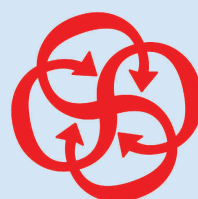


ANNUAL REPORT

2015/16 (2072/73)



**NEPAL
CLEARING
HOUSE**

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01 Overview

About NCHL

Nepal Clearing House Ltd. (NCHL) is a public limited company established on 23rd December 2008 (9th Mangsir 2065) under the leadership and guidance of Nepal Rastra Bank (NRB-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.

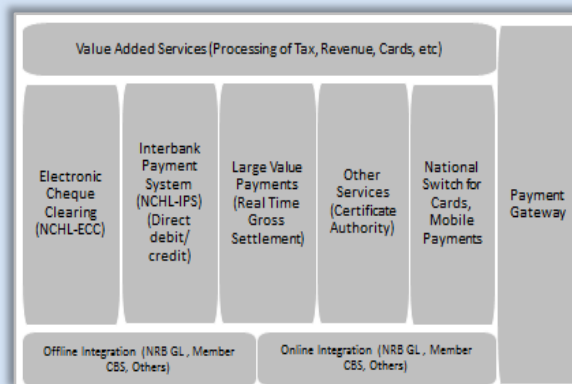
Shareholding structure of NCHL is as follows:

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. In medium to long term, NCHL will be working towards providing various products/ services in line with the National Payment System Strategy

as envisioned by NRB. 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's Product/Services Roadmap

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 now ready for nationwide operation of an interbank payment system (NCHL-IPS) that will facilitate non-paper based account to account transactions supporting both direct credit and direct debit transactions.

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.

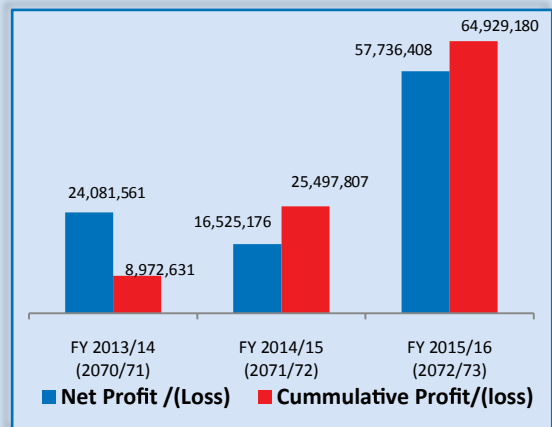
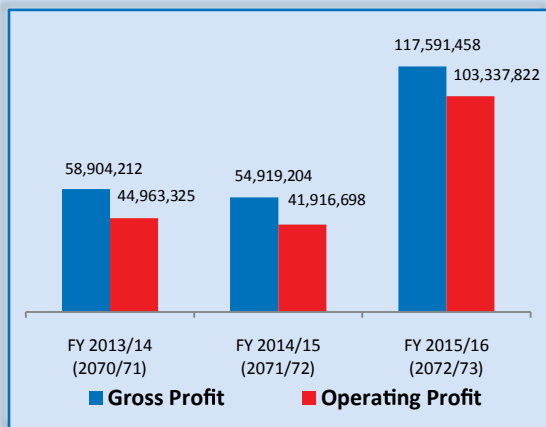
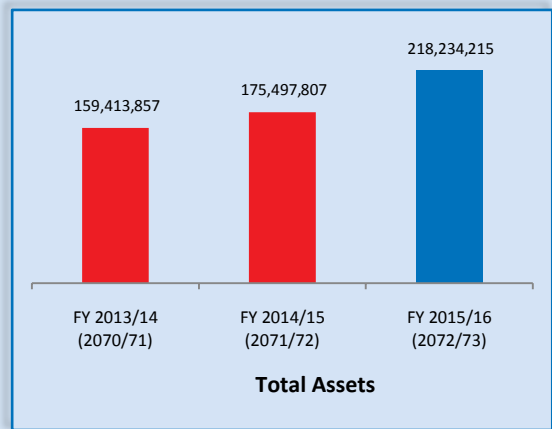
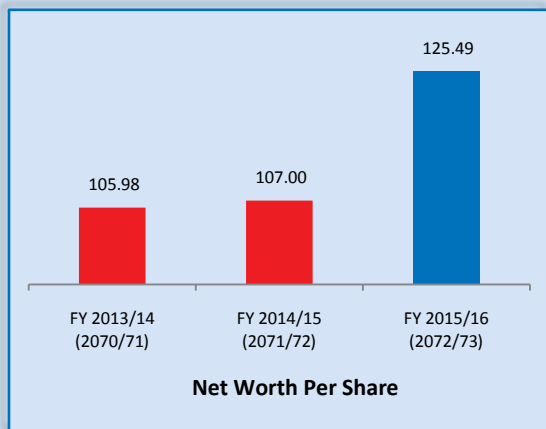
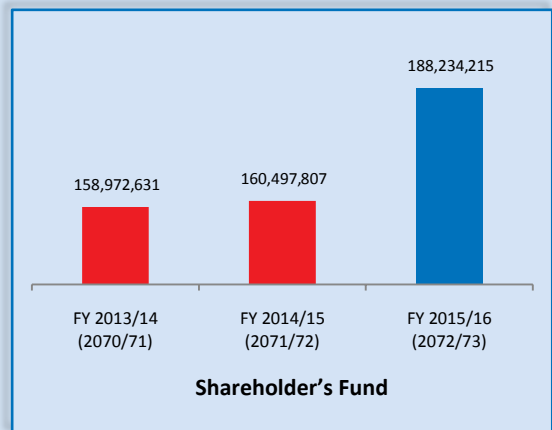
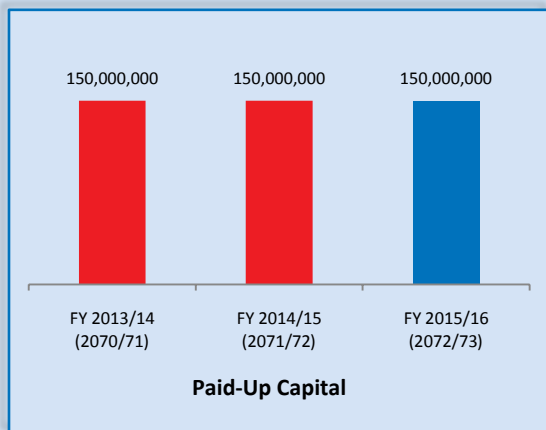
Vision, Mission and Values Statement

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 & 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.

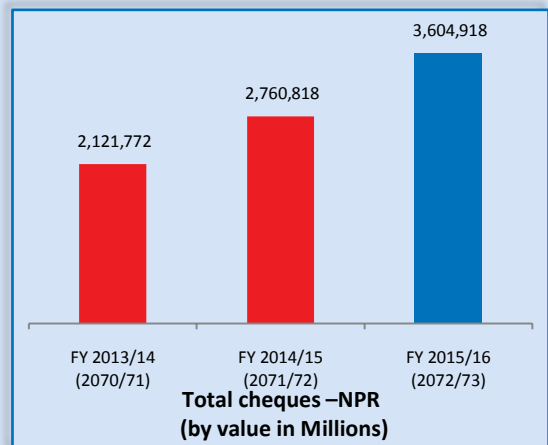
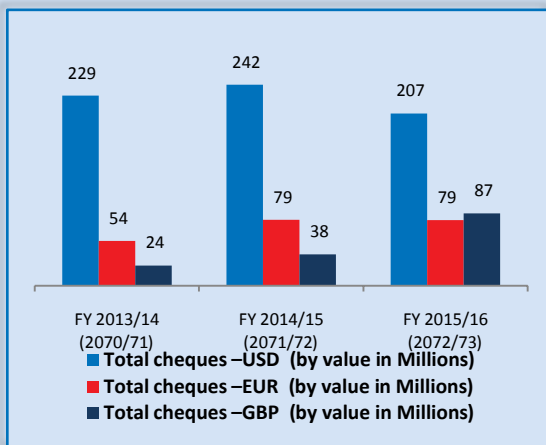
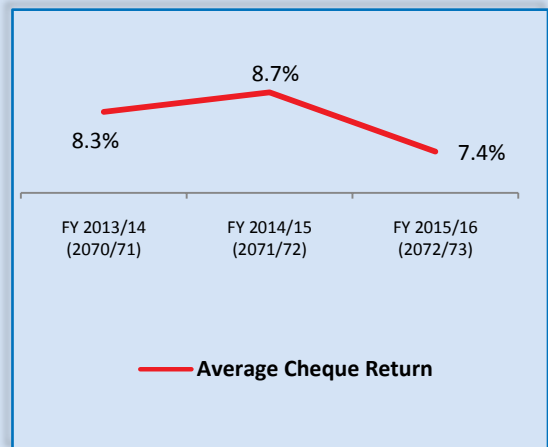
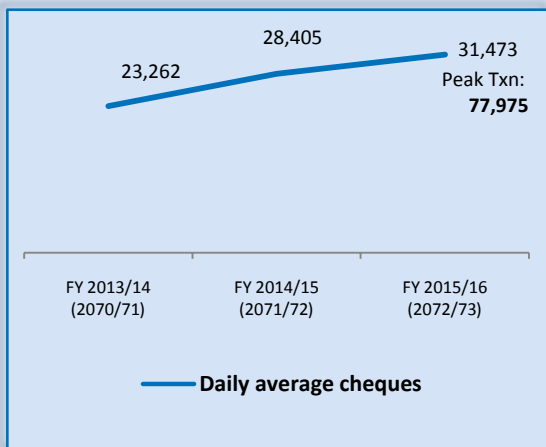
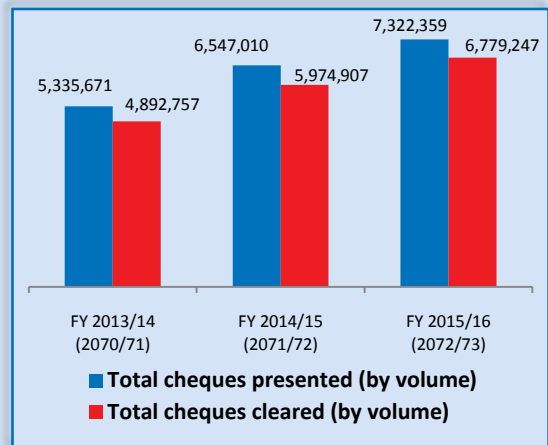
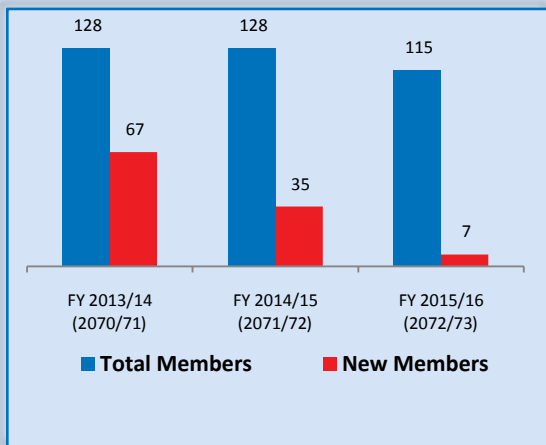
Major Milestones

Period	Major Achievements
23 rd December 2008	Company incorporated
22 nd December 2010	Electronic Cheque Clearing (NCHL-ECC) project initiated
29 th December 2011	NCHL-ECC project implementation completed
3 rd February 2012	NCHL-ECC started with foreign currency denominated cheques
9 th April 2012	NCHL-ECC started with Nepali currency denominated cheques
16 th December 2012	Migration of manual clearing to NCHL-ECC at Kathmandu completed
9 th April 2014	Nationwide rollout of NCHL-ECC completed
16 th February 2015	Interbank Payment System (NCHL-IPS) project Initiated
17 th August 2016	NCHL-IPS system rolled out with direct credit products

Financial Highlights



Operational Highlights



Message from Chairman

(Speech delivered by the Chairman on 5th Annual General Meeting)

Dear Shareholders,

It is with great pleasure to welcome all the shareholders in the 5th 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 2015/16 (2072/73).

It gives us a sense of pride to announce NCHL's transformation into a sustainable and profitable venture that was initiated under the leadership of Nepal Rastra Bank and the banks and financial institutions with an objective to establish and operate multiple national payment and settlement systems in Nepal. 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.

And the fiscal year 2015/16 has been a successful year for contemplating our growth strategy, whereby NCHL has been able to extend electronic cheque clearing (NCHL-ECC) services and ready to introduce an interbank payment system (NCHL-IPS), which is yet another national payment system in Nepal. The increase in number of cheques being processed through NCHL-ECC is a testimony of the acceptability of electronic cheque clearing. As the notable achievement during the fiscal year 2015/16, we have completed the implementation of much awaited NCHL-IPS system and it has also recently come into operation with few of the products. NCHL anticipates that NCHL-IPS will largely help clearing large volume transactions thereby promoting non-paper based financial transactions.

