

ANNUAL REPORT

2016/17 (2073/74)



**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 (8th Poush 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.

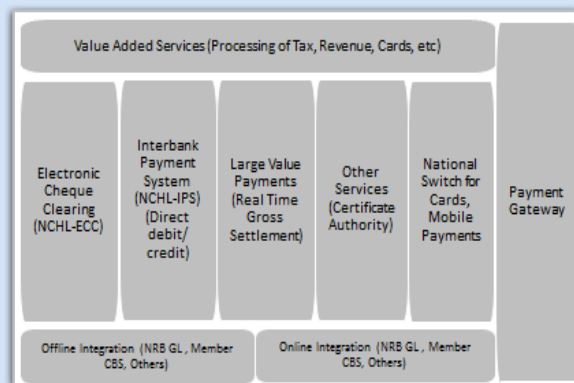
Shareholding structure of NCHL is as follows:

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 and productivity. In line with the government's strategy of financial sector development by providing the innovative financial services by maximum use of information technology, NCHL continuously strives to provide new and innovative financial solutions to the BFIs and 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 been successfully operating the electronic cheque clearing (NCHL-ECC) for the last 5 years, replacing the old manual system of cheque clearing. 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 this year has successfully rolled out yet another national payment system, interbank payment system (NCHL-IPS) with nationwide operation, facilitating 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.

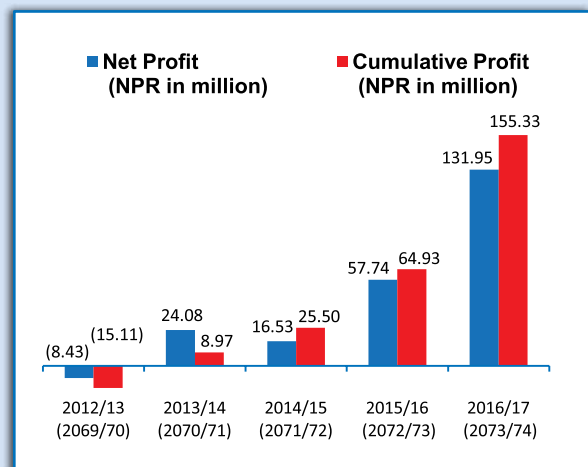
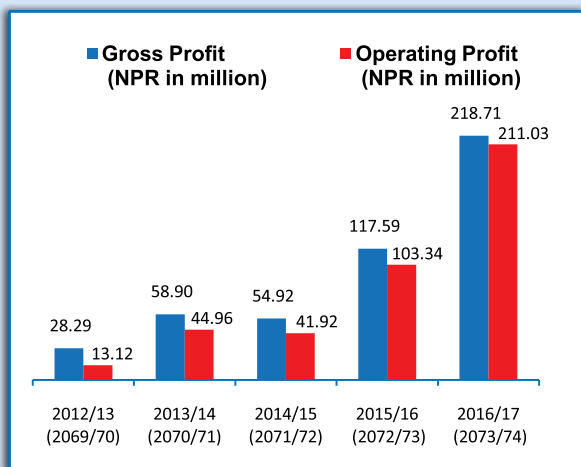
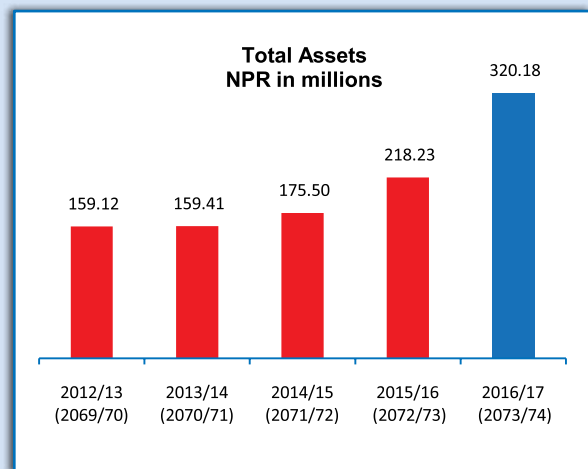
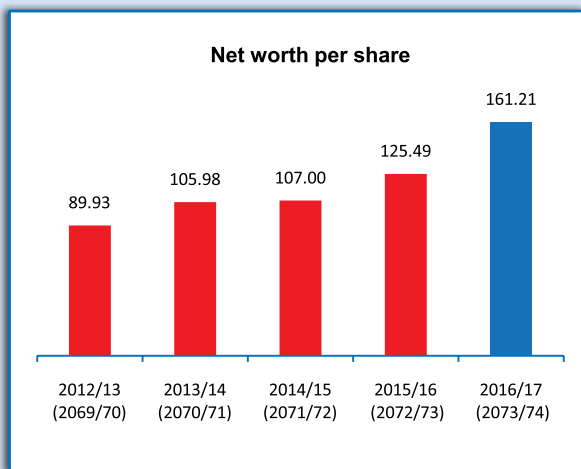
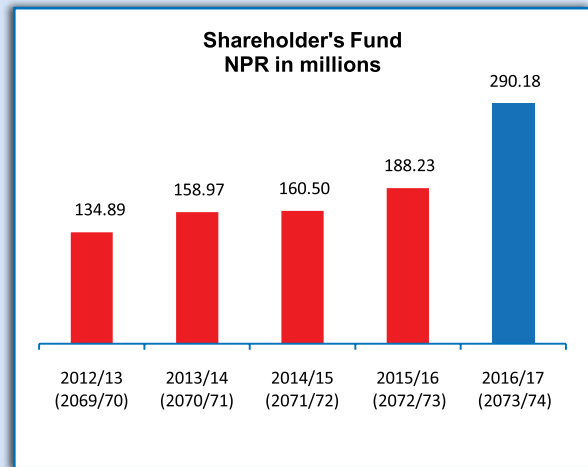
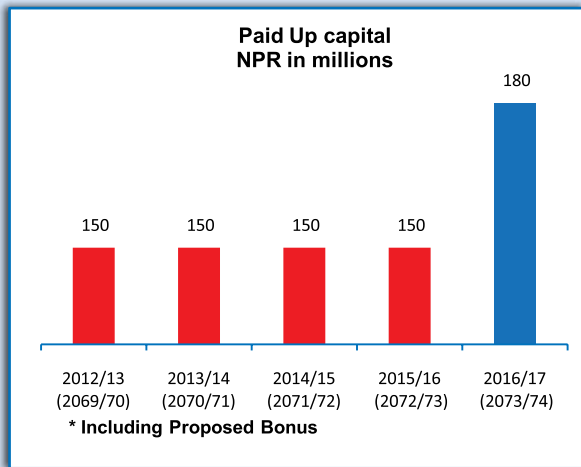
Vision, Mission and Value Statement

