for conducting the cheque clearance in Nepalese currency effective from 20 Chaitra 2068. NCHL has obtained approval from Nepal Rastra Bank to fully rollout NCHL-ECC in Kathmandu from 1 Poush 2069, in Birgunj from 15 Chaitra 2069, in Biratnagar since 21 Aswin 2070 and in Nepalgunj since 24 Mangsir 2070, in Bhairawah since 13 Magh 2070, in Pokhara since 12 Falgun 2070, in Dhangadi since 10 Chaitra 2070 and in Janakpur since 26 Chaitra 2070.

The principle objective of the company is to facilitate Electronic Cheque Clearance (ECC) for its member banks. Till Asadh end 2072, NCHL has entered agreement with 147 Banks/members out of which only 128 Banks/members (Nepal Rastra Bank, 30 Commercial Banks and 61 Development Banks & 36 Finance Companies each) are currently active 19 members including 2 Commercial Banks, 7 Development Banks & 10 Finance Companies have been merged till the Asadh end 2072.

These financial statements have been prepared under the responsibility of the management and approved by Board of Directors on 32<sup>nd</sup> Shrawan 2072 (17<sup>th</sup> August 2015).

**Significant Accounting Policies**

**1. Accounting System**

Financial statements have been prepared under accrual basis of accounting and in line with Nepal Accounting Standards (except otherwise stated herein after).

**2. 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.

**3. 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. Assets values of NRs. 5,000 or less have been expensed off in the same year of purchase during current financial year.

**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.

#### **4. Inventories**

Inventories are valued at cost (being FIFO value) or net realizable value whichever is lower (except otherwise stated herein after).

#### **5. Employee Benefits**

##### **a. Gratuity**

Liability for gratuity has been recognized on accrual basis as per year end entitlement of employees. The gratuity expense has been booked under administrative expenses in the income statement. It is the policy of Nepal Clearing House Ltd. that an employee who has served NCHL for a minimum of three years and retires/is terminated/resigns from service is entitled to receive a gratuity. Gratuity expenses on account of staff members have been accounted for, from the beginning of the service period of the staffs.

##### **b. Leave**

Provision for leave encashment has been recognized in books of accounts as per Employee's Service Rules (August 2013).

##### **c. Bonus**

Provision for bonus has been calculated at 10% of Net profit after tax as per Bonus Act, 2030.

##### **d. Provident Fund**

NCHL makes monthly contributions to the Retirement Fund equal to 10% of the basic salary of eligible employees.

#### **6. Investment**

Investment in Fixed Deposits has been valued at lower of cost or market price.

Fixed Deposits are maintained in banks such as Siddhartha Bank Ltd., Janata Bank Nepal Ltd., Laxmi Bank Ltd., Civil Bank Ltd. and Mega Bank Nepal Ltd.

#### **7. Income tax**

Income tax provision has been calculated as per Income Tax Act, 2058.

#### **8. Profit Appropriation Policy**

20 percent of profit after tax for each fiscal year before dividend and other reserves is appropriated as Technology Enhancement Reserve. The main objective of establishment of the reserve is to setting out separate fund for major enhancement / upgrade of existing system(s) and/or for funding of new payment and settlement system projects in future.



## Notes to Accounts

### 1. Inventories

ECC software purchased for member banks has been accounted for under the head of inventory. Opening stock of inventory amounts to NRs. 15,770,554.26. Sales at cost to member banks & financial institutions during the current fiscal year amounts to NRs. 1,856,000.

Management has reviewed the net realizable value of inventories. Considering the present market conditions and Nepal Accounting Standards (NAS-2), valuation of stock should be minimum of cost price and net realizable value. Because of merger and no more potential member BFIs, entire software amounting NRs. 13,914,554.26 has been written off.

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.

### 2. Tax

#### a. Income Tax

The company has provided for income tax provision of NRs. 6,959,155.83 considering inadmissible expenses as per Income Tax Act, 2058 which has been adjusted against advance tax and presented as net advance tax deposit under prepaid, loans, advances and deposits in the balance sheet. However, tax provision of FY 2070/71 has not been adjusted against the Advance Tax but accounted as liability.