We have improved the profitability of the company with operating profit increase by over 146.5% and hence NCHL is distributing

dividend to the shareholders of the company for the second year in row. We have been able to book net profit of NRs. 57,736,408.26 for the FY 2015/16, from which the Board has proposed 20% cash dividend on paid-up capital.

With the achievement of the business stability of NCHL-ECC system, its services have been extended with additional express clearing and high value cheque clearing during the fiscal year. The NCHL-ECC system at the end of the fiscal year 2015/16 has the membership base of 115 banks and financial institutions with coverage of 2,747 branches all over Nepal. The resilience of our operational capacity is showcased by the transaction volume and value that we have handled so far. During the review period, the average daily transaction volume was 31,473 with over NPR 15.5 Billion in settlement value per day, compared to average daily transaction volume of 28,405 in the previous year. The outward clearing branches in NCHL-ECC now stand at 1,685 which is an increase of over 251 branches during the review period. We were also able to add 3 new members in NCHL-ECC system and 58 members in NCHL-IPS system during the review period.

Given the size of the transaction value and the number of BFIs associated with NCHL and the growing concern of information security, risk management has always been our prime focus as it could bear systemic risk to the entire banking industry. As the part of our prudent risk management strategy to strengthen information security management system, we have continued with the ISO27001:2013 certification corresponding to which a detailed surveillance audit was commenced.

With the recent trend of merger and acquisition of the banks and financial institutions, the number of members in NCHL-ECC has reduced from 149 to 115 till end of FY 2015/16. And we anticipate further reduction. This will have short term impact to our revenue; however, with increasing requirements of technology based payment and settlement services for the BFIs, we also believe that it will also provide ample opportunities for NCHL to introduce other payment and settlement systems. To some extent, the newly rolled out NCHL-IPS system will help reduce the immediate business risk. We have also been doing research and feasibility of other payment systems.

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. And I am confident that similar support will be extended by all the stakeholders in creating NCHL as a valuable institution.

I would like to thank you for your presence and once again welcome in the 5th 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. and Nepal Electronic Payment System Ltd. (NEPS). 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 2nd Shrawan 2069 and is the Chairman of the company since 20th Jestha 2072.



Mr. Jyoti Prakash Pandey
Director

Mr. Pandey is the CEO of Nepal Investment Bank Ltd. He is also a member of 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 the Board of NCHL representing commercial bank shareholders since 14th 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 20th 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 holds BSBA (Banking and Finance) degree from Philippines Christian University, Philippines. He is a member of the Board of NCHL representing SCT since 26th Magh 2065.



Mr. Krishnaraj Lamichhane
Director

Mr. Lamichhane is the CEO of Kailash Bikash Bank Ltd. and the current President of Nepal Development Bankers Association. He is also a member of the Board of Credit Information Bureau of Nepal. 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 18th Shrawan 2070.



Mr. Saroj Kaji Tuladhar
Director

Mr. Tuladhar is the CEO of Goodwill Finance Ltd and the current 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 18th Shrawan 2070.

Message from CEO



The fiscal year 2015/16 (2072/73) has been an interesting yet challenging year for NCHL, as we were able to extend the NCHL-ECC services and at the same time are ready for national rollout of the

interbank payment system. This has largely supported NCHL towards the sustainability and its growth.

The daily cheques transaction volume has increased from 28,405 in the previous year to 31,473 in this year, which was 8,112 in the year the system was started. The daily transaction settlement value has also increased from NPR 11.9 Billion in the previous year to NPR 15.5 Billion in this year. The acceptability of the cheque will further increase as the outward clearing branches of the existing member banks and financial institutions will increase, which currently remains at 1,685 branches out of 2,747 listed branches. NCHL-ECC is currently being serviced through 115 member banks and financial institutions.

Once the NCHL-IPS system is fully rolled out with all the products, it will support both the outgoing payments (Direct Credit) and collection (Direct Debit) transactions. And this has potential to change the way payment services are delivered by the BFIs or are initiated with possibility to process transactions directly to/from bank accounts. We anticipate to enroll even the non-bank financial institutions, other large corporate and government departments as indirect/ technical members of NCHL-IPS, who will directly be able to initiate and/or process their payment transactions. At the end of FY2015/16, NCHL has already achieved 55 direct members and 3 indirect members for NCHL-IPS system.

We have given highest level of importance to the operational excellence related to the stability of NCHL-ECC infrastructure, implementation of NCHL-IPS system and its support processes. In order to have assurance on the operation of

NCHL and potential risks, we have implemented risk management framework based on the principles of payment market infrastructure (PMI) suggested by BIS and ISO27001 for ISMS. Relevant policies and procedures based on the international benchmarks have been implemented. And 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 103,337,822 as against NPR 41,916,698 in the previous year. The increase in operating profit is largely due to the increase in operating income, particularly transaction fee. The net profit for the current year stood at NPR 57,736,408 as against NPR 16,525,176 in the previous year. The shareholders fund has increased to NPR 188,234,215.27 with book value per share at NPR 125.49.

Business outlook for NCHL remains challenging in the coming years, largely due to the possible merger of banks and financial institutions and in view of potential competition from other payment service providers in line with Nepal Rastra Bank's recent policy. The merger will reduce our membership base and possibly interbank transactions, while the recent payment system license policy by NRB may introduce new payment system providers in the market. However, the roll-out of NCHL-IPS system along with NCHL-ECC system will largely support NCHL's business in short to medium term, while it soon has to initiate other national payments and similar systems as per its strategic product service roadmap.

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.

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 2015/16 in comparison with the last four years are presented in the following table.

Amount in NRs.

Particulars	FY 2015/16 (2072/73)	FY 2014/15 (2071/72)	FY 2013/14 (2070/71)	FY 2012/13 (2069/70)	FY 2011/12 (2068/69)
Paid up capital	150,000,000.00	150,000,000.00	150,000,000.00	150,000,000.00	89,999,000.00
Reserve & Surplus	38,234,215.27	10,497,807.01	8,972,631.27	(15,108,930.12)	(6,677,741.06)
Investment	150,000,000.00	90,000,000.00	55,000,000.00	-	-
Operating Income	162,513,825.01	113,468,891.84	97,207,095.26	88,122,020.33	66,650,713.00
Other Income	7,491,276.49	5,278,322.85	2,976,382.98	693,891.21	1,051,171.58
Operating & Admin Expenses	(66,667,279.54)	(76,830,516.59)	(55,220,153.62)	(75,698,731.67)	(65,127,708.99)
Operating Profit	103,337,821.96	41,916,698.10	44,963,324.62	13,117,179.87	2,574,175.59
Interest Expense	-	-	(305,532.91)	(5,227,085.77)	(3,016,666.42)
Depreciation	(18,176,498.66)	(17,235,210.68)	(16,930,782.48)	(16,709,521.76)	(8,277,159.45)
Deferred Tax Surplus/(Deficit)	707,554.44	1,046,615.73	708,902.23	388,238.60	(736,473.50)
Profit /(Loss) for the year	57,736,408.26	16,525,175.74	24,081,561.39	(8,431,189.06)	(9,456,123.78)

Capital and Reserves:

No additional equity capital was raised during the fiscal year 2015/16 and the paid-up capital of the company stands at NRs. 150,000,000. Capital and reserve has increased to NRs. 188,234,215.27 in the FY 2015/16 against NRs 83,321,258.94 in the FY 2011/12, which constitutes compounded annual growth rate of 17.70% per annum even after proposed dividend of 20% for the current fiscal year and 10% dividend distributed in fiscal year 2014/15.

Profit/ Loss:

The net loss of NCHL which was NRs.9,456,123.78 in the FY 2011/12 has turned around to profit of NRs.57,736,408.26 in the FY 2015/16. This constitutes compounded annual growth rate of 43.60% per annum. During the year under review, NCHL achieved net profit of NRs.57,736,408.26 as against net profit of NRs.16,525,175.74 in the last fiscal year. Cumulative profit till the end of the fiscal year stands at NRs.38,234,215.27.

Operating Income and Profit:

The operating income of NCHL has increased to NRs. 162,513,825.01 in the FY 2015/16 as against NRs 66,650,713.00 in FY 2011/12 which constitute compounded annual increase rate of 19.50% per annum. The operating profit of NCHL has increased to NRs. 103,337,821.96 at FY 2015/16 as against NRs 2,574,175.59 in FY 2011/12, which constitute compounded annual increase rate of 109.28% per annum.

Operating and Administrative Expenses:

The total operating and administrative expense of NCHL has increased to NRs. 66,667,279.54 in FY 2015/16 as against NRs 65,127,708.99 in FY 2011/12, which constitute compounded annual increase of only 0.47% per annum.

Achievements of Current Year

Financial year 2015/16 is the third 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. 188,234,215.27 (after adjustment of 20% of proposed dividend) as against NRs.160,497,807.01 in the previous year. The increase was mainly due to additional profit transferred to Reserve and Surplus from the FY 2015/16. NCHL has implemented a policy to set aside 20% of net profit of the year to Technology Enhancement Reserve from last fiscal year onwards 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 2015/16	FY 2014/15	Growth	
			Volume	%
Share Capital	150,000,000.00	150,000,000.00	0	0%
Reserve & Surplus	38,234,215.27	10,497,807.01	27,736,408.26	264.21%
Total	188,234,215.27	160,497,807.01	27,736,408.26	17.28%

Fixed Assets:

The net fixed assets remained at NRs.30,006,558.89 at the end of the FY 2015/16. Office equipment of NRs.14,518,893.38, Vehicle of NRs.4,849,624.16 and Others of NRs. 5,000.00 were added during the fiscal year. NCHL charges depreciation on Straight Line Method (SLM) basis at the rate approved by the Board. The accumulated depreciation on the fixed assets increased to NRs. 77,396,346.13 as against NRs. 59,219,847.47 in the previous year. The first and second installments of the software and related cost of the interbank payment system (NCHL-IPS) of NRs. 9,797,251.66 has been booked as the work-in-progress under fixed assets. And investments in hardware, network and related peripheral applications of the NCHL-IPS project of NRs. 11,982,977.97 has been booked under fixed assets.

Investment:

The investment decisions are made based on NCHL Investment Policy approved by the Board which comprise of the liquidity position, returns and concentration risk. 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. 150,000,000 has been invested in fixed deposit, while NRs.32,772,002.50 remains as call deposits at various BFIs. The fixed deposit at the end of the previous year was NRs. 90,000,000.

Growth in investment and interest income are 67% and 43% respectively as compared to previous year.

Amount in NRs.

Particulars	FY 2015/16	FY 2014/15	Growth	
			Volume	%
Fixed Deposit	150,000,000.00	90,000,000.00	60,000,000.00	66.67%
Interest Income	7,480,075.99	5,237,896.18	2,242,179.81	42.81%

Prepaid, loans and Advances:

The Prepaid, Loan, Advances & Deposits decreased to NRs. 16,091,307.95 as against NRs. 32,371,849.90 in the previous year, which is mainly on account of advance tax deducted on revenue and interest income.
Amount in NRs.

Particulars	FY 2015/16	FY 2014/15	Growth	
			Volume	%
Net Advance tax deposit	10,163,246.54	27,110,515.02	(16,947,268.48)	(62.51)%
Prepaid Expenses	5,300,976.05	4,777,644.88	523,331.17	10.95%
Other Deposit and Advance	627,085.36	483,690.00	143,395.36	29.65%
Total	16,091,307.95	32,371,849.90	(16,280,541.95)	(50.29)%

Inventory:

Inventory of NPR 223,021.41 constitutes of diesel fuel stock.

Amount in NRs.

Particulars	Amount
Opening Inventory	-
Add: Diesel fuel storage	223,021.41
Closing Inventory	223,021.41

Fees, Charges and Other Income:

The major source of income for NCHL is the cheque clearing transaction fees, which constitutes of 71.66% of the total operating income. NCHL signed membership agreements with 3 additional BFIs and has recovered the cost of NCHL-ECC software of value NRs. 2,448,000.00 from the newly added BFIs and those upgraded after merger in the current year.

Amount in NRs.