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

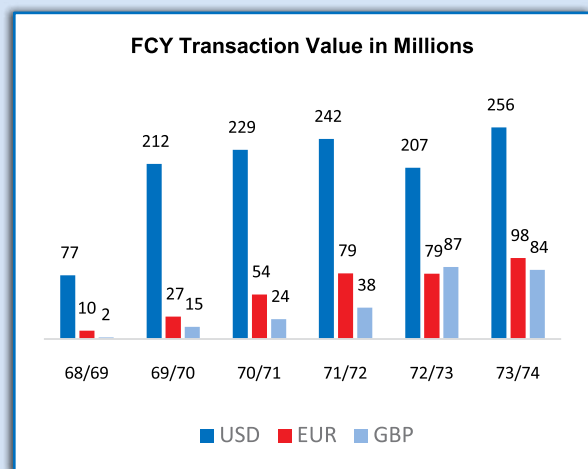
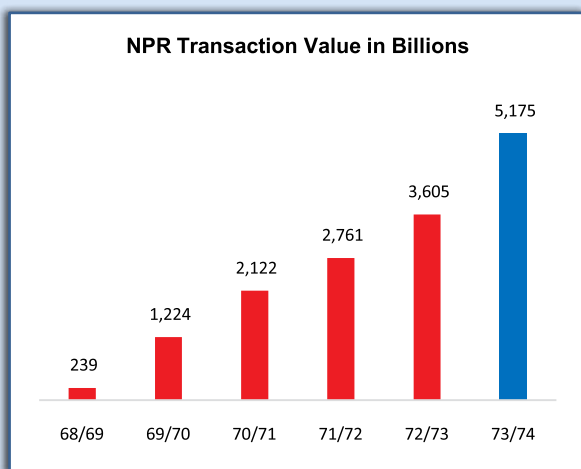
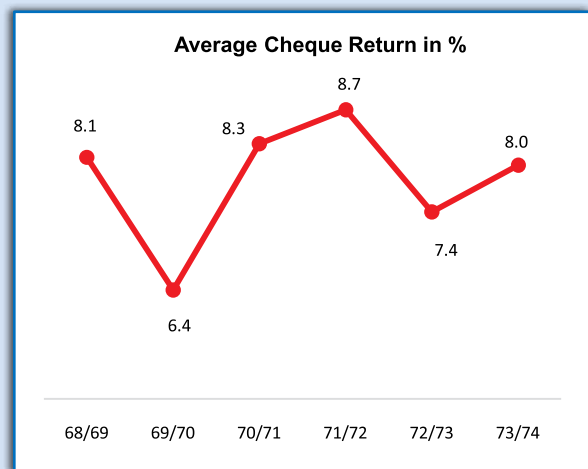
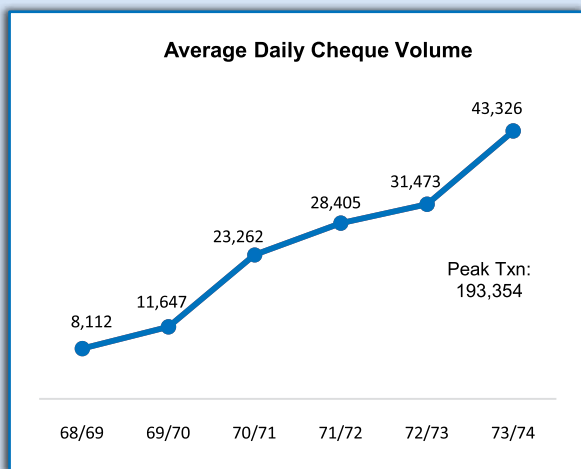
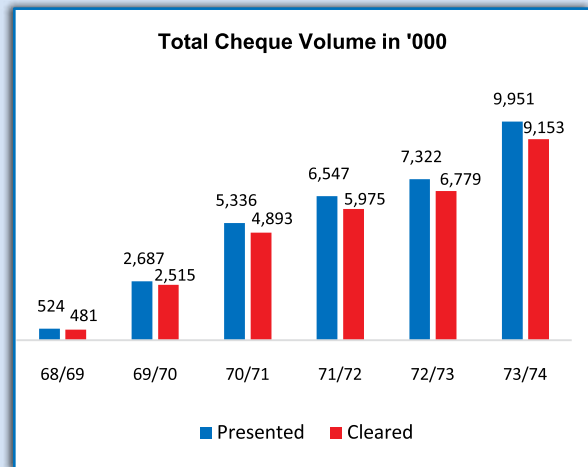
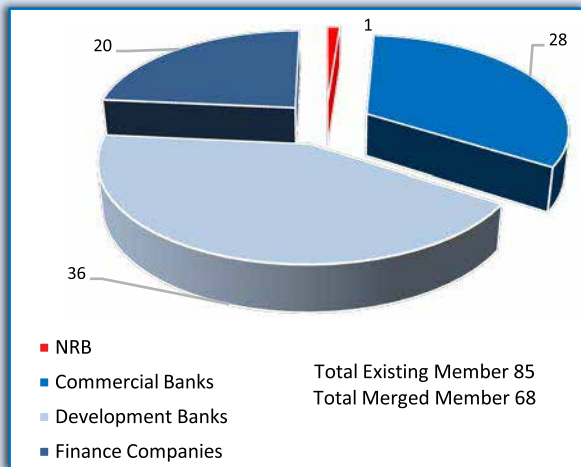
Period	Major Achievements
23 rd December 2008	Company incorporated
22 nd December 2010	Electronic Cheque Clearing (NCHL-ECC) project initiated
29 th December 2011	NCHL-ECC project implementation completed
3 rd February 2012	NCHL-ECC started with foreign currency denominated cheques
9 th April 2012	NCHL-ECC started with Nepali currency denominated cheques
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