#### b. Deferred tax

Deferred tax liability/assets is considered at the tax rate applicable to the 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)

Particulars	Carrying amount	Tax Base	Temporary Difference	Deferred Tax Asset
Fixed Assets	28,809,540.01	30,279,700.40	1,470,160.39	367,540.10
Provision for Leave	812,136.18		812,136.18	203,034.05
Provision for Gratuity	139,264.84		139,264.84	34,816.21
Total	29,760,941.03	30,279,700.40	2,421,561.41	605,390.36

The Deferred Tax Asset arising due to temporary difference amounts to NRs. 605,390.36 this year whereas there was a deferred tax liability of NRs. 441,225.37 last year. The net increase in deferred tax asset of NRs. 1,046,615.73 has been incorporated as Deferred Tax Surplus in the income statement of this year.

### 3. Employee Benefits

The year-end liability for staff gratuity as per the policy of NCHL amounts to NRs. 751,137.01. Out of this, eligible gratuity amount to be deposited in ARF (Approved Retirement Fund) amounts to NRs. 611,872.17, hence year end provision for gratuity amounts to NRs. 139,264.84.

Total Liability towards encashment of leave for accumulated leave days amounts to NRs. 812,136.18, which includes an additional provision of NRs. 285,019.18 made during this fiscal year.

#### **4. NCHL-IPS Project**

Software required for the Interbank Payment System (NCHL-IPS) has been contracted with Progresssoft Corporation (which is also the provider of NCHL-ECC) at the total fixed cost of USD 175,000.00 to be paid in five installments. The first installment of the software and other fixed assets of the project investment of NRs. 3,399,320.93 has been booked as the work in progress.

#### **5. Forward Contract & USD Payments**

Forward exchange contract has been entered with Laxmi Bank Ltd. for the payment to ProgressSoft Corporation against AMC of ECC Software of NCHL and participating member banks and financial institution for USD 125,000 with maturity on 1st September 2015 and payment to ProgressSoft Corporation against 2nd installment of Interbank Payment System (IPS) software for USD 43,750.00 with maturity on 15th September 2015. Accounting of forward contract has not been made in books of account including computation of gain/loss at end of financial year.

Total of USD 250,000 (half yearly basis) was paid to ProgressSoft Corporation against AMC of ECC Software of NCHL and Participating member banks & financial institutions (BFIs), which was due on 1st September 2014 and 1st March 2015. TDS and VAT applicable on the payment was also paid as per the agreement with the party, corresponding to which NRs. 6,504,533.41 and NRs. 26,018,133.68 has been booked as expense for the year against AMC for NCHL and BFIs respectively. And NRs.4,104,143.39 has been booked as pre-paid expense.

USD 17,500 was paid to ProgressSoft Corporation against 1st installment of NCHL Interbank Payment System (NCHL- IPS) software. Total of NRs. 2,324,109.22 has been paid which includes TDS and VAT as per the agreement.

#### **6. Related party disclosure**

Following are the related parties' transactions.

##### **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 Asadh 2072 remains at NRs. 5,000.

##### **6.2 Related to the banks represented on the Board:**

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

##### **6.3 Related to Employees**

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

#### **7. Term Loan**

No loan has been availed for current financial year.

**8. Advance income includes following fees and renewal charges for upcoming fiscal year 2072/073:**

Particulars	Amount
Login ID Fees	5,013,216.67
Network Conn. & Mgmt.	4,590,194.46
Software AMC Renewal	6,070,666.53
Membership Fee Renewal	5,106,249.91
Total	20,780,327.57

These will be subsequently transferred to income during FY 2072/073.

**9. Proposed dividend**

The Board of Directors has proposed 10% cash dividend on paid up capital, subject to final approval at annual general meeting. Proposed dividend equivalent to NRs. 15,000,000 has been adjusted in the provision account of financial statements.

**10. Appropriation of profit**

As per the profit appropriation policy, 20% of current years profit, equivalent to NRs. 3,305,035.15, has been appropriated as Technology Enhancement Reserve.