Particulars	FY 2015/16	FY 2014/15	Growth	
			Volume	%
Cheque Clearing Fees- NPR	93,550,495.00	57,308,420.00	36,242,075.00	63.24%
Cheque Clearing Fees-USD	889,410.00	745,930.00	143,480.00	19.24%
Cheque Clearing Fees- EUR	29,775.00	23,200.00	6,575.00	28.34%
Cheque Clearing Fees-GBP	23,160.00	9,465.00	13,695.00	144.69%
Express and High Value Clearing Fees	13,844,100.00	4,493,700.00	9,350,400.00	16.32%
Other Fees & Charges	8,023,400.00	7,636,325.00	387,075.00	5.07%
NCHL Login ID Fee	8,183,071.51	6,810,473.61	1,372,597.90	20.15%
NCHL-Membership Fee	525,000.00	575,000.00	(50,000.00)	(8.70)%
NCHL-Membership Fee – Renewal	12,467,708.12	11,511,244.15	956,463.97	8.31%
NCHL Software AMC Renewal	13,237,791.41	12,772,649.73	465,141.68	3.64%
NCHL-ECC Archive Fee	101,800.00	35,800.00	66,000.00	184.36%
N/w Connectivity & Management Fee	9,190,113.97	9,690,684.35	(500,570.38)	(5.17)%
Total Revenue	160,065,825.01	111,612,891.84	48,452,933.17	43.41%
ECC Software License – Members	2,448,000.00	1,856,000.00	592,000.00	31.90%
Total Operating Income	162,513,825.01	113,468,891.84	49,044,933.17	43.22%

It has booked membership (including renewal) fees and login id fees income of NRs. 21,175,779.63; Transaction fees income (including Archive fee) of NRs 116,462,140.00 and software AMC fee of NRs. 13,237,791.41 during the review period. Increase in revenue against previous year is 43.41%, which was mainly due to increase in transaction volume and revision in transaction fee with effect from 1st Kartik 2072. Total operating income during the year increased by 43.22% compared to the previous year.

Staff Expenses:

The staff expenses have increased by 32.83% 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, performance based one-time reward, addition of Other Benefits to employees including vehicle facility option to employees from and above L70 level, fuel and mobile allowance on monthly reimbursement basis.

Amount in NRs.

Particulars	FY 2015/16	FY 2014/15	Growth	
			Volume	%
Staff - Salary & Allowance Expenses	10,161,467.74	8,566,728.00	1,594,739.74	18.62%
Staff - Provident Fund Contribution	633,050.32	558,638.46	74,411.86	13.32%
Staff - Dashain Allowance	518,800.00	372,480.00	146,320.00	39.28%
Staff - Leave Fare Allowance	240,000.00	180,000.00	60,000.00	33.33%
Staff - Training Expenses	130,658.50	210,675.00	(80,016.50)	(37.98)%
Staff - HR activity	87,431.50	-	87,431.50	
Staff - Gratuity Provision	449,144.11	289,634.29	159,509.82	55.07%
Staff - Leave Provision	168,458.33	285,019.28	(116,560.95)	(40.90)%
Staff - Other Benefits	1,508,729.07	-	1,508,729.07	
Total	13,897,739.57	10,463,175.03	3,434,564.54	32.83%

Operating and Administration Expenses:

Increase in Operating Expenses and Administration Expenses in the current year is 5.01% and 18.95% respectively as compared to the previous year. The increase in Administrative Expenses is mainly due to increase in Staff Expenses by 32.83%. The increase in operating expenses is largely due to increase in annual maintenance charge (AMC) of ECC software for BFIs and NCHL due to appreciation of USD against NPR and also increase in the AMC fee by 5% effective from March 2016. Current AMC of ECC software is US\$ 210,000 for the participant's component and US\$ 52,500 for NCHL's component payable in US Dollar on half yearly basis. Such payments in US\$ are normally covered against the exchange rate risk by entering into forward contract.

Amount in NRs.

Particulars	FY 2015/16	FY 2014/15	Growth	
			Volume	%
Operating Expenses	44,922,367.22	42,779,133.97	2,143,233.25	5.01%
ECC Software AMC for BFIs & NCHL	34,861,580.14	32,522,667.09	2,338,913.05	7.19%
Network Connectivity	5,354,725.12	5,501,479.16	(146,754.04)	(2.67)%
Other AMC & expenses	4,706,061.96	4,754,987.72	(48,925.76)	(1.03)%
Administrative Expenses	21,744,912.32	18,280,828.36	3,464,083.96	18.95%
Staff Expenses	13,897,739.57	10,463,175.03	3,434,564.54	32.83%
Other Admin Expenses	7,847,172.75	7,817,653.33	29,519.42	0.38%

Staff Bonus, Corporate Tax and Net Profit:

During the review period, NCHL generated net profit of NRs.57,736,408.26 as against the net profit of NRs. 16,525,175.74 in the last year. NCHL's operating profit before tax for the year remained at NRs.77,419,384.82 posting a growth of 245.04% as against the last year. Increase in profit is due to the increase in transaction fee which was increased with effect from 1st Kartik 2072.

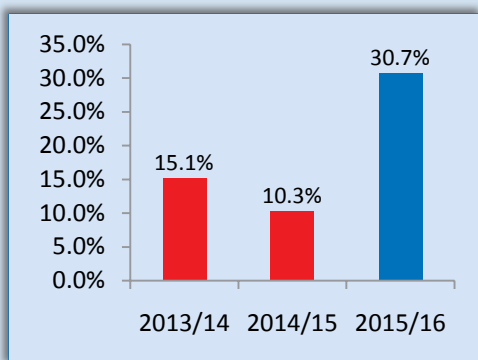
The income tax provision and staff bonus for the review year are NRs. 20,390,531.00 and NRs.7,741,938.48 respectively as against NRs. 6,959,155.83 and NRs. 2,243,771.58 respectively in the previous year.

Key Financial Indicators and Ratios

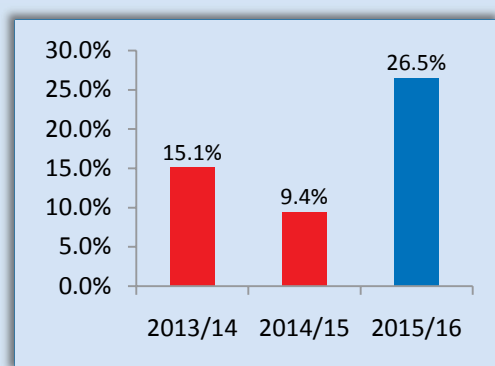
Key financial indicators of NCHL are as follows:

Indicators	2013/14	2014/15	2015/16
Net Profit/ Total Operating Income	24.8%	14.6%	35.5%
Gross Profit/ Total Operating Income	60.6%	48.4%	72.4%
Txn Fees Income/ Total Operating Income	57.1%	61.9%	71.7%
ECC S/W Income/ Total Operating Income	6.9%	1.7%	1.5%
Book Net worth per share	105.98	107.00	125.49

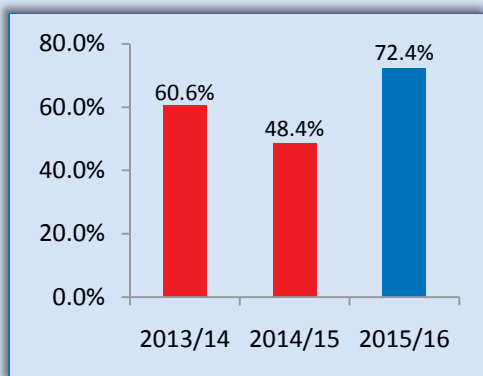
Return on Investment



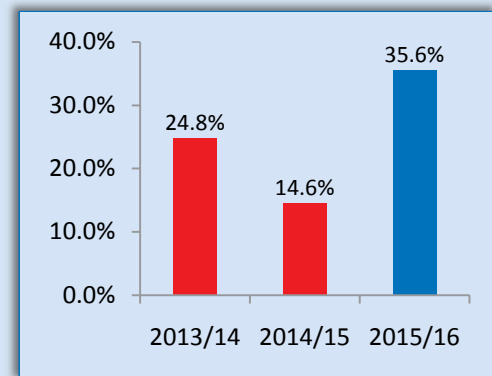
Return on Assets



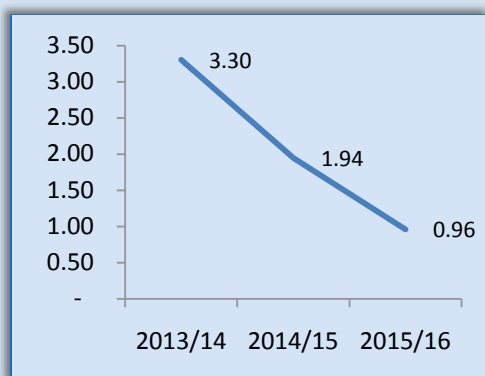
Gross Margin Ratio



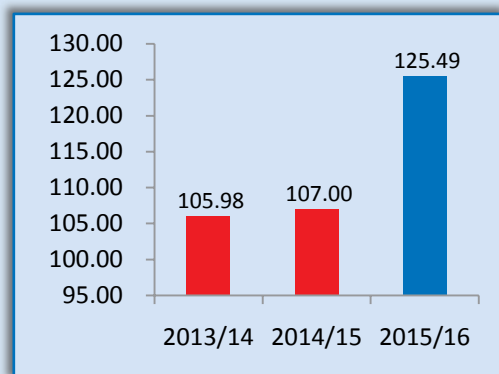
Net Profit Rate



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 evaluating 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, HR Committee and Management. NCHL performs on annual basis a compliance self-assessment and cross functional audit against all policies and procedures by the function head and cross department heads respectively.

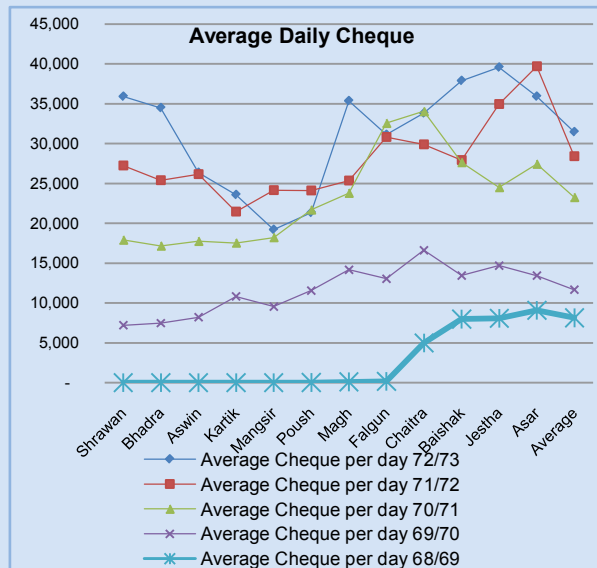
Operational activities and achievements during the review period are as listed below:

NCHL-ECC System

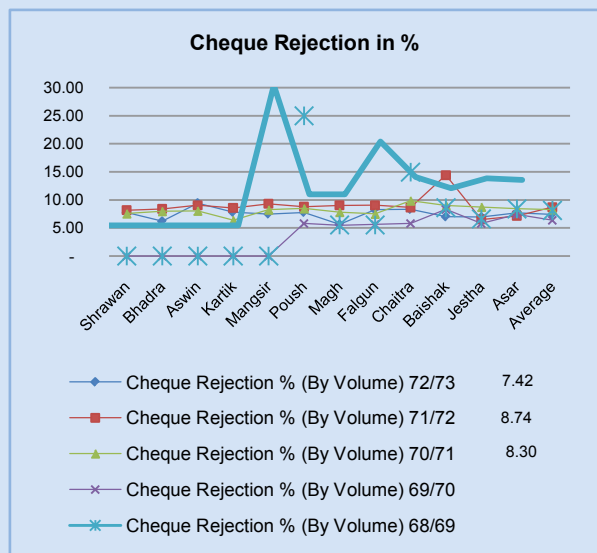
NCHL-ECC system is the core system for electronic cheque clearing and hence its operation and maintenance have been given utmost priority. The system was available to all member BFIs 24x7 and there were no major incident noticed during the review year. NCHL-ECC service and support to its member BFIs was available even during the acute shortage of fuel crisis during this fiscal year. Some of the components of NCHL-ECC system infrastructure were upgraded during the review year along with the up-gradation of components required for implementation of the new system, NCHL-IPS, which will support the increased transaction volume of both NCHL-ECC and NCHL-IPS.

Daily average cheque transaction volume during the review period increased by 10.8% with average cheques volume per day of 31,473

compared to 28,405 in the previous year. NCHL-ECC System has handled a peak load of 77,975 cheques in a day. Total of 7,322,359 cheques were presented during the review period out of which 6,779,247 cheques were cleared/accepted. Average daily settlement value has also increased from 11.9 Billions in the previous year to 15.5 Billions in the year under review.



An average cheque return percentage with respect to the total cheques presented was 7.4% compared to 8.7% in the previous year.

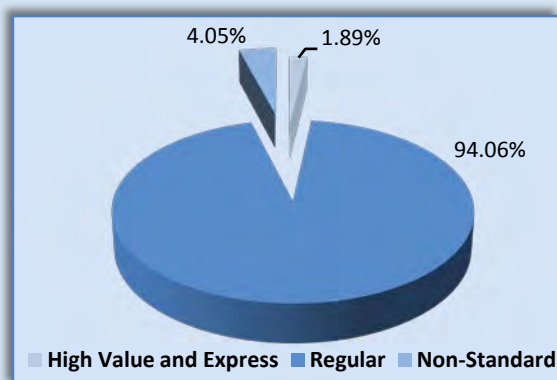


NCHL-ECC sessions

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, only MICR based standard cheques (Regular Session) are being cleared from NCHL-ECC with effect from 1st Kartik 2072 as mandated by Nepal Rastra Bank.