Financial Highlights



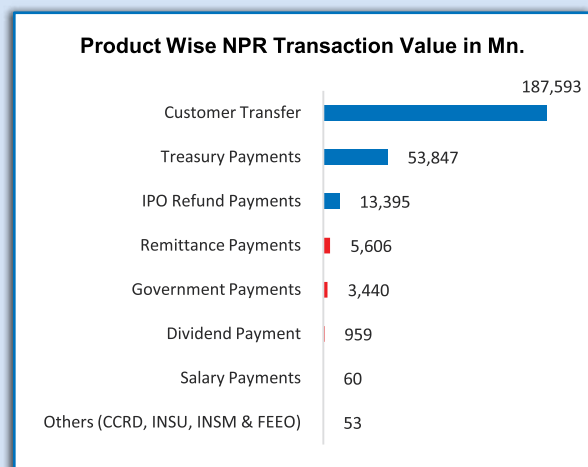
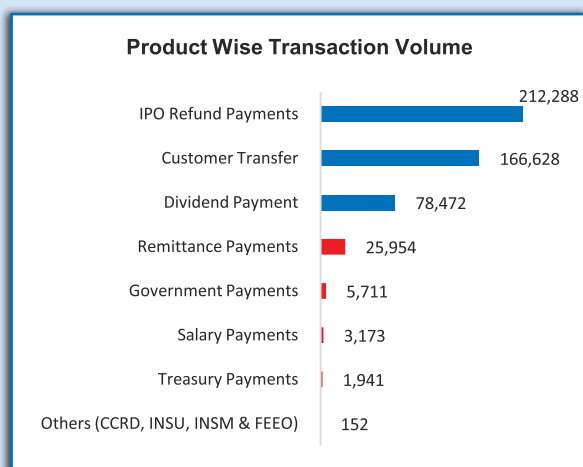
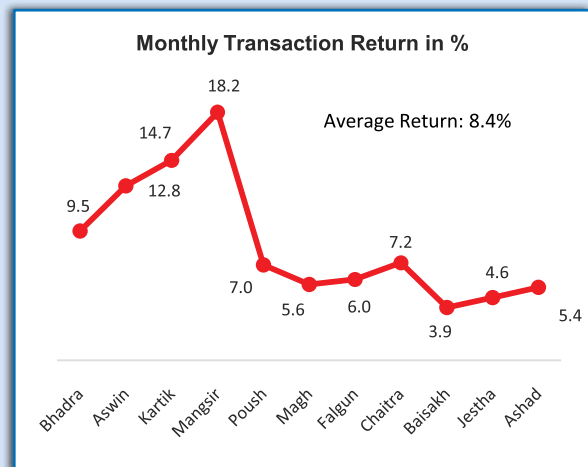
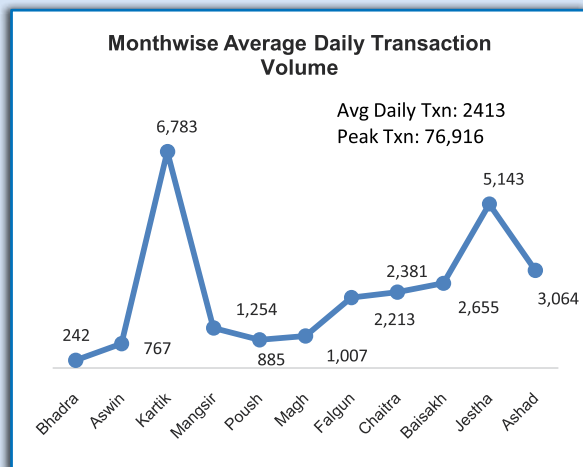
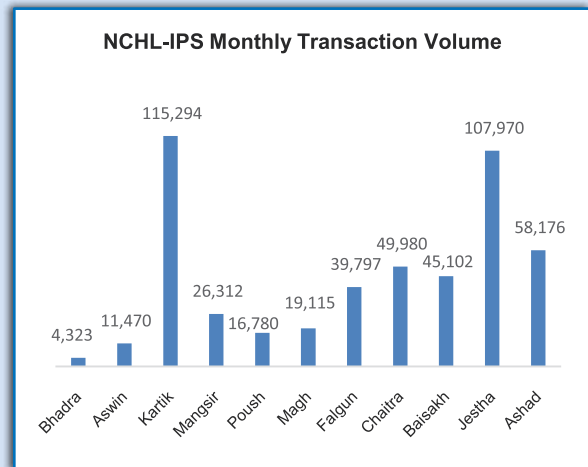
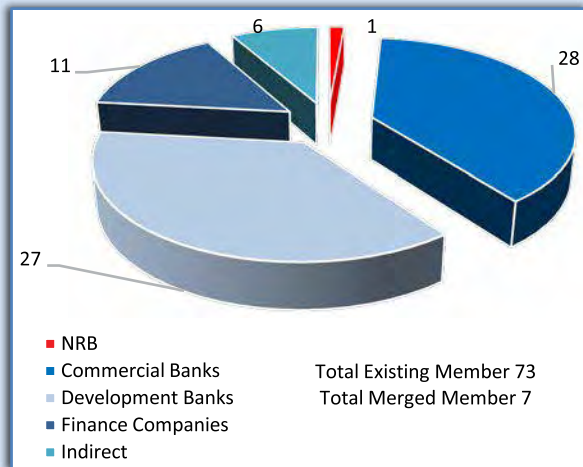
Operational Highlights

Electronic Cheque Clearing (NCHL-ECC)



Operational Highlights

Interbank Payment System (NCHL-IPS)



Message from Chairman

(Speech delivered by the Chairman on 6th Annual General Meeting)

Dear Shareholders,

It is with great pleasure to welcome all the shareholders in the 6th 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 2016/17 (2073/74).

The last fiscal year has been a time of great change for the payments industry and an exciting period for the company. The industry has remained in the regulatory spotlight throughout the year with the execution of the payments system licensing policy by Nepal Rastra Bank and the regulation is expected to increase.

NCHL, that was initiated under the leadership of Nepal Rastra Bank (NRB) and the banks and financial institutions (BFIs) with an objective to establish and operate multiple national payments and settlement systems in Nepal, has been successful in establishing itself as a valuable company in the industry. We are pleased to highlight that in the last fiscal year, NCHL played a key role in expanding non-cash transactions in Nepal through its NCHL-ECC and NCHL-IPS systems. The number of transactions processed through our systems has crossed a landmark of 10 million transactions in total in a single year. With stability, good governance and prudent management, we are committed towards creating NCHL as a leading provider of electronic payments and settlement services in Nepal.