**11. Subsequent events**

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

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

# 08 Other Information

## Member Banks and Financial Institutions

<b>Central Bank</b>	
Nepal Rastra Bank	
<b>Commercial Banks</b>	
Agriculture Development Bank Ltd.	Nabil Bank Ltd.
Bank of Kathmandu Ltd.	Nepal Bangladesh Bank Ltd.
Century Commercial Bank Ltd.	Nepal Bank Ltd.
Citizens Bank International Ltd.	Nepal Credit and Commerce Bank Ltd.
Civil Bank 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.	Prabhu Bank Ltd.
Janata Bank Nepal Ltd.	Prime Commercial Bank Ltd.
Kumari Bank Ltd.	Rastriya Banijya Bank Ltd.
Laxmi Bank Ltd.	Sanima Bank Ltd.
Lumbini Bank Ltd.	Siddhartha Bank Ltd.
Machhapuchchhre Bank Ltd.	Standard Chartered Bank Nepal Ltd.
Mega Bank Nepal Ltd.	Sunrise Bank Ltd.
<b>Development Banks</b>	
ACE Development Bank Ltd.	Innovative Development Bank Ltd.
Alpine Development Bank Ltd.	International Development Bank Ltd.
Apex Development Bank Ltd.	Jyoti Bikas Bank Ltd.
Araniko Development Bank Ltd.	Kailash Bikas Bank Ltd.
Bhargav Development Bank Ltd.	Kamana Bikas Bank Ltd.
Bhrikutee Development Bank Ltd.	Kanchan Development Bank Ltd.
Biratlaxmi Development Bank Ltd.	Kankrebihar Bikash Bank Ltd.
Business Universal Development Bank Ltd.	Karnali Bikash Bank Ltd.
City Development Bank Ltd.	Kasthamandap Development Bank Ltd.
Clean Energy Development Bank Ltd.	Mahakali Bikash Bank Ltd.
Corporate Development Bank Ltd.	Malika Bikash Bank Ltd.
Cosmos Development Bank Ltd.	Manaslu Development Bank Ltd.
Country Development Bank Ltd.	Metro Development Bank Ltd.
Deva Bikas Bank Ltd.	Mission Development Bank Ltd.
Ekata Bikas Bank Ltd.	Miteri Development Bank Ltd.
Excel Development Bank	Muktinath Bikas Bank Ltd.
Fewa Bikash Bank Ltd.	Nepal Community Development Bank Ltd.
Gandaki Bikash Bank Ltd.	NIDC Development Bank Ltd.
Garima Bikas Bank Ltd.	Paschimanchal Development Bank Ltd.
Infrastructure Development Bank Ltd.	Pathibhara Bikas Bank Ltd.

Professional Diyalo Bikas Bank Ltd.	Sindhu Bikas Bank Ltd.
Purnima Bikash Bank Ltd.	Society Development Bank Ltd.
Raptibheri Bikas Bank Ltd.	Subhechha Bikas Bank Ltd.
Reliable Development Bank Ltd.	Supreme Development Bank Ltd.
Sahayogi Vikas Bank Ltd.	Tinau Bikas Bank Ltd.
Sajha Bikas Bank Ltd.	Tourism Development Bank Ltd.
Saptakoshi Development Bank Ltd.	Triveni Bikas Bank Ltd.
Sewa Bikash Bank Ltd.	Vibor Bikas Bank Ltd.
Shangri-la Development Bank Ltd.	Yeti Development Bank Ltd.
Shine Resunga Development Bank Ltd.	Western Development Bank Ltd.
Siddhartha Development Bank Ltd.	
<b>Finance Companies</b>	
Bhaktapur Finance Ltd.	NIDC Capital Market Ltd.
Central Finance Ltd.	Om Finance Ltd.
Everest Finance Co. Ltd.	Paschimanchal Finance Co. Ltd.
Goodwill Finance Ltd.	Patan Finance Ltd.
Guheshwori Merchant Banking Finance Ltd.	Pokhara Finance Ltd.
ICFC Finance Ltd.	Premier Finance Co. Ltd.
International Leasing and Finance Co. Ltd.	Progressive Finance Co. Ltd.
Jebils Finance Ltd.	Prudential Finance Institution Ltd.
Kaski Finance Ltd.	Reliance Lotus Finance Ltd.
Kathmandu Finance Ltd.	Sagarmatha Merchant Banking and Finance Ltd.
Lalitpur Finance Co. Ltd.	Shree Investment and Finance Co. Ltd.
Lumbini Finance and Leasing Co. Ltd.	Siddhartha Finance Ltd.
MahaLaxmi Finance Ltd.	Srijana Finance Ltd.
Manjushree Financial Institution Ltd.	Synergy Finance Ltd.
Narayani National Finance Ltd.	Union Finance Ltd.
Nepal Aawas Finance Co. Ltd.	Unique Finance Ltd.
Nepal Express Finance Ltd.	United Finance Co. Ltd.
Nepal Finance Ltd.	World Merchant Banking & Finance Ltd.