In continuation to providing additional services to our members, NCHL introduced High Value clearing session, 2nd and 3rd Express clearing session from this year in the NCHL-ECC system. The High Value Session is dedicated to handle clearing of high value cheques of amount higher than NPR 100 Million and up to 200 Million and FCY 1 Million and up to 2 Million. The express clearing sessions are shorter clearing sessions meant for faster clearings.

Out of the total 7,322,359 cheques presented in the NCHL-ECC during the review period 6,887,593 (94.06%) cheques were presented through Regular Sessions, 296,677 (4.05%) cheques were presented through Non-Standard Session (until non-MICR cheques were accepted) and 138,089 (1.89%) cheques were presented through Express Sessions and High Value Sessions.



NCHL Members

At the end of the fiscal year, the total membership base of NCHL-ECC remained at 115 and that of NCHL-IPS remained at 58. Three new members in NCHL-ECC were added during the year. Following is the summary of the membership.

NCHL-ECC Members	Number
Nepal Rastra Bank	1
Commercial Banks	29
Development Banks	56
Finance Companies	29
Total	115

NCHL-IPS Members	Number
Nepal Rastra Bank	1
Commercial Banks	25
Development Banks	23
Finance Companies	6
Indirect Members	3
Total	58

Mergers of BFIs

During the review year, 16 BFIs merged and the total number of member BFIs which have been merged till date remains 34. Expecting the trend of merger of BFIs to further increase due to the policy by NRB to increase the capital base of the BFIs which directly impacts our fixed revenue (such as AMC Software and Membership), the AMC for software and membership was increased during the review period. The increased AMC charge will be applicable only for the members completing at least 3 years.

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. More than 2,747 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 1,685 branches are currently providing outward clearing service, which were 1,434 at the end of the previous year. Based on NCHL's effort to encourage the BFIs to initiate outward clearing

from all their branches, which will fasten the clearing process facilitating same day clearing facility to their customers, the increase in outward clearing branches were 261 branches. 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 this year focused on enhancing the NCHL-Helpdesk system, which can be directly accessed by the end user of member BFIs and log tickets based on their support query which can be followed up by the support team. This has not only helped the users to reach us fast but has also helped creating a database of tickets which can be used for further enhancing the support facilities.

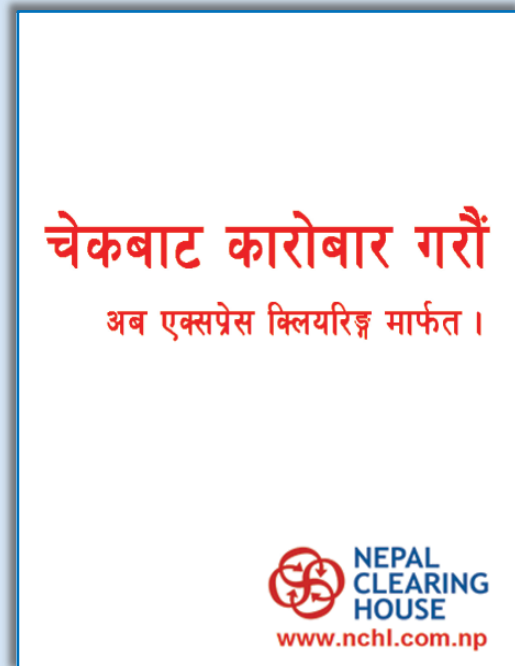
Member Trainings, Orientations and Public Awareness

In continuation to providing training and orientation programs to members, NCHL has provided training and orientation on NCHL-ECC and NCHL-IPS systems to its member BFIs. During FY2015/16 NCHL provided train-the-trainers and other trainings to the potential members of NCHL-IPS system with focus towards technical and operations of NCHL-IPS system. The orientation programs for NCHL-IPS were more about sharing feedbacks on various facets of operation process of NCHL-IPS.

Particulars	No. of Trainings	No. of Members	No. of Trainees
NCHL-ECC	11	45	199
NCHL-IPS	15	124	260

NCHL strives to continue these trainings and awareness programs in the next fiscal year also.

After implementation of all express sessions, with an objective to create awareness amongst the BFIs and general public about availability of the express sessions, NCHL published public awareness information with tagline “चेकबाट कारोबार गरौं- अब एक्सप्रेस क्लियरिङ मार्फत” in various print and other communications media, the impact of which seems to have increased the volume of express cheque clearing transaction.



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 average collection period, which currently remains at 36.15 days. Continuous enhancements of the NCHL-CRM System has been done to automate the internal processes as far as possible.

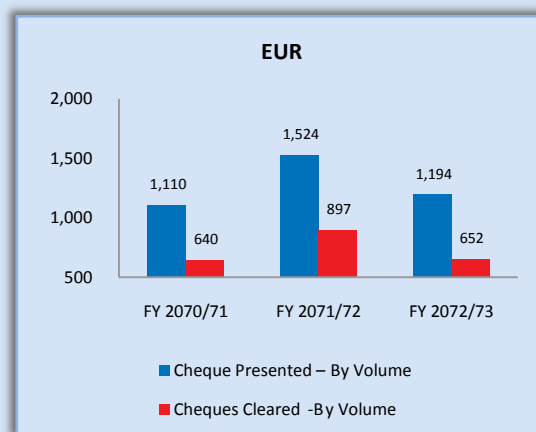
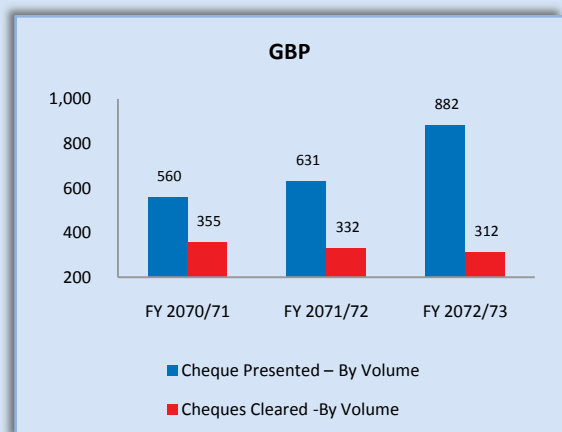
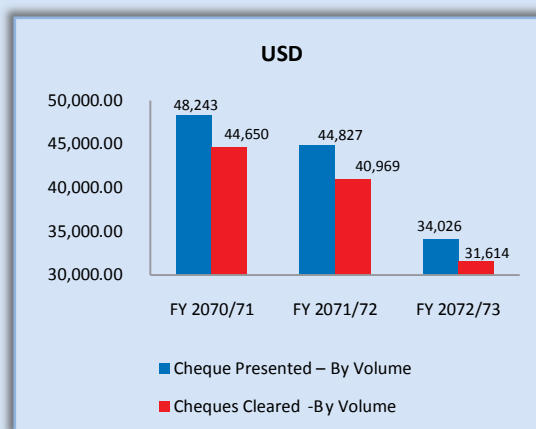
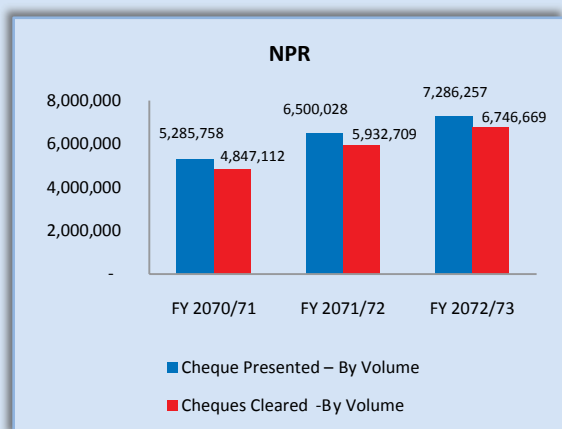
Operational Snapshots

A snapshot of the transactions in NCHL-ECC System during the fiscal year 2015/16 is as follows.

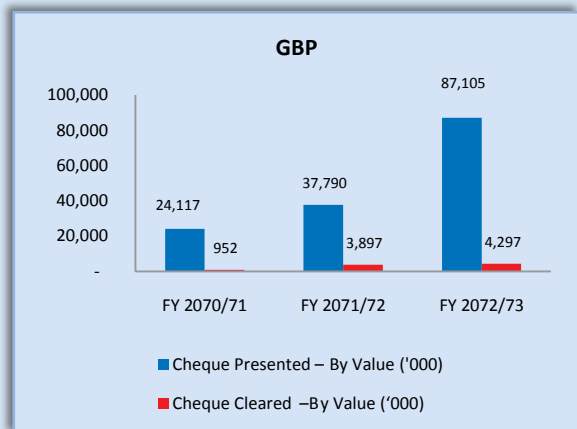
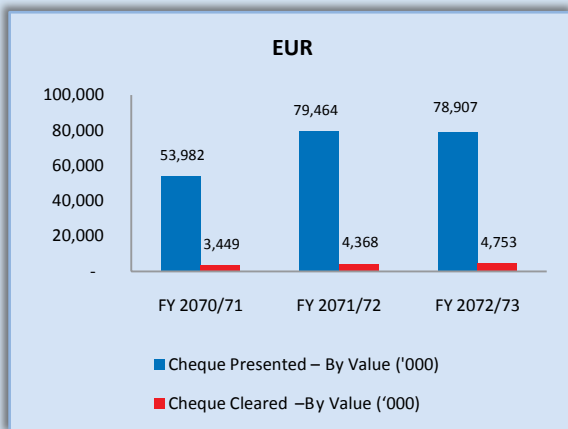
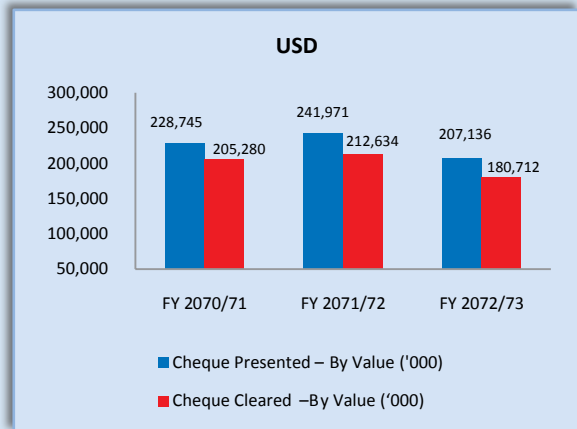
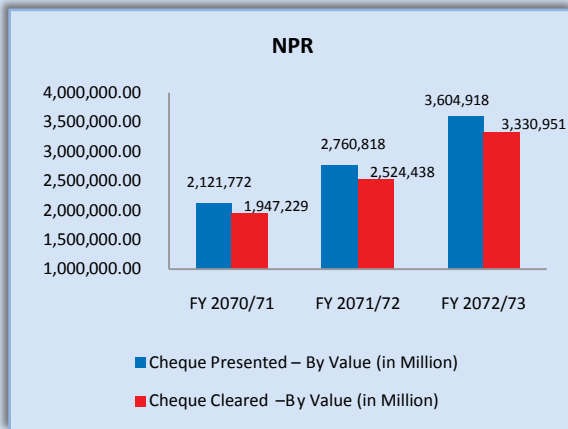
Particulars	2015/16					2014/15	2013/14
	NPR	USD	EUR	GBP	Total	Total	Total
Cheque Presented – By Volume	7,286,257	34,026	1,194	882	7,322,359	6,547,010	5,335,671
Cheque Cleared - By Volume	6,746,669	31,614	652	312	6,779,247	5,974,907	4,892,757
Cheque Presented - By Value ('000,000)	3,604,918	207	79	87	3,605,292		
Cheque Cleared - By Value ('000,000)	3,330,950	180	5	4	3,331,141		
Cheque Rejection % (By Volume)	7.4%	7.6%	45.4%	64.6%	7.4%	8.8%	8.3%
Average Cheque per day *	31,271	190	7	5	31,473	28,405	23,262
Number of Clearing Days (including Friday sessions)					277	268	277

* 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. In the process of continuously enhancing and innovating payment products and services, NCHL is now ready with yet another national payment and settlement system, an interbank payment system (NCHL-IPS).

NCHL Electronic Cheque Clearing (NCHL-ECC)

NCHL-ECC system is an image and MICR based cheque processing solution where an 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 provided through NCHL-ECC.

Regular NPR 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. Regular NPR electronic cheque clearing supports clearing of cheques of up to NPR 100 million

Regular FCY 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. Regular FCY electronic cheque clearing supports clearing of cheques of up to 1 million for USD, GBP and EUR cheques.