Our strategy remains to balance the existing services of NCHL-ECC and NCHL-IPS with addition of other innovative payments & settlement systems. The fiscal year 2016/17 has been an outstanding year in contemplating the growth of the company, whereby NCHL has extended electronic cheque clearing and also

went live with its interbank payment system. Considerable growth of cheques processed through NCHL-ECC and noticeable transaction volume in NCHL-IPS system, in the very first year, are the evidence of the acceptability and the potential of electronic transactions in Nepal. We intend to improve the services of NCHL-ECC and NCHL-IPS by means of introducing different products. This will also support Nepal Government's policies of electronic bank account based transactions to improve the efficiency and financial transparency. As the part of adding other innovative systems, we plan to extend existing NCHL-IPS to support e-payments and also work towards implementing generic switch for supporting real-time retail payment system through multiple channels. One of such add-on system of NCHL-IPS that is currently under testing phase is the *connectIPS* that will allow the registered bank customers to process their payments directly from the e-commerce portals/applications.

With the increase in the transaction volume, the operating profit and the net profit of the company in the last fiscal year has increased by over 104.2% and 128.5% respectively. We have been able to book the net profit of NRs.131,945,355.12 for the FY 2016/17, from which the Board has proposed 20% bonus share and 20% cash dividend on paid-up capital. This is the third year in row, since NCHL is distributing dividend to its shareholders. We will continue with the policy of segregating technology enhancement reserve from the profit of the year that will be used for major enhancement/ upgrade of existing systems and/or for funding requirement of new payment and settlement systems in future. Also in view of the financial performance of the company and to increase the acceptability of NCHL-IPS, we have considerably reduced the transaction fees of interbank payment transactions.

During the last fiscal year, we have added second express clearing session on Friday and also increased the transaction limit of regular and high value cheque clearing. Similarly, NCHL-IPS system came into operation from 17th August 2016 (1st Bhadra 2073) and is currently offering 12 different products of direct debit and direct credit. The membership base remained at 85 and 73 in NCHL-ECC and NCHL-IPS respectively. Members in NCHL-IPS includes 67 BFIs (as direct members) and 6 other institutions (as indirect/ technical members). They have nationwide network coverage with listing of over 3,061 branches in NCHL-ECC and over 2,973 branches in NCHL-IPS. With the continuous trend of merger and acquisition of the BFIs since inception, the number of members has reduced from 153 to 85 in NCHL-ECC and from 80 to 73 in NCHL-IPS till the end of the FY 2016/17. The reduction in number of members has direct impact on the revenue of the company. However, the aforementioned impact are expected to be compensated through indirect/ technical members of NCHL-IPS and also with the increasing requirements of technology based payment and settlement services from the BFIs. And we believe that it will also provide ample opportunities for NCHL to introduce other payment and settlement systems.

The resilience of our operational capacity is showcased by the transaction volume and value that the systems have handled so far. The peak transaction volume, we have processed in a single day, are 193,354 in NCHL-ECC system and 76,916 in NCHL-IPS, achieved in the last fiscal year. The average daily transaction volume in NCHL-ECC system was 43,326, growth of over 37.6% compared to the previous year. The average daily settlement value in NCHL-ECC

system remained over NPR 22 billion. Similarly the average daily transaction volume in NCHL-IPS system was 2,413 with over 1.3 billion settlement value per day.

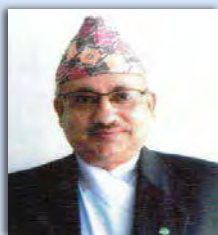
Given the size of the transaction value and the number of members associated with NCHL, the level of resilience and information security required in our infrastructure is of prime importance to avoid any possible systemic risk. Hence, as the part of our prudent risk management strategy, we will continue to invest in strengthening the information security management system including upgrades of existing systems to keep them secure and reliable.

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 co-operation. I congratulate and thank the management and the entire team of NCHL for their excellent performance in the fiscal year 2016/17 and look forward for their commitment in the coming years. I also thank the members of the Board of Directors for their engagement, support and challenge. I am confident that similar support will be extended by all the stakeholders in creating NCHL as a valuable institution. We look forward to an exciting and challenging year in the FY2017/18.

I would like to thank you for your presence and once again welcome in the 6th 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 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. Janak Bahadur Adhikari,
Director**

Mr. Adhikari is the Executive Director at Nepal Rastra Bank (NRB). He has been serving NRB since last 28 years. He holds M.A (Economics) degree from Tribhuvan University. Mr. Adhikari is a member of the Board of NCHL representing Nepal Rastra Bank since 12th Asoj 2073.



**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 29 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. Anil Keshary Shah,
Director**

Mr. Shah is the CEO of Mega Bank Nepal Ltd. and the current President of Nepal Bankers Association. He has more than 29 years of experience in banking sector. He holds MBA (Finance) degree from FMS, Delhi University and Executive Leadership from Harvard University. He is a member of the Board of NCHL representing commercial bank shareholders since 13th Chaitra 2073.



**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. Bharat Raj Dhakal,
Director**

Mr. Dhakal is the CEO of Muktinath Bikash Bank Ltd since 2062 and the current President of Development Banks Association. He holds Master of Business Administration degree. Prior to his association with the bank, he had led and still involved in multiple institutions including social non-profit organizations and academic institutions. He is a member of the Board of NCHL representing development bank shareholders since 13th Ashad 2074.



**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.

CEO's forward



The fiscal year 2016/17 (2073/74) has been an interesting yet challenging year for NCHL, as we rolled out the interbank payment system (NCHL-IPS) nationwide and at the same

time were able to extend the electronic cheque clearing (NCHL-ECC) services. NCHL met or exceeded almost all of its objectives for fiscal year 2016/17. Our overall profitability reflects the highest standards of performance throughout our core businesses and a particular focus on the operational excellence.

We were able to move closer towards establishing multiple national payments and settlement systems after NCHL-IPS system came into operation in the last fiscal year. NCHL-ECC system has remained as the core system with main source of revenue, whereas NCHL-IPS has remained one of the most promising systems for supporting bank account based transactions.

We have also invested significant time and energy to maintain the service level and the risk management to ensure that NCHL has the right processes, policies and effective controls in place. We are pleased to report that no material issues have occurred during the last fiscal year. Our risk management framework is based on the principles of payments market infrastructure (PMI) suggested by BIS and ISO27001 for ISMS. NCHL will continue to upgrade the critical components of the infrastructure, enhance its Helpdesk function and conduct internal/ external assessments for necessary assurance.