## Annual General Meeting (AGM) Notice

### चौथो बार्षिक साधारण सभा सम्बन्धी सूचना

श्री शेयरधनी महानुभावहरू,

यस कम्पनीको सञ्चालक समितिको मिति २०७२/०५/२८ मा बसेको ८६औं बैठकको निर्णय बमोजिम यस कम्पनीको चौथो 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 ।

#### सभाहुने मिति, स्थान र समय :-

मिति : २०७२ साल असोज महिना २९ गते बिहिवार (8<sup>th</sup> October 2015)

स्थान : होटेल याक एण्ड यति, दरबारमार्ग, काठमाडौं ।

समय : बिहान ११:३०

#### छलफल गर्ने विषयहरू :-

##### **क. साधारण प्रस्ताव:**

१. संचालक समितिको आ. व. २०७१/०७२ को प्रतिवेदन पारित गर्ने ।
२. लेखापरीक्षण प्रतिवेदन सहितको २०७२ आषाढ मसान्तसम्मको वासलात तथा सोहि मितिमा समाप्त आ.व. २०७१/०७२ को नाफा नोक्सान हिसाब तथा नगद प्रवाह विवरण स्वीकृत गर्ने ।
३. सञ्चालक समितिले प्रस्ताव गरे बमोजिम १० प्रतिशत नगद लाभांश स्वीकृत गर्ने ।
४. आ.व. २०७२/०७३ को लागि लेखापरीक्षकको नियुक्ति तथा निजको पारिश्रमिक निर्धारण गर्ने ।  
(जी बि एण्ड कम्पनी पुन नियुक्त हुन योग्य रहनु भएको)
५. समूह 'ख-१' बाट प्रतिनिधित्व गर्ने सञ्चालकको पद पदावधिको बीचमा रिक्त भएकोमा संचालक समितिले सो रिक्त स्थानमा गरेको नियुक्तिलाई अनुमोदन गर्ने ।
६. सञ्चालकको बैठक भत्ता बृद्धि गर्ने बारे ।

##### **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](http://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) लेखापरीक्षकको प्रतिवेदन सहित कम्पनीको वार्षिक आर्थिक विवरण, सञ्चालक समितिको प्रतिवेदन, कम्पनी ऐन, २०६३ को दफा ७८ बमोजिमको प्रतिवेदन समेतका कागजातहरु कम्पनी रजिष्टर्ड कार्यालय, कमलादी काठमाण्डौंमा 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 आउनु हुन अनुरोध छ । कथम कदाचित् सो सम्भव नभए शेयरधनी प्रमाणपत्र साथमा लिई आउनु हुन अनुरोध छ, अन्यथा सभाकक्ष भित्र प्रवेश गर्न पाइने छैन ।
- (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 गरिसक्नु पर्नेछ । सभामा भाग लिन र मतदान गर्नका लागि प्रतिनिधि नियुक्त गरिसके पछि उक्त प्रतिनिधि बदर गरी अर्कै मुकुरर गर्ने भएमा सोको लिखित सूचना सोही अवधि भित्र कम्पनीको केन्द्रीय कार्यालयमा दर्ता गरिसक्नु पर्नेछ ।
- (५) शेयरधनीज्यूहरूको सुविधाको लागि हाजिरी पुस्तिका सभास्थलमा सभा हुने दिन विहान ११:०० बजेदेखि सभा चालु रहेसम्म खुल्ला रहनेछ ।
- (६) अन्य कुनै जानकारीका लागि कम्पनीको रजिष्टर्ड कार्यालय, कमलादी, काठमाण्डौंमा सम्पर्क गर्नु हुन अनुरोध छ ।

## AGM Proxy Form

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 २०७२ साल असोज महिना २९ गते  
बिहिवारका दिन हुने चौथो वार्षिक साधारण सभामा 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 श्री .....शेयर प्रमाणपत्र नं. ....  
लाई मेरो /हाम्रो प्रतिनिधि मनोनित गरी पठाएको छु /छौं ।

निवेदक :-

दस्तखत:-

नाम:-

ठेगाना:-

शेयरधनी परिचय नं:-

शेयर प्रमाणपत्र नं:-

कि.नं. ....देखि ..... सम्म

मिति:-

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



***Corporate Office:***

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[www.nchl.com.np](http://www.nchl.com.np)

ISO 27001:2013 Certified Company