Express Cheque Clearing

Express cheque clearing service is a special arrangement of short duration for cheque presentment, response and settlement. It has 2 hours window for presentment to final settlement thus allowing the BFIs and their customers to present and realize cheques faster. Currently there are three express clearing sessions for the four currencies NPR, USD, GBP and EUR. 1st express session is available from Sunday to Friday. 2nd and 3rd express sessions are available from Sunday to Thursday.

High Value Cheque Clearing

This is a special clearing session for processing of high value cheques with cheques of above NPR 100 Million & up to NPR 200 Million for NPR cheques and above 1 Million & up to 2 Million in case of USD, GBP and EUR. The High Value Cheque Clearing Session is available from Sunday to Friday.

Cut-off times for cheques clearing are as follows:

	Regular Clearing	1 st Express Clearing	2 nd Express Clearing	3 rd Express Clearing	High Value Clearing
Presentment cut-off time	14:00	10:00 to 11:00	11:00 to 12:00	12:00 to 13:00	10.30
Paying bank response cut-off time	15:00	11:30	12:30	13:30	11.30
Settlement of the session	15:30	12:00	13:00	14:00	12.00

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

Interbank Payment System (NCHL-IPS)

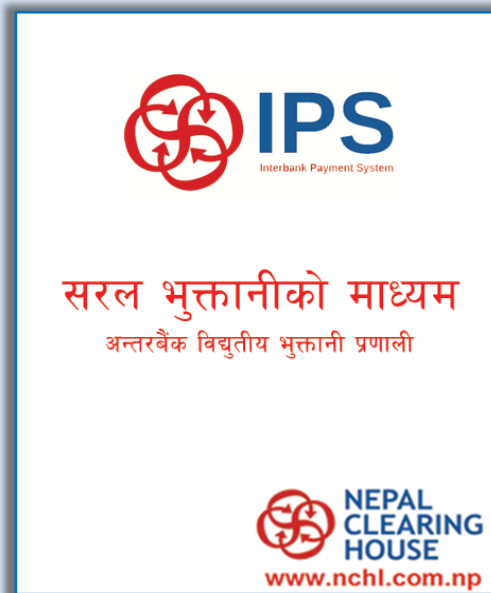
NCHL-IPS is a system for clearing large volume financial transactions that will provide a mechanism for the participating members to safely and efficiently transfer funds from one account to any other account held at any of the participating member banks & financial institutions (BFIs) on behalf of their customers and for their trading purposes. It supports account to account payments (direct credit) and collection (direct debit) related transactions on deferred net settlement basis. The underlying transaction could be for various purposes defined as products. It supports one-to-one, bulk and recurring payments.

Direct Credit

It is a payment transaction initiated by debtor (payer) through its bank. The instruction can be provided through the bank or through an alternate channel. Examples of direct credit transactions are customer transfer, Treasury Payments, Government Payments, premium payment, bill/ fees payment, salary/ pension/ social security payments, etc.

Direct Debit

It is a payment transaction initiated by creditor (payee) through its bank. An authorization, called as mandate, has to be in place for initiating a direct debit transaction. Examples of direct debit transactions are premium collection, bill/fees collection, installment collection, etc.



Cut-off times for transactions through NCHL-IPS are as follows:

	Exchange 0	Exchange 1	Exchange 2	Exchange 3	Exchange 4	Exchange 5
Presentment cut-off time	10:00	10:00-13:00	10:00-11:00	11:00-12:00	12:00-13:00	13:00-14:45
Cancellation cut-off time	10:30	13:30	11:15	12:15	13:15	NA
Reply cut-off time	11:30	14:30	11:30	12:30	13:30	15:00
Settlement of the session	12:00	15:30	12:00	13:00	14:00	15:30

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

NCHL-IPS system is currently ready for nationwide rollout with all possible products (purposes). Bank and financial institutions are enrolled as direct members whereas non-bank financial institutions and larger corporates/ government agencies are enrolled as indirect or technical members of NCHL-IPS.

National Archive Systems

National archive systems are additional services provided to the members for accessing older and archived transactions.

National Cheque Archive

National chequearchive is an additional service provided to the member BFIs of NCHL-ECC system to have an access to the historical cheques and transaction details. All the cheques transactions older than three months are moved from 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.

National NCHL-IPS Archive

NCHL-IPS Archive is an additional service provided to the members of NCHL-IPS system to have an access to the historical transaction details. All transactions older than three months are moved from the NCHL-IPS System to National NCHL-IPS Archive system to store the transaction details for up to 7 years and will be made available to the members on request.

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, NCHL-IPS Operating Rules, Payment and Settlement Bylaws, Payment System Licensing Policy and regulations from 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 diverge 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. The 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 the 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 in some of the meetings. The minutes of the board meetings are preserved by the Company Secretary.

The Board had 9 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
Shiba Raj Shrestha	5/6
Rajan Bikram Shah	1/1
Rajan Singh Bhandari	9/9
Jyoti Prakash Pandey	8/9
Upendra Poudyal	7/9
Rabindra Bdr. Malla	8/9
Krishna Raj Lamichhane	9/9
Saroj Kaji Tuladhar	7/9

Audit Committee

Audit Committee is governed by the Company Act 2063 and reports directly to the Board. It comprises of three members 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 5 meetings were held during the review period.

HR Committee

HR Committee has been formed this year and reports directly to the Board. Members of the HR Committee are:

1. Mr. Jyoti Prakash Pandey – Chairman
2. Mr. Upendra Poudyal – Member
3. Mr. Krishna Raj Lamichhane - Member

The Committee reviews the policies related to employee recruitment, salary and benefits and other related issues. A total of 3 meetings were held during the review period.

Other Committees

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

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). 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, Human Resource Plan, Employee Performance Objectives & Appraisal Procedure, Travel & Advance Policies, NCHL Code of Conduct, Risk Management Framework, Information System Management System Policies, IT Security Policies, Disaster Recovery and Business Continuity Plan, Standard Operating Procedures, Discount & Waiver Policies and Investment Policy.

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

Compliance Self and Cross-Functional Assessment

In order to ensure compliance to all the policies, procedures and regulatory requirements, NCHL has adopted a practice of Compliance Self and Cross-functional Assessment, whereby compliance assessment of all the relevant policies, procedures and regulatory requirements are carried out annually by individual function heads and cross-functional assessment are carried out annually by cross-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 outsourcing of Internal Audit was continued with J.B Rajbhandari & DiBins for the FY 2015/16 (2072/73). Quarterly internal audits were carried out during the

review period under the supervision of the Audit Committee. J. B Rajbhandari & Dibins was paid NRs. 113,000.00 including VAT for the internal audit assignments for the fiscal year.

External Audit

The statutory auditor for the review period was G.B & Co. as approved by 4th AGM. The details of the audited financials for the fiscal year 2015/16 (2072/73) are incorporated in the Financial Information section of this report. Total fees paid to the external auditor for the fiscal year 2015/16 (2072/73) was NRs. 90,400.00 including VAT.

ISO 27001:2013

ISO 27001:2013 certification assures organization's confidentiality, integrity and availability of the information assets. 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 last year and as per the requirement for maintaining the certification, an annual surveillance audit was carried out this year by the ISO27001 certified auditors from URS 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, NCHL-IPS 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 payment 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 appropriate 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. Periodic disaster recovery mock drills are conducted to test the readiness of the primary DR site.

Continuity of Business (COB) site has also been setup at NCHL premise to provide access to NCHL-ECC and NCHL-IPS 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 and NCHL-IPS 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. Considering the current trend of merger of banks & financial institutions, NCHL has reviewed the AMC and transaction fees of NCHL-ECC with effect from 1st Kartik 2072. High dependency on NCHL-ECC will also be offset by the interbank payment system (NCHL-IPS) that is ready for national rollout.

In line with NCHL's product/ service roadmap, NCHL is conducting feasibility for the implementation of mobile payment system and similar other payment and settlement systems.

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.

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 and NCHL-IPS 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 the systems that may arise from the member BFIs, necessary arrangement has been made with

NRB, who also acts as the settlement bank, to consider their settlement accounts that are used for maintaining their statutory balance.

Regular monitoring and analysis of cash flow is followed considering the liquidity position of NCHL, risk and returns on investment, concentration of investment and actual and expected cash movements. NCHL's liquid assets are managed as per NCHL's Investment Policy. At the end of the review period all the liquid assets of NCHL are held in the Banks and Financial Institutions licensed by Nepal Rastra Bank in the form of Call and Fixed deposits.

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. However, there has been few cases of default from the institutions categorized as preventive corrective action (PCA) by NRB. 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 and NCHL-IPS systems 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, Payment & Settlement Bylaws, Payment System Policies, Nepal ECC Rules Book, Nepal ECC Operating Rules, NCHL-

IPS Operating Rules 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 Rules Book, Nepal ECC Operating Rules and Cheque Standard & Specifications published by NRB, the NCHL-IPS system is guided by the NCHL-IPS Operating Rule approved by NRB. NCHL has entered into standard individual membership agreement with the BFIs subscribing for NCHL-ECC service and with the BFIs and other institutions subscribing for NCHL-IPS service.

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 staffs 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.

6 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 14 employees at the end of the FY2015/16, supporting more than 4,600 business user of 115 member BFIs, which means, providing service to over 325 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 2015/16	FY 2014/15	FY 2013/14
Number of Staff	14	12	12
Staff Expenses	13,897,739.57	10,463,175.03	9,596,005.88
Expense per Staff	992,695.68	871,931.25	799,667.16
Staff Expense per Total Operating Expenses	30.9%	17.9%	25.1%
Operating Income per Staff	11,608,130.36	9,455,740.99	8,100,591.28
Staff Bonus	7,741,938.48	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 and/or special performance rewards 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 2015/16	FY 2014/15	FY 2013/14
Staff Training Expenses	130,658.50	210,675.00	209,430.49
Training Expense / Staff Expenses	0.9%	2.0%	2.2%

NCHL arranges for internal trainings in the form of Knowledge Sharing sessions whereby internal staff shares his/ her domain knowledge to other related and interested staff. The total of 9 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 external training to its staff in the areas of Fortigate, Oracle Certified Administration in Oracle 11g and Project Management Professional (PMP).

NCHL Core Team

1. Neelesh Man Singh Pradhan

Chief Executive Officer

Mr. Pradhan has experience of over 15 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 12 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 13 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 11 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. Vivek Giri,

Business & Product Development Officer

Mr. Giri has experience of over 7 years in the field of sales and marketing. He was earlier working with Ncell Pvt. Ltd. in SACC Department as Senior Specialist prior to joining NCHL. He has also worked with Chaudhary Group, Fuji Films India P. Ltd and HCL Infosystem Ltd. India. He holds MBA in International Business from Banaras Hindu University.

6. Anuja Adhikari,

Finance & Admin Officer

Ms. Adhikari is a qualified Chartered Accountant from Institute of Chartered Accountant of Nepal (ICAN.) She was associated with S.R. Pandey & Co., prior to joining NCHL. During her articleship, she was associated with P.L. Shrestha & Co. She also holds a BBS degree from Tribhuvan University, Nepal.

7. Other Team Members are:

Rupak Gyawali, Network Engineer
Chhabi Sapkota, Senior System Analyst
Shovit Sharma, Helpdesk In-charge
Subash Thapa, System Analyst
Bishnu Dhital, System Analyst
Bijay Dahal, 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 fifth 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 2015/16 (2072/73).

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. In the process of innovating the ever changing technology based payment solutions, NCHL is now ready to roll-out an interbank payment system (NCHL-IPS) to its members. The acute electricity problem, appreciation of US dollars against NPR, merger of banking & financial institutions, absence of qualified & experienced human resources, the fuel crisis are some of the major challenges and hurdles that we had to face in the year gone by. With banks and financial institutions focusing on capital base increment, trend of merger of banks and financial institutions is expected to continue decreasing the total membership base in next fiscal year. De-spite the challenges of continuous merger, NCHL was able to maintain the membership base of 115 members for NCHL-ECC system by adding 3 new members. Similarly, NCHL-IPS system has already achieved membership base of 58 members including 3 remittance companies as its indirect members by the end of the review year. However, recently published Payment & Settlement Bylaw and Payment System Licensing Policy are expected to create considerable competition

to NCHL in the payment system domain, as it allows opening-up of other payment service providers.

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 fulfill their expectations.

Change in Board of Director:

After appointment of Mr. Shiba Raj Shrestha as Deputy Governor of NRB, Mr. Rajan Bikram Shah, replaced him as representative Director from NRB and joined the Board of Directors with effect from 13th Baisakh 2073. However, after retirement of Mr. Shah from NRB on 32nd Jestha 2073 the position currently remains vacant. NCHL would like to thank and acknowledge the contributions made by Mr. Shiba Raj Shrestha and Mr. Rajan Bikram Shah during their tenure as 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.