The same day clearing with additional express clearing has considerably increased the acceptability of cheque. The average daily cheques transaction volume in NCHL-ECC has increased to 43,326 in the last fiscal year compared to 31,473 in the previous year. The

daily transaction settlement value has also increased to NPR 22 Billion from NPR 15.5 Billion in the previous year. NCHL-ECC transaction volume may stagnate from the next fiscal year due to the ongoing mergers of the BFIs, however the transaction in express clearing sessions is expected to grow. We were able to achieve the average daily transaction volume of 2,413 in NCHL-IPS with average daily settlement value of NPR 1.3 billion. With the introduction of additional business cases, the transaction in NCHL-IPS is expected to increase further.

In the last fiscal year, we were able to add 3 new members for NCHL-ECC and 22 members for NCHL-IPS. We were able to create different use cases within NCHL-IPS for merchant banks, remittance companies, co-operative bank and mobile payment service providers and hence have been enrolled as Indirect/ Technical Members of NCHL-IPS. NCHL is now strategically positioned to leverage the nationwide network of the bank branches (over 3,061 branches in NCHL-ECC and over 2,973 in NCHL-IPS) to process bank account based financial transaction. We believe this will be used to the fullest in the coming years to support Nepal Government's and Nepal Rastra Bank's policy of promoting account based transactions.

We have increased service level in NCHL-ECC by adding express clearing session on Fridays and increasing the transaction limits of the regular and high value clearing. We intend to increase payment products in NCHL-IPS from the existing 12 products related to direct credit (payments) and direct debit (collection) types of transactions. While the NCHL-ECC system will continue to support clearing of paper based instruments, NCHL-IPS system will primarily focus on direct bank account based transactions.

Financially, the operating profit of the company remained at NPR 211,031,211 as against NPR 103,337,822 in the previous year. The increase

in operating profit is largely due to the increase in operating income, particularly transaction fees. The net profit for the current year stood at NPR 131,945,355 as against NPR 57,736,408 in the previous year. The shareholders fund has increased to NPR 290,179,570 with book value per share at NPR 161.21 including the proposed bonus share of 20%. We have increased service level from the existing systems and addition of new systems and/or components, we are positive in maintaining the current level of financial performance in the next fiscal year also.

NCHL-IPS 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 in fully automated or semi-automated mode. Hence, the business outlook for NCHL remains very positive yet challenging in the coming years with additional growth opportunities from NCHL-IPS system. The initial momentum has already been triggered with the initiation of the payment transactions of the Government of Nepal (GoN). And we look forward for processing of salary, pension, social security and revenue collection of GoN through NCHL-IPS. Hence, NCHL will focus on improving the resilience and security of

the core infrastructure to support such additional transaction and also leverage the opportunities to enroll indirect/ technical members due to the implementation of NRB's Payments System Licensing Policy.

And in line with NCHL's product/ service roadmap, we will continue to invest in other payment systems. We plan to rollout *connectIPS*, an add-on of NCHL-IPS system to support payments for e-commerce application in this fiscal year. And also look forward to prepare a concrete implementation plan for real-time retail payment system on the concept of instant payment system.

Lastly, I would like to thank my colleagues at NCHL for their hard work and dedication, our Board for their advice and guidance and the member BFIs for their continued commitment and support. I would also like to thank and acknowledge Nepal Rastra Bank for their trust on NCHL. I look forward to an exciting and prosperous year 2017/18.

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 2016/17 in comparison with the last four years are presented in the following table.

Amount in NRs.

Particulars	FY 2016/17 (2073/74)	FY 2015/16 (2072/73)	FY 2014/15 (2071/72)	FY 2013/14 (2070/71)	FY 2012/13 (2069/70)
Paid up capital	180,000,000.00*	150,000,000.00	150,000,000.00	150,000,000.00	150,000,000.00
Reserve & Surplus	110,179,570.39	38,234,215.27	10,497,807.01	8,972,631.27	(15,108,930.12)
Investment	273,500,000.00	150,000,000.00	90,000,000.00	55,000,000.00	-
Operating Income	266,792,615.49	162,513,825.01	113,468,891.84	97,207,095.26	88,122,020.33
Other Income	20,813,537.26	7,491,276.49	5,278,322.85	2,976,382.98	693,891.21
Operating & Admin Expenses	(76,574,941.37)	(66,667,279.54)	(76,830,516.59)	(55,220,153.62)	(75,698,731.67)
Operating Profit	211,031,211.38	103,337,821.96	41,916,698.10	44,963,324.62	13,117,179.87
Interest Expense	-	-	-	(305,532.91)	(5,227,085.77)
Depreciation	(17,341,903.65)	(18,176,498.66)	(17,235,210.68)	(16,930,782.48)	(16,709,521.76)
Deferred Tax Surplus/(Deficit)	10,939.06	707,554.44	1,046,615.73	708,902.23	388,238.60
Profit /(Loss) for the year	131,945,355.12	57,736,408.26	16,525,175.74	24,081,561.39	(8,431,189.06)

* including proposed bonus share of 20% equivalent to NRs. 30,000,000.

Capital and Reserves:

The paid-up capital of the company stands at NRs. 180,000,000 after adjustment of 20% proposed Bonus Share Capital to be issued for fiscal year 2016/17. Capital and reserve has increased to NRs. 290,179,570.39 in the FY 2016/17 against NRs 134,891,069.88 in the FY 2012/13, which constitutes compounded annual growth rate of 16.56% per annum even after proposed dividend of 20% for the current fiscal year, 20% dividend distributed in fiscal year 2015/16 and 10% cash dividend distributed in fiscal year 2014/15.

Profit/ Loss:

The net loss of NCHL which was NRs. (8,431,189.06) in the FY 2012/13 has turned around to profit of NRs. 131,945,355.12 in the FY 2016/17. This constitutes compounded annual growth rate of 40.52% per annum accounted from fiscal year 2013/14. During the year under review, NCHL achieved net profit of NRs. 131,945,355.12 as against net profit of NRs. 57,736,408.26 in the last fiscal year. Cumulative profit including Technology Enhancement Reserve till the end of the fiscal year stands at NRs. 110,179,570.39.

Operating Income and Profit:

The operating income of NCHL has increased to NRs. 266,792,615.49 in the FY 2016/17 as against NRs 88,122,020.33 in FY 2012/13 which constitute compounded annual increase rate of 24.80% per annum. The operating profit of NCHL has increased to NRs. 211,031,211.38 in FY 2016/17 as against NRs 13,117,179.87 in FY 2012/13, which constitute compounded annual increase rate of 74.30% per annum.

Operating and Administrative Expenses:

The total operating and administrative expense of NCHL has increased to NRs. 76,574,941.37 in FY 2016/17 as against NRs 75,698,731.67 in FY 2012/13, which constitute compounded annual increase of 0.23% per annum.

Achievements of Current Year

Financial year 2016/17 is the fourth 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. 290,179,570.39 (after adjustment of 20% of proposed cash dividend and 20% proposed bonus share capital) as against NRs. 188,234,215.27 in the previous year. The increase was mainly due to additional profit transferred to Reserve and Surplus from the FY 2016/17. NCHL has implemented a policy to set aside 20% of the net profit of the year to Technology Enhancement Reserve from fiscal year 2014/15 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 2016/17	FY 2015/16	Growth	
			Volume	%
Share Capital	180,000,000.00	150,000,000.00	3,000,000.00	20.00%
Reserve & Surplus	110,179,570.39	38,234,215.27	71,945,355.12	188.17%
Total	290,179,570.39	188,234,215.27	101,945,355.12	54.16%

Fixed Assets:

The net fixed assets remained at NRs. 40,899,523.32 at the end of the FY 2016/17. Office equipment of NRs. 2,420,036.92, Other Assets of NRs. 13,200.00 and software assets of NRs. 26,414,502.41 were added during the fiscal year. And asset equivalent to NRs. 2,884,100.00 with WDV of NRs. 612,871.25 has been disposed 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. 92,467,021.03 as against NRs. 77,396,346.13 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 booked as the Work-in-Progress in previous fiscal year has been capitalized during the period as 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 placed in short and medium term fixed deposits. Placements of up to 3 months have been categorized as Cash Equivalent and placements in excess of 3 months have been categorized as investments. By the end of the fiscal year, total of NRs. 273,500,000.00 has been invested in fixed deposits, while NRs. 6,500,000.00 remains as short term deposits and NRs. 21,007,257.82 remains as call deposits at various BFIs. The fixed deposit at the end of the previous year was NRs. 150,000,000.

Growth in investment and interest income are 82.33% and 135.46% respectively as compared to previous year.

Amount in NRs.

Particulars	FY 2016/17	FY 2015/16	Growth	
			Volume	%
Fixed Deposit	273,500,000.00	150,000,000.00	123,500,000.00	82.33%
Interest Income*	17,612,457.93	7,480,075.99	10,132,381.94	135.46%

* also includes interest income from short term and call deposits

Prepaid, loans and Advances:

The Prepaid, Loan, Advances & Deposits decreased to NRs.12,863,138.06 as against NRs. 16,091,307.95 in the previous year, which is mainly on account of increased tax liability resulting in decreased net advance tax deducted on revenue and interest income.

Amount in NRs.

Particulars	FY 2016/17	FY 2015/16	Growth	
			Volume	%
Net Advance tax deposit	164,617.00	10,163,246.54	(9,998,629.54)	(98.38)%
Prepaid Expenses	5,492,335.70	5,300,976.05	191,359.65	3.61%
Short term Deposits	6,500,000.00	-	6,500,000.00	100.00%
Other Deposit and Advance	706,185.36	627,085.36	79,100.00	12.61%
Total	12,863,138.06	16,091,307.95	(3,228,169.89)	(20.06)%

Inventory:

Inventory of NPR 197,058.01 constitutes of diesel fuel stock.

Amount in NRs.

Particulars	Amount
Opening Inventory	223,021.41
Less: Diesel fuel storage Consumed during the year	(25,963.40)
Closing Inventory	197,058.01

Fees, Charges and Other Income:

The major source of income for NCHL is the cheque clearing transaction fees, which constitutes of 76.38% of the total operating income. NCHL signed NCHL-ECC membership agreement with 3 additional BFIs and has recovered the cost of NCHL-ECC software of value NRs.1,084,000.00 from the newly added BFIs and those upgraded after merger in the current year. Similarly, NCHL has signed NCHL-IPS membership agreement with total of 80 members (addition of 22) by the end of fiscal year. NCHL-IPS-subscription Fees of NRs. 14,859,412.71 has been booked for the members that went into operations during the fiscal year.

Amount in NRs.

Particulars	FY 2016/17	FY 2015/16	Growth	
			Volume	%
NCHL-ECC Transaction Fees	136,277,095.00	94,492,840.00	41,784,255.00	44.22%
NCHL-ECC Express/ High Value Clearing Fees	43,807,500.00	13,844,100.00	29,963,400.00	216.43%
NCHL-ECC Other Fees & Charges	14,875,155.00	8,023,400.00	6,851,755.00	85.40%
NCHL-IPS Transaction Fees	8,443,675.00	-	8,443,675.00	-
NCHL-IPS Other Fees & Charges	187,906.00	-	187,906.00	-
NCHL Login ID Fee	10,814,281.20	8,183,071.51	2,631,209.69	32.15%
NCHL-Membership Fee	331,250.00	525,000.00	(193,750.00)	(36.90)%
NCHL-Membership Fee – Renewal	13,343,750.05	12,467,708.12	876,041.93	7.03%
NCHL Software AMC Renewal	13,941,437.48	13,237,791.41	703,646.07	5.32%
NCHL-IPS Subscription Fees	14,859,412.71	-	14,859,412.71	-
NCHL-IPS Creditor listing charges	23,333.34	-	23,333.34	-
NCHL-ECC Archive Fee	180,900.00	101,800.00	79,100.00	77.70%
N/w Connectivity & Management Fee	8,622,919.71	9,190,113.97	(567,194.26)	(6.17)%
Total Revenue	265,708,615.49	160,065,825.01	105,642,790.48	66.00%
ECC Software License – Members	1,084,000.00	2,448,000.00	(1,364,000.00)	(55.72)%
Total Operating Income	266,792,615.49	162,513,825.01	104,278,790.48	64.17%

It has booked Membership (including renewal) fees and Login id fees income of NRs. 24,489,281.25; Software AMC fee of NRs. 13,941,437.48; Connectivity & Management fee of NRs. 8,622,919.71 and NCHL-ECC Transaction fees income (including Archive fee) of NRs 195,140,650.00.

Similarly, NCHL-IPS subscription charges of NRs. 14,859,412.71 and NCHL-IPS Transaction fees income of NRs. 8,631,581.00 have been booked. Increase in revenue against previous year is 66.00%, which was mainly due to increase in transaction volume. Total operating income during the year increased by 64.17% compared to the previous year.

Staff Expenses:

The staff expenses have increased by 21.74% 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 and enhanced training facilities to the staffs.

Amount in NRs.