- Continuation in the trend of merger of various BFIs ultimately reducing the potential and existing members which 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 Payment and Settlement Bylaw and the recently published Licensing Policy may increase the number of payment service provider thereby increasing the competition.
- The recent policy of Nepal Rastra Bank in Monetary Policy for transaction of NPR 30 lakh and above are mandated to be done through cheque which indicates regulatory direction to promote non-cash transactions thereby increasing opportunities for NCHL.
- Increase in the exchange rate of USD against NPR will increase its operating expenses. Company has taken a short term policy of entering into forward contract for USD payments to international vendor based on the market outlook to minimize foreign exchange risk.
- 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:

20% on paid up capital amounting NRs. 30,000,000.00 is proposed as cash dividend for the fiscal year 2015/16.

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 2016/17 include:

- Formulation of strategy to minimize the impact on revenue due to possible mergers of member BFIs. There is possibility of reduction of 15-18 members and expected to reduce the number to 95-100 BFIs by the end of FY 2016/17.
- Promote and encourage member BFIs to introduce outward clearing from majority of their branches.
- Implementation and smooth operation of NCHL-IPS System. Introduce various products and services to the participating members.

- Increase membership base of NCHL-IPS system to 70 direct members and 15 indirect/technical members.
- Considering the possibility of increase in transaction in NCHL-ECC and NCHL-IPS, capacity planning and management will be of focus to handle increased transaction volume.
- Creating public awareness and acceptance of transaction through NCHL-IPS system.
- Organize continuous training and orientations for participating members of NCHL-ECC and NCHL-IPS systems.

Detail of management expenses incurred during the year

The details of the management expenses are as follows:

Particulars	2015/16 (2072/73)	2014/15 (2071/72)	2013/14 (2070/71)
Employee Expenses	13,897,739.57	10,463,175.03	9,596,005.88
Other Administrative Expenses	7,847,172.75	7,817,653.33	7,321,264.14
Total Administration Expenses	21,744,812.32	18,280,828.36	16,917,270.02

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

Members of the Audit Committee are:

1. Chairman (during the FY represented by Mr. Shiba Raj Shrestha and later by Mr. Rajan Bikram Shah but currently vacant)
2. Mr. Rabindra B Malla – Member
3. Mr. Saroj Kaji Tuladhar – Member
4. Finance/Admin Officer – Member Secretary

There was no provision for remunerations to any of the members of the Audit Committee. As a meeting allowance, NRs. 5,000 for each member was provided per sitting except for the Member Secretary who is not provided with the meeting allowance. Total of NRs. 47,500.00 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, the meeting allowance was provided to Board of Directors for each sitting which was NRs. 5,000 for each Director during this year. The Board had 9 meetings during the period under review and total of NRs. 225,000.00 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
Shiba Raj Shrestha	30,000.00
Rajan Bikram Shah	10,000.00
Rajan Singh Bhandari	37,500.00
Jyoti Prakash Pandey	42,500.00
Upendra Poudyal	35,000.00
Rabindra Bdr. Malla	50,000.00
Krishna Raj Lamichhane	47,500.00
Saroj Kaji Tuladhar	45,000.00

The Chief Executive Officer during the year under review was paid salary of NRs. 22,80,000.00 and NRs. 32,71,879.73 as allowance and benefits including provident fund contribution and bonus. A car facility with fuel expense of up to 150 liters per month on actual and mobile expense of up to NRs. 2,000 per month on actual were also provided.

Details of Dividend and Dividend Payable:

Dividend of 20% has been proposed from the profit earned from the FY2015/16. Dividend of NRs. 116,983.00 remain payable from the FY2014/15.

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

Not Applicable.

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

Details of related party transaction as per the section 175:

Not Applicable.

Any other details to be disclosed:

Disclosed in appropriate part of this report and financial statements.

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, 2073 (Corresponding to July 15, 2016), 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, 2073 (Corresponding to July 15, 2016), in accordance with Nepal Accounting Standards.

Date : 5th September 2016

Place : Kathmandu, Nepal



CA. Gyanendra B. Bhari



Financial Statement

Nepal Clearing House Limited

Balance Sheet

As at Asadh 31, 2073 (July 15, 2016)

Amount in NRs.

Particulars	Schedule	This Year	Last Year
Shareholder's Fund:			
Share Capital	1	150,000,000.00	150,000,000.00
Reserve & Surplus	2	38,234,215.27	10,497,807.01
Total Shareholder's Fund		188,234,215.27	160,497,807.01
Medium & Long Term Loans	3	-	-
Deferred Tax Liability		-	-
Total		188,234,215.27	160,497,807.01
Fixed Assets			
Gross Block	4	117,200,156.68	91,428,708.41
Less : Accumulated Depreciation		77,396,346.13	59,219,847.47
Net Block		39,803,810.55	32,208,860.94
Investment	5	150,000,000.00	90,000,000.00
Current Assets (A)			
i) Cash & Cash Equivalents	6	32,772,002.50	34,427,157.26
ii) Inventories	7	223,021.41	-
iii) Prepaid, Loans, Advances & Deposits	8	16,091,307.95	32,371,849.90
iv) Trade & Other Receivables	9	16,103,620.80	10,771,609.59
Total Current Assets (A)		65,189,952.66	77,570,616.75
Less: Current Liabilities and Provisions (B)			
a) Current Liabilities			
i) Current liabilities and Payables	10	30,015,466.06	21,691,888.44
ii) Short Term Loan (Secured Overdraft)		-	-
b) Provisions			
	11	38,057,026.68	18,195,172.60
Total Current Liabilities (B)		68,072,492.74	39,887,061.04
Net Current Assets (A-B)		(2,882,540.08)	37,683,555.71
Deferred Tax Assets		1,312,944.80	605,390.36
Expenditures to the extent not written off	12	-	-
Total		188,234,215.27	160,497,807.01

Contingent Liabilities

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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

Upendra Poudyal
Director

Jyoti Prakash Pandey
Director

Rabindra B. Malla
Director

Krishnaraj Lamichhane
Director

Saroj Kaji Tuladhar
Director

Date: 4th September 2016

Place: Kamaladi, Kathmandu, Nepal

Nepal Clearing House Limited
Income Statement

For the period from Shrawan 01 , 2072 to Asadh 31 , 2073
(Corresponding period from 17 July 2015 to 15 July 2016)

Amount in NRs.

Particulars	Schedule	This Year	Last Year
Operating Income :			
Revenue	14	160,065,825.01	111,612,891.84
ECC Software License - Members		2,448,000.00	1,856,000.00
Operating Expenses :			
Operating Expenses	15	44,922,367.22	42,779,133.97
Cost of ECC Software License - Members		-	15,770,554.26
Gross Profit		117,591,457.79	54,919,203.61
Other commercial income		7,491,276.49	5,278,322.85
i) Interest Income		7,480,075.99	5,237,896.18
ii) Other Income		11,200.50	40,426.67
Administrative Expenses	16	21,744,912.32	18,280,828.36
Operating Profit		103,337,821.96	41,916,698.10
Financial expenditure		-	-
Depreciation Expenses		18,176,498.66	17,235,210.68
Staff Bonus		7,741,938.48	2,243,771.58
Profit before Tax		77,419,384.82	22,437,715.84
Provision for Tax		20,390,531.00	6,959,155.83
Deferred Tax Surplus (Deficit)		707,554.44	1,046,615.73
Net Profit after Tax		57,736,408.26	16,525,175.74
Profit (Loss) Up to Last year		7,192,771.86	8,972,631.27
Accumulated Profit (Loss) up to this year		64,929,180.12	25,497,807.01
Appropriation:			
a. Technology Enhancement Reserve		11,547,281.65	3,305,035.15
b. Ordinary Reserve Fund		-	-
c. Proposed Dividend		30,000,000.00	15,000,000.00
d. Balance of profit & loss transferred to Reserve and Surplus		23,381,898.47	7,192,771.86
		64,929,180.12	25,497,807.01

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

Upendra Poudyal
Director

Jyoti Prakash Pandey
Director

Rabindra B. Malla
Director

Krishnaraj Lamichhane
Director

Saroj Kaji Tuladhar
Director

Date: 4th September 2016
Place: Kamaladi, Kathmandu, Nepal

Nepal Clearing House Limited Cash Flow Statement

**For the period from Shrawan 01, 2072 to Asadh 31 2073
(Corresponding period from 17 July 2015 to 15 July 2016)**

Amount in NRs.

Particulars	This Year	Last Year
A. Cash flow from Operating Activities		
Net Profit/(Loss) before tax	77,419,384.82	22,437,715.84
Preliminary & Pre-operating (Expenses)/Surplus	-	-
Add/(Less) : Adjustment		
Depreciation	18,176,498.66	17,235,210.68
Gratuity Provision	16,485.03	(322,237.88)
Leave Provision	(652,797.85)	285,019.28
Staff Bonus Provision	7,741,938.48	2,243,771.58
Financial Expenses	-	-
Income Tax Paid	-	-
Proposed Dividend	(30,000,000.00)	(15,000,000.00)
Cash Flow from Operation Before Working Capital	72,701,509.14	26,879,479.50
Increase(Decrease) in Current Liabilities	35,962,823.04	11,546,553.72
Decrease (Increase) in Current Assets	(9,665,021.67)	12,689,849.05
Cash Flow From Operating Activities (A)	98,999,310.51	49,282,169.40
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(19,373,517.54)	(1,779,961.66)
NCHL IPS Project_WIP	(6,397,930.73)	(3,399,320.93)
Investment	(60,000,000.00)	(35,000,000.00)
Sale or Disposal of Fixed Assets	-	13,386.08
Cash Flow From Investing Activities (B)	(85,771,448.27)	(40,165,896.51)
C. Cash flow from Financing Activities (C)	-	
Interest on loan	-	-
Increase(Decrease) in Loans	-	-
Share Capital	-	-
Sale of Fixed Assets	-	-
Dividend Paid	(14,883,017.00)	
Cash Flow From Financing Activities (C)	(14,883,017.00)	-
Net Increase(Decrease) in Cash & Bank Balances (A+B+C)	(1,655,154.76)	9,116,272.89
Cash & Bank Balances at the Beginning of the Year	34,427,157.26	25,310,884.37
Cash & Bank Balance at the end of the Year	32,772,002.50	34,427,157.26

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Saroj Kaji Tuladhar
Director

Date: 4th September 2016
Place: Kamaladi, Kathmandu, Nepal

Nepal Clearing House Limited
Statement of Changes in Equity

For the period from Shrawan 01, 2072 to Asadh 31, 2073
(Corresponding period from 17 July 2015 to 15 July 2016)

Amount in NRs.

Particulars	Share Capital	Share Premium	Revaluation Reserve	Technology Enhancement Reserve	Accumulated Profit/(Loss)	Total
Balance at 31 Asadh 2072	150,000,000.00	-	-	3,305,035.15	7,192,771.86	160,497,807.01
Changes in Accounting Policy	-	-	-	-	-	-
Restated balance	150,000,000.00	-	-	3,305,035.15	7,192,771.86	160,497,807.01
Surplus on Revaluation of properties	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-
Net Profit for period	-	-	-	-	57,736,408.26	57,736,408.26
Transfer to Technology Enhancement Reserve	-	-	-	11,547,281.65	(11,547,281.65)	-
Proposed Dividend	-	-	-	-	(30,000,000.00)	(30,000,000.00)
Issue of Share Capital	-	-	-	-	-	-
Balance as at 31 Asadh 2073	150,000,000.00	-	-	14,852,316.80	23,381,898.47	188,234,215.27

Nepal Clearing House Limited

Schedule Attached To and Forming Part of Financial Statements

As at Asadh 31, 2073

Amount in NRs.

Share Capital

Schedule - 1

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

Reserve & Surplus

Schedule - 2

Particulars	This Year	Last Year
Technology Enhancement Reserve	14,852,316.80	3,305,035.15
Adjustment for deferred tax liability	-	-
Accumulated Profit/(Loss)	23,381,898.47	7,192,771.86
Total	38,234,215.27	10,497,807.01

Medium & Long Term Loans

Schedule - 3

Particulars	This Year	Last Year
i) Secured Loan	-	-
ii) Un Secured Loan	-	-
Total	-	-

Nepal Clearing House Limited
Schedule Attached To and Forming Part of Financial Statements
As at Asadh 31, 2073

Amount in NRs.