Particulars	FY 2016/17	FY 2015/16	Growth	
			Volume	%
Staff - Salary & Allowance Expenses	12,816,440.00	10,161,467.74	2,654,972.26	26.13%
Staff - Provident Fund Contribution	777,128.67	633,050.32	144,078.35	22.76%
Staff - Dashain Allowance	623,700.00	518,800.00	104,900.00	20.22%
Staff - Leave Fare Allowance	240,000.00	240,000.00	-	-
Staff - Training Expenses	341,064.71	130,658.50	210,406.21	161.04%
Staff - HR activity	200,000.00	87,431.50	112,568.50	128.75%
Staff - Gratuity Provision	388,498.34	449,144.11	(60,645.77)	(13.50)%
Staff - Leave Provision	523,612.79	168,458.33	355,154.46	210.83%
Staff - Other Benefits	1,008,367.63	1,508,729.07	(500,361.44)	(33.16)%
Total	16,918,812.14	13,897,739.57	3,021,072.57	21.74%

Operating and Administration Expenses:

Increase in the Operating Expenses and Administration Expenses in the current year is 7.03% and 47.50% respectively as compared to the previous year. The increase in Administrative Expenses is mainly due to increase in Business Promotion expenses, Travelling expenses and Staff expenses. The increase in operating expenses is largely due to appreciation of USD against NPR. Current AMC of ECC software is US\$ 210,000 for the participant's component and US\$ 52,500 for NCHL's component are payable in US dollar on half yearly basis. Exchange rate risk on US\$ payments are normally covered with forward contract.

Amount in NRs.

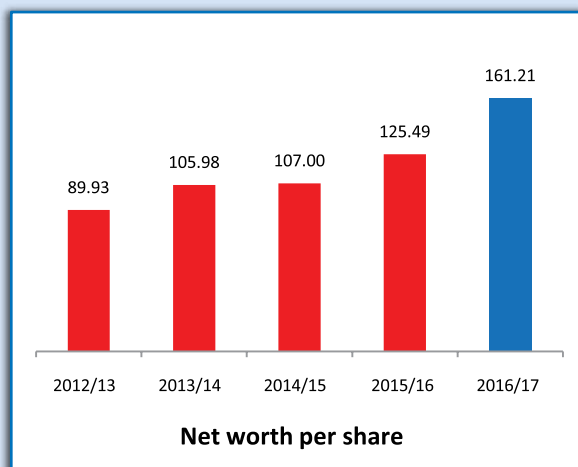
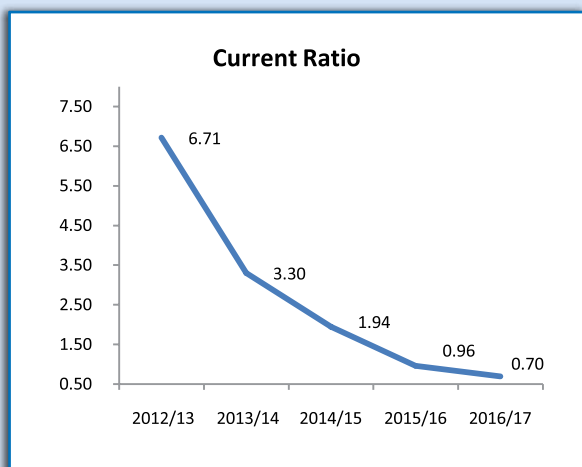
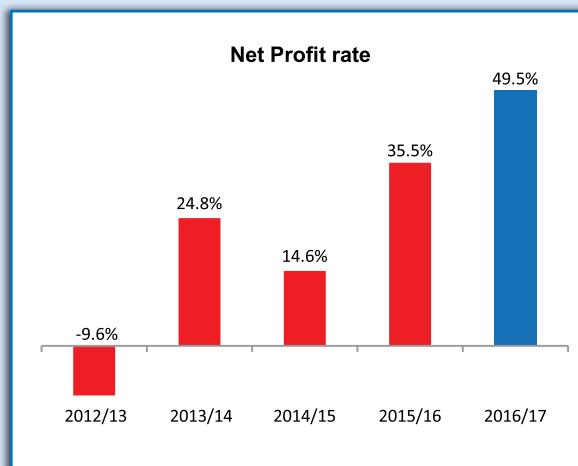
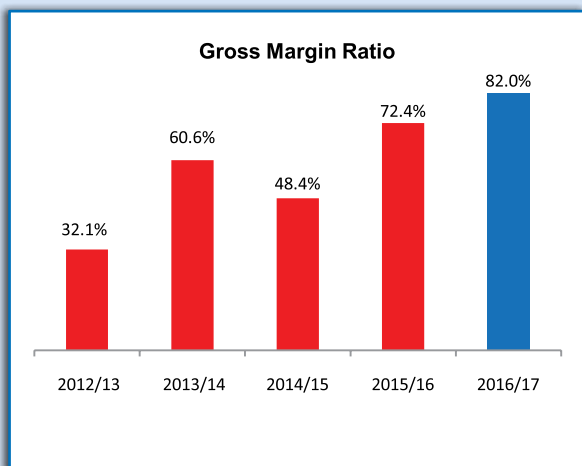
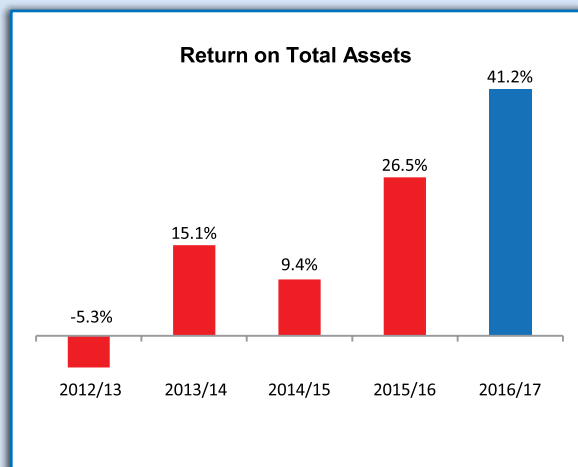
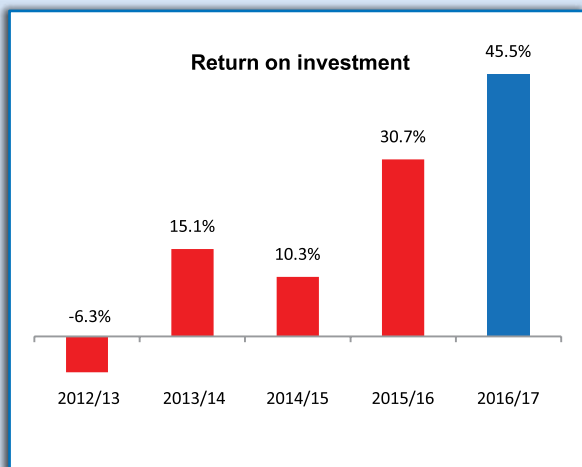
Particulars	FY 2016/17	FY 2015/16	Growth	
			Volume	%
Operating Expenses	48,081,532.14	44,922,367.22	3,159,164.92	7.03%
ECC Software AMC for BFIs & NCHL	36,928,743.78	34,861,580.14	2,067,163.64	5.93%
Network Connectivity	4,572,354.50	5,354,725.12	(782,370.62)	(14.61)%
Other AMC & expenses	6,580,433.86	4,706,061.96	1,874,371.90	39.83%
Administrative Expenses	28,493,409.23	21,744,912.32	6,748,496.91	31.03%
Staff Expenses	16,918,812.14	13,897,739.57	3,021,072.57	21.74%
Other Admin Expenses	11,574,597.09	7,847,172.75	3,727,424.34	47.50%