Fixed Assets and Depreciation

Schedule - 4

Particulars	Office Equipment	Vehicle	Others	Software	Total
Cost Price					
Opening Balance	47,939,616.54	3,045,600.00	32,712.00	37,011,458.94	88,029,387.48
Addition during the year	14,518,893.38	4,849,624.16	5,000.00	-	19,373,517.54
Deletion during the year	-	-	-	-	-
TOTAL	62,458,509.92	7,895,224.16	37,712.00	37,011,458.94	107,402,905.02
Depreciation					
Opening Balance	35,296,165.02	1,859,087.50	18,199.81	22,046,395.14	59,219,847.47
For the year	10,313,439.41	456,840.00	4,906.80	7,401,312.45	18,176,498.66
Deletion during the year	-	-	-	-	-
Total Depreciation	45,609,604.43	2,315,927.50	23,106.61	29,447,707.59	77,396,346.13
WDV of Depreciable Assets	16,848,905.49	5,579,296.66	14,605.39	7,563,751.35	30,006,558.99
Non-Depreciable Assets	-	-	-	-	9,797,251.66
NCHL IPS Project_WIP	-	-	-	-	9,797,251.66
WDV as on 31 Asadh 2073	16,848,905.49	5,579,296.66	14,605.39	7,563,751.35	39,803,810.55
WDV as on 31 Asadh 2072	12,643,451.52	1,186,512.50	14,512.19	14,965,063.80	32,208,860.94

Nepal Clearing House Limited

Schedule Attached To and Forming Part of Financial Statements As at Asadh 31, 2073

Amount in NRs.

Investment

Schedule - 5

Particulars	This Year	Last Year
FD - Siddhartha Bank Ltd.	32,500,000.00	20,000,000.00
FD - Janata Bank Nepal Ltd.	20,000,000.00	20,000,000.00
FD - Laxmi Bank Ltd.	10,000,000.00	10,000,000.00
FD - Civil Bank Ltd.	30,000,000.00	20,000,000.00
FD - Mega Bank Nepal Ltd.	20,000,000.00	20,000,000.00
FD - United Finance Ltd.	3,000,000.00	-
FD - Tourism Development Bank Ltd.	15,000,000.00	-
FD - Guheswori Merchant & Finance Ltd.	10,500,000.00	-
FD - Supreme Development Bank Ltd.	9,000,000.00	-
Total	150,000,000.00	90,000,000.00

Cash & Cash Equivalents

Schedule - 6

Particulars	This Year	Last Year
Cash Balance	-	-
Bank Balance :		
Nepal Rastra Bank	5,000.00	5,000.00
Prabhu Bank Ltd.	414,596.31	32,773.77
Janata Bank Nepal Ltd.	324,769.09	285,043.59
Laxmi Bank Ltd.	20,527,284.43	20,893,025.45
Laxmi Bank Ltd. (Current)	5,000.00	5,000.00
Siddhartha Bank Ltd.	2,073,228.04	1,411,225.59
Civil Bank Ltd.	377,555.83	11,725,378.18
Mega Bank Nepal Ltd.	65,955.53	69,710.68
Tourism Development Bank Ltd.	1,325,408.10	-
Supreme Development Bank Ltd.	319,730.08	-
Guheswori Merchant & Finance Ltd.	3,705,772.96	-
United Finance Ltd.	3,627,702.13	-
Total	32,772,002.50	34,427,157.26

Inventories

Schedule - 7

Particulars	This Year	Last Year
Opening Balance	-	15,770,554.26
Less: ECC Software Sales	-	1,856,000.00
Less: ECC Software cost (value consumed) (at net realizable value being lower than cost)	-	13,914,554.26
Diesel Fuel Storage	223,021.41	-
Total	223,021.41	-

Nepal Clearing House Limited
Schedule Attached To and Forming Part of Financial Statements
As at Asadh 31, 2073

Amount in NRs.

Prepaid, Loan, Advances & Deposits

Schedule - 8

Particulars	This Year	Last Year
Others Receivable	-	-
Tax Deposit (Advance Tax)	30,553,777.54	34,069,670.85
Less: Provision for tax	20,390,531.00	6,959,155.83
Net Advance tax deposit	10,163,246.54	27,110,515.02
Prepaid Expenses	5,300,976.05	4,777,644.88
Security deposit	217,210.36	170,190.00
Advance Expenses	-	300,000.00
Deposits	313,500.00	13,500.00
CIT Deposit -Staff Gratuity	-	-
Advance Rent	96,375.00	
Total	16,091,307.95	32,371,849.90

Trade & Other Receivables

Schedule - 9

Particulars	This Year	Last Year
Member Banks	16,553,278.33	11,127,665.00
Less: Provision for doubtful debt	(1,095,000.00)	(743,000.00)
Interest Receivable	645,342.47	384,109.59
Other Receivable	-	2,835.00
Total	16,103,620.80	10,771,609.59

Current Liabilities & Payable

Schedule - 10

Particulars	This Year	Last Year
Sundry Creditors	4,953,879.41	10,176.33
TDS Payable	529,192.44	197,800.62
Expense Payable	1,028,268.67	703,583.92
Advance Income	23,387,142.54	20,780,327.57
Dividend Payable	116,983.00	-
Total	30,015,466.06	21,691,888.44

Provisions

Schedule - 11

Particulars	This Year	Last Year
Provision for Gratuity	155,749.87	139,264.84
Provision for Leave	159,338.33	812,136.18
Provision for Staff Bonus	7,741,938.48	2,243,771.58
Proposed Dividend	30,000,000.00	15,000,000.00
Total	38,057,026.68	18,195,172.60

Nepal Clearing House Limited
Schedule Attached To and Forming Part of Financial Statements
for Asadh 31, 2073

Amount in NRs

Expenditures to the extent not written off

Schedule - 12

Particulars	This Year	Last Year
Expenditure to the extent not written off	-	-
Total	-	-

Contingent Liabilities

Schedule - 13

Particulars	This Year	Last Year
a. Claim against company	-	-
b. Capital commitment	-	-
c. Unpaid uncall share amount	-	-
Total	-	-

Operating Income - Revenue

Schedule - 14

Particulars	This Year	Last Year
Cheque Clearing Fees-NPR	93,550,495.00	61,802,120.00
Cheque Clearing Fees-EUR	29,775.00	23,200.00
Cheque Clearing Fees-GBP	23,160.00	9,465.00
Cheque Clearing Fees-USD	889,410.00	745,930.00
Other Fees & Charges (Reason Based)	8,023,400.00	7,636,325.00
NCHL - Login ID Fee	8,183,071.51	6,810,473.61
NCHL - Membership Fee	525,000.00	575,000.00
NCHL - Membership Fee - Renewal	12,467,708.12	11,511,244.15
NCHL - Software AMC Renewal	13,237,791.41	12,772,649.73
NCHL - ECC Archive Fee	101,800.00	35,800.00
Network Connectivity & Management-Income	9,190,113.97	9,690,684.35
Cheque Clearing Fees-High Value	61,000.00	-
Cheque Clearing Fees-Express	13,783,100.00	-
Total	160,065,825.01	111,612,891.84

Operating Expenses

Schedule - 15

Particulars	This Year	Last Year
AMC for ECC Software – NCHL	6,972,316.02	6,504,533.41
AMC for ECC Software – BFIs	27,889,264.12	26,018,133.68
Network Connectivity	5,354,725.12	5,501,479.16
AMC Expenses- Dark Core	178,479.96	178,480.00
AMC for Internal S/W & H/W	68,660.41	65,301.59
AMC for Power (Generator, UPS & Battery)	273,560.00	280,000.00
AMC & Renewal Network / Firewall	1,386,510.00	1,386,510.00
AMC Expenses-Hardware(IBM)	1,282,191.87	1,284,277.91
AMC Expenses-Oracle	698,347.14	639,187.08
Support Contract (Data Center)	31,188.00	40,680.00
Renewal for Antivirus	46,499.50	57,460.50
Rollout/Implementation	-	-
Data Hosting - Remote DR	738,330.08	720,533.08
Member Training/Orientation Expenses	2,295.00	102,557.56
Total	44,922,367.22	42,779,133.97

Nepal Clearing House Limited
Schedule Attached To and Forming Part of Financial Statements
for Asadh 31, 2073

Amount in NRs

Administrative Expenses

Schedule - 16

Particulars	This Year	Last Year
Advertisement & Public Notice	185,237.77	34,476.80
AGM Expenses	271,363.92	327,372.02
Audit Fee & Expenses- Internal	125,225.00	85,956.50
Audit Fee & Expenses- Statutory	94,203.11	89,765.00
Bank Commission	42,131.21	32,489.26
Books and Subscription Expenses	7,747.59	8,977.03
Business Promotion Expenses	48,000.00	65,002.50
Common Area & Parking Expenses	415,394.79	343,042.64
Consultancy Fee	178,950.00	141,250.00
Courier Expenses	39,490.60	45,916.24
Donation	-	1,000,000.00
Electricity Expenses	925,440.00	805,348.00
Fine and Penalties	-	-
Fuel Expenses	899,363.59	975,568.35
Insurance Expenses	331,821.25	215,895.06
ISO Certification and implementation expenses	80,032.00	222,365.95
Legal Fee	73,450.00	90,400.00
Local Conveyance	18,340.00	13,122.00
Loss on disposal of Fixed assets	-	3,592.75
Meeting Allowance & Expenses	312,288.00	246,655.00
Office Expenses	409,830.69	291,365.15
Other Expenses	13,322.31	5,666.05
Printing & Stationery	104,183.56	92,266.90
Provision-Doubtful debt	352,000.00	-
Public Awareness Program me	291,397.64	498,402.92
Renewal & Registration	25,675.00	25,715.00
Rent - House	1,312,450.01	901,166.67
Rent - DR Site	455,312.50	435,000.00
Repair & Maintenance	314,779.58	285,925.77
Security Expenses	366,120.00	366,120.00
Telephone Expenses	118,764.39	113,116.39
Travelling Expenses	31,041.00	53,019.96
Web Site Development/hosting Expenses.	3,817.24	2,693.42
Staff Expenses		
Staff - Dashain Allowance	518,800.00	372,480.00
Staff - HR activity	87,431.50	-
Staff - Leave Fare Allowance	240,000.00	180,000.00
Staff - Provident Fund Contribution	633,050.32	558,638.46
Staff - Salary & Allowance Expenses	10,161,467.74	8,566,728.00
Staff - Training Expenses	130,658.50	210,675.00
Staff - Gratuity Provision	449,144.11	289,634.29
Staff - Leave Provision	168,458.33	285,019.28
Staff - Other benefits	1,508,729.07	-
Total	21,744,912.32	18,280,828.36

Nepal Clearing House Limited
Schedule Attached To and Forming Part of Financial Statements
for Asadh 31, 2073

Significant Accounting Policies and Notes to Accounts

Schedule – 17

Background Information

NCHL is a limited liability company registered with Company Registrar Office on 8th Poush 2065 (corresponding to 23rd December 2008). It has obtained the letter of commencement of business from Company Registrar Office effective from 31st Jestha 2068. NCHL has obtained approval from Nepal Rastra Bank for operation of NCHL-ECC system for foreign currency cheques clearance effective from 7th Poush 2068 and obtained circular for conducting the cheque clearance in Nepalese currency effective from 20th Chaitra 2068. NCHL has obtained approval from Nepal Rastra Bank for operation of interbank payment system (NCHL-IPS) effective from 4th Mangsir 2071. NCHL has successfully rolled out NCHL-ECC all over Nepal, whereas rollout of NCHL-IPS is under progress.

The principle objective of the company is to implement and operate national payment and settlement systems in Nepal. Till Asadh end 2073, NCHL has entered agreement for NCHL-ECC with 149 members out of which only 115 Banks/members (Nepal Rastra Bank, 29 Commercial Banks and 56 Development Banks & 29 Finance Companies) are active till Ashad end 2073. 34 members of NCHL-ECC including 3 Commercial Banks, 16 Development Banks & 15 Finance Companies have been merged till the Asadh end 2073.

Similarly, for the upcoming NCHL-IPS System, NCHL has already entered agreement with 55 direct members and 3 Remittance Companies as indirect members till Asadh end 2073. 55 direct members include Nepal Rastra Bank, 25 Commercial Banks, 23 Development Banks and 6 Finance Companies.

These financial statements have been prepared under the responsibility of the management and approved by Board of Directors on 19th Bhadra 2073 (4th September 2016).

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 value 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, has 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 2015).

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 has been managed as per NCHL-Investment Policy, as approved by the Board.

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., Mega Bank Nepal Ltd., Supreme Development Bank Ltd., Tourism Development Bank Ltd., Guheshwori Merchant Banking & Finance Ltd, and United Finance 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

Inventory of NRs. 223,021.41 includes fuel stock maintained for operating generators. 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. 20,390,531 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.

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	30,006,558.89	35,098,999.75	5,092,440.86	1,273,110.22
Provision for Leave	-	-	-	-
Provision for Gratuity	159,338.33	-	159,338.33	39,834.58
Total			5,251,779.19	1,312,944.80

The Deferred Tax Asset arising due to temporary difference amounts to NRs. 1,312,944.80 this year whereas there was deferred tax assets of NRs. 605,390.36 last year. The net increase in deferred tax assets of NRs.707,554.44 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. 1,200,281.12. Out of this, eligible gratuity amount to be deposited in ARF (Approved Retirement Fund) amounts to NRs. 1,044,531.25, hence year end provision for gratuity amounts to NRs. 155,749.87

Total leave amount paid for accumulated leave in FY 2072/73 is NRs. 860,081.00 after adjustment of an additional provision of leave of NRs. 207,283.15 due to change in leave accumulation policy.

4. NCHL-IPS Project

Software required for the Interbank Payment System (NCHL-IPS) including its implementation 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 and second installments of the software and related cost of the project of NRs. 9,797,251.66 has been booked as the work in progress under fixed assets. And investments in hardware, network and related peripheral applications of the NCHL-IPS project of NRs. 11,982,977.97 has been booked under fixed assets.

5. Forward Contract & USD Payments

Forward exchange contract has been entered with Mega Bank Nepal Ltd. for the payments towards 3rd and 4th installment of Interbank Payment System (IPS) software for USD 52,500.00 and USD 43,750.00. 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 256,250 (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 2015 and 1st March 2016. TDS and VAT applicable on the payment was also paid as per the agreement with the party, corresponding to which NRs. 6,972,316.02 and NRs. 27,889,264.12 has been booked as expense for the year against AMC for NCHL and BFIs respectively. And NRs.4,581,983.83 has been booked as pre-paid expense.

USD 43,750 was paid to ProgressSoft Corporation against 2nd installment of IPS software during the fiscal year.

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 2073 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	5,880,145.20
Network Conn. & Mgmt.	4,206,080.50
Software AMC Renewal	7,216,541.80
Membership Fee Renewal	6,084,375.10
Total	23,387,142.60

These will be subsequently transferred to income during FY 2073/074.

9. Proposed dividend

The Board of Directors has proposed 20% cash dividend on paid up capital, subject to final approval at annual general meeting. Proposed dividend equivalent to NRs 30,000,000 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. 11,547,281.65, has been appropriated as Technology Enhancement Reserve. Total Technology Enhancement Reserve as of date stands at NRs. 14,852,316.8

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

Members of NCHL-ECC

As of 31st August 2016

Central Bank	
Nepal Rastra Bank	
Commercial Banks	
Agriculture Development Bank Ltd.	Nabil Bank Ltd.
Bank of Kathmandu Lumbini 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.
Himalayan Bank Ltd.	NMB Bank Ltd.
Janata Bank Nepal Ltd.	Prime Commercial Bank Ltd.
Kumari Bank Ltd.	Sanima Bank Ltd.
Laxmi Bank Ltd.	Siddhartha Bank Ltd.
Machhapuchchhre Bank Ltd.	Standard Chartered Bank Nepal Ltd.
Mega Bank Nepal Ltd.	Sunrise Bank Ltd.
Prabhu Bank Ltd.	Rastriya Banijya Bank Ltd.
Development Banks	
ACE Development Bank Ltd.	Kanchan Development Bank Limited
Alpine Development Bank Ltd.	Kankai Bikas Bank Limited
Apex Development Bank Ltd.	Kankre Bihar Bikas Bank Limited
Araniko Development Bank Ltd.	Karnali Bikash Bank Ltd.
Bhargav Bikas Bank Ltd.	Kasthamandap Development Bank Ltd.
BiratLaxmi Development Bank Ltd.	Mahakali Bikash Bank Ltd
Corporate Development Bank Ltd.	Malika Bikash Bank Ltd.
Cosmos Development Bank Limited	Manaslu Development Bank Ltd.
Country Development Bank Ltd.	Mission Development Bank Ltd.
Deva 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.	Om Development Bank Limited
Infrastructure Development Bank Ltd.	Professional Diyalo Bikas Bank Ltd.
Innovative Development Bank Ltd.	Purnima Bikas Bank Ltd.
International Development Bank Ltd.	Raptibheri Bikas Bank Ltd.
Jyoti Bikash Bank Ltd.	Reliable Development Bank Ltd.
Kabeli Bikas Bank Limited	Sahayogi Bikash Bank Ltd.
Kailash Bikas Bank Ltd.	Sajha Bikas Bank Ltd.
Kamana Bikas Bank Ltd.	Saptakoshi Development Bank Ltd.
Sewa Bikash Bank Ltd.	Supreme Development Bank Ltd.
Shangri-la Development Bank Ltd.	Tinau Bikas Bank Ltd.
Shine Resunga Development Bank Limited	Tourism Development Bank Ltd.

Siddhartha Development Bank Ltd.	Triveni Bikas Bank Ltd.
Sindhu Bikas Bank Ltd.	Vibor Bikas Bank Ltd.
Society Development Bank Ltd.	Western Development Bank Ltd.
Subhechha Bikas Bank Ltd.	Yeti Development Bank Ltd.
Finance Companies	
Bhaktapur Finance Ltd.	NIDC Capital Market
Central Finance Ltd.	Paschimanchal Finance Co. Ltd.
Everest Finance Co. Ltd.	Pokhara Finance Limited
Goodwill Finance Ltd.	Progressive Finance Co. Ltd.
Guheshwori Merchant Banking Finance Ltd.	Reliance Lotus Finance Ltd.
Gurkhas Finance Limited	Sagarmatha Finance Ltd.
ICFC Finance Ltd.	Shree Investment and Finance Co. Ltd.
International Leasing and Finance Co. Ltd.	Siddhartha Finance Ltd.
Jebils Finance Ltd.	Srijana Finance Ltd.
Lalitpur Finance Co. Ltd.	Synergy Finance Ltd.
Lumbini Finance and Leasing Co. Ltd.	Union Finance Ltd.
MahaLaxmi Finance Ltd.	Unique Finance Ltd.
Manjushree Financial Institution Ltd.	United Finance Co. Ltd.
Nepal Finance Limited	World Merchant Banking & Finance Ltd

Members of NCHL-IPS

As of 31st August 2016

Central Bank	
Nepal Rastra Bank	
Commercial Banks	
Agricultural Development Bank Ltd.	Nepal Bangladesh Bank Ltd.
Bank of Kathmandu Lumbini Ltd.	Nepal Bank Ltd.
Century Commercial Bank Ltd.	Nepal Credit and Commerce Bank Ltd.
Citizens Bank International Ltd.	Nepal Investment Bank Ltd.
Civil Bank Ltd.	Nepal SBI Bank Ltd.
Everest Bank Ltd.	NIC Asia Bank Ltd.
Global IME Bank Ltd.	NMB Bank Ltd.
Himalayan Bank Ltd.	Prabhu Bank Ltd.
Janata Bank Nepal Ltd.	Prime Commercial Bank Ltd.
Kumari Bank Ltd.	Siddhartha Bank Ltd.
Laxmi Bank Ltd.	Standard Chartered Bank Nepal Ltd.
Machhapuchchhre Bank Ltd.	Sunrise Bank Ltd.
Mega Bank Nepal Ltd.	Rastriya Banijya Bank Ltd.
Nabil Bank Ltd.	
Development Banks	
ACE Development Bank Ltd.	Muktinath Bikas Bank Ltd.
Bhargav Bikas Bank Ltd.	NIDC Development Bank Ltd.
Deva Bikas Bank Ltd.	Om Development Bank Limited
Excel Development Bank	Purnima Bikas Bank Ltd.
Fewa Bikash Bank Ltd.	Reliable Development Bank Ltd.
Garima Bikas Bank Ltd.	Sahayogi Bikash Bank Ltd.
Jyoti Bikash Bank Ltd.	Shagrila Development Bank Ltd.
Kailash Bikas Bank Limited	Shine Resunga Development Bank Ltd.
Kanchan Development Bank Limited	Siddhartha Development Bank Ltd.
Kankre Bihar Bikas Bank Limited	Tinau Bikas Bank Ltd.
Kasthamandap Development Bank Ltd.	Tourism Development Bank Ltd.
Mission Development Bank Ltd.	Triveni Bikas Bank Ltd.
Miteri Development Bank Ltd.	Vibor Bikas Bank Ltd.
Finance Companies	
Goodwill Finance Ltd.	ICFC Finance Ltd.
Guheshwori Merchant Banking Finance Ltd.	Sagarmatha Finance Ltd.
Gurkhas Finance Limited	Srijana Finance Ltd.
Indirect Members	
Best Remit P. Ltd.	IME Ltd.
City Express Money Transfer P. Ltd.	

Annual General Meeting (AGM) Notice

पाँचौँ बार्षिक साधारण सभा सम्बन्धि सुचना

श्री शेयरधनी महानुभावहरू,

यस कम्पनीको सञ्चालक समितिको मिति २०७३/०५/१९मा बसेको ९४औँ बैठकको निर्णय बमोजिम यस कम्पनीको पाँचौँ बार्षिक साधारण सभा निम्न लिखित मिति, स्थान र समयमा निम्न बिषयहरूमा छलफल तथा निर्णय गर्न बस्ने भएको हुँदा कम्पनी ऐन, २०६३ को दफा ६७(२) अनुसार सबै शेयरधनी महानुभावहरूको जानकारीको लागि यो सुचना प्रकाशित गरिएको छ ।

सभा हुने मिति, स्थान र समय :-

मिति : २०७३ साल असोज महिना १२ गते बुधवार (28th September 2016)

स्थान : होटल -याडिसन, लाजिमपाट, काठमाडौँ ।

समय :साँझ ५:३० बजे

छलफल गर्ने बिषयहरू :-

क. साधारण प्रस्ताव:

१. संचालक समितिको आ. व. २०७२/०७३ को प्रतिवेदन पारित गर्ने ।
२. लेखा परिक्षण प्रतिवेदन सहितको २०७३ आषाढ मसान्त तकको बासलात तथा सोहि मितिमा समाप्त आ.व. २०७२/०७३ को नाफा नोक्सान हिसाब तथा नगद प्रवाह विवरण स्वीकृत गर्ने ।
३. सञ्चालक समितिले प्रस्ताव गरे बमोजिम २० प्रतिशत नगद लाभांश स्वीकृत गर्ने ।
४. आ.व. २०७३/०७४ को लागि लेखा परिक्षकको नियुक्ति तथा निजको पारिश्रमिक निर्धारण गर्ने ।
(जी वि एण्ड कम्पनी पुन नियुक्त हुन योग्य रहनु भएकोले लेखा परिक्षण समितिबाट पुन नियुक्तीको निमित्त शिफारिस भएको)
५. कम्पनीको नियमावली अनुसार समूह "ख-१" का शेयरधनीको तर्फबाट संचालक समितिमा प्रतिनिधित्व गर्ने तीनजना संचालकहरूको निर्वाचनगर्ने ।

ख. विषेश प्रस्ताव:

१. प्रबन्धपत्रको संसोधन स्वीकृत गर्ने र प्रस्तावित संशोधनमा नियमनकारी निकायहरूबाट कुनै फेर बदलवा सुझाव आएमा आवश्यक फेरबदल गर्न कम्पनीको सञ्चालक समिति वा सञ्चालक समितिले तोकेको कुनै पदाधिकारीलाई अधिकार प्रत्यायोजन गर्ने अख्तियारी दिने ।

ग. 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 मापनि हेर्न सकिनेछ । कुनै कारणले प्रतिवेदन प्राप्त नगर्नु हुने शेयरधनीज्यूहरूले यस कम्पनीको रजिष्टर्ड कार्यालयमा शेयरधनी प्रमाणपत्र प्रस्तुत गरी सो प्राप्त गर्न सक्नु हुनेछ ।
- (२) लेखापरिक्षकको प्रतिवेदन सहित कम्पनीको वार्षिक आर्थिक विवरण, सञ्चालक समितिको प्रतिवेदन, कम्पनी ऐन, २०६३ को दफा ७८ बमोजिमको प्रतिवेदन समेतका कागजातहरू 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 आउनुहुन अनुरोध छ । कथमकदाचित् सो सम्भव नभए शेयरधनी प्रमाणपत्र साथमा लिई आउनुहुन अनुरोध छ, अन्यथा सभा कक्ष 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 गरिसकेपछि 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 सभा स्थलमा सभा हुने दिनसाँझ ५:०० बजे देखि सभा चालु रहे सम्म खुल्ला रहनेछ ।
- (६) अन्य कुनै जानकारीका लागि कम्पनीको रजिष्टर्ड कार्यालय, कमलादी, काठमाण्डौंमा सम्पर्क गर्नु हुन अनुरोध छ ।

AGM Proxy Form

श्री सञ्चालक समिति,
नेपाल क्लियरिङ्ग 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 २०७३ साल असोज महिना १२ गते बुधवार
का दिन हुने पाँचौ 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 श्रीशेयर 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:-

द्रष्टव्यः यो निवेदन साधारण सभा हुनु भन्दा कम्तीमा ४८ घण्टा अगावै कम्पनीको रजिष्टर्ड कार्यालयमा पेश गरिसक्नु पर्नेछ ।

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PO Box: 21400, Kathmandu, Nepal
Tel: (+977) 1-4255306, 2239550
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ISO 27001:2013 Certified Company