Staff Bonus, Corporate Tax and Net Profit:

During the review period, NCHL generated net profit of NRs. 131,945,355.12 as against the net profit of NRs. 57,736,408.26 in the last year. NCHL's operating profit before tax for the year remained at NRs. 176,081,188.85 posting a growth of 127.44% as against the last year. Increase in profit is due to the increase in transaction volume of NCHL-ECC. The income tax provision and staff bonus for the review year are NRs.44,146,772.79 and NRs. 17,608,118.88 respectively as against NRs. 20,390,531.00 and NRs. 7,741,938.48 respectively in the previous year.

Key Financial Indicators and Ratios

Indicators	FY 2016/17	FY 2015/16	FY 2014/15	FY 2013/14	FY 2012/13
Net Profit/ Total Operating Income	49.5%	35.5%	14.6%	24.8%	(9.6)%
Gross Profit/ Total Operating Income	82.0%	72.4%	48.4%	60.6%	32.1%
Txn Fees Income/ Total Operating Income	76.4%	71.7%	61.9%	57.1%	30.5%
ECC S/W Income/ Total Operating Income	0.4%	1.5%	1.7%	6.9%	48.5%
Book Net worth per share	161.21	125.49	107.00	105.98	89.93



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 Members

At the end of the fiscal year, the total membership base of NCHL-ECC remained at 85 and that of NCHL-IPS remained at 73. 3 new members in NCHL-ECC and 22 additional members in NCHL-IPS were added during the year. Following is the summary of the membership.

Members	NCHL-ECC	NCHL-IPS
Nepal Rastra Bank	1	1
Commercial Banks	28	28
Development Banks	36	27
Finance Companies	20	11
Indirect/ Technical Members		6*
Total	85	73

* 4 Indirect/ Technical Members yet to come into operations

Mergers of BFIs

During the review year, 33 member BFIs merged and the total number of member BFIs which have been merged till date remains 68 for NCHL-ECC. 7 member BFIs of NCHL-IPS also merged during the review period. It is anticipated that the trend of merger of BFIs will continue in the coming fiscal year also.

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 has continuously focused on enhancements for keeping the better performance and continuous

availability of the system is critical for NCHL. Necessary infrastructure enhancement and up-gradation of components was performed during the fiscal year for implementation of NCHL-IPS system, supporting stable performance of both the systems.

Daily average cheque transaction volume during the review period increased by 37.66% with average cheques volume per day of 43,326 compared to 31,473 in the previous year. NCHL-ECC System has handled a peak load of 193,354 cheques in a day. Total of 9,951,269 cheques were presented during the review period out of which 9,152,848 cheques were cleared/ accepted. Average daily settlement value has also increased from 15.5 Billions in the previous year to 22 Billions in the year under review. An average cheque return percentage with respect to the total cheques presented was 8.0% compared to 7.4% in the previous year.

The primary focus during the year under review was to extend NCHL-ECC outward clearing branches of the existing members. More than 3,061 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 2,099 branches are currently providing outward clearing service, which were 1,685 at the end of the previous year. NCHL will continue to encourage and assist the member BFIs to increase outward clearing branches.

NCHL-ECC sessions

During the review year, NCHL introduced 2nd express clearing session on Friday. There are now three express clearing sessions from Sunday to Thursday and two express clearing sessions on Fridays. The transaction limits for regular clearing has been increased to NRs 200 Million (FCY 2 Million) and for high value clearing, it has been increased to NRs. 300 Million (FCY 3 Million).

Out of the total 9,951,269 cheques presented in the NCHL-ECC during the review period 9,513,194 (95.60%) cheques were presented through Regular Sessions, 438,075 (4.40%) cheques were presented through Express Sessions and High Value Sessions.

NCHL-IPS System

Interbank payment (NCHL-IPS) system was rolled out this year with total branch network of more than 2,973 branches across the country. NCHL-IPS system allows to process direct credit (payment) and direct debit (collect) from the account maintained at different banks. Although this was started from 1st Bhadra 2073 only, the transaction volume was very encouraging with total transaction count of 494,319 during the year with average daily transaction of 2,413. The primary focus in NCHL-IPS system during the year was to stabilize the system, provide necessary trainings to the members and establish various use cases to increase its acceptability.

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 members. NCHL-Helpdesk is backed up by sufficient staff having both technical and operational expertise. Members can raise their support query through various channel of communication such as NCHL-Helpdesk system, Phone, E-mail, On-line and chat tool. NCHL this year focused on enhancing the NCHL-Helpdesk system, which can be directly accessed by the end user of members and users were requested to log tickets based on their support query which are followed up by the support team. This has not only helped the users to reach us fast but has also helped us 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 provided extensive trainings and orientations to the users of NCHL-IPS this year, besides the regular trainings on NCHL-ECC. During FY2016/17 the main focus of NCHL was to create awareness amongst the users of the members about NCHL-IPS and its usages. The orientation programs for NCHL-IPS were more about sharing feedbacks on various facets of operation process of NCHL-IPS. NCHL strives to continue these trainings and awareness programs in the next fiscal year also.

Particulars	No. of Trainings	No. of Members	No. of Trainees
NCHL-IPS	38	76	433
NCHL-ECC	5	29	68

With objective of creating awareness amongst the general public about availability of express sessions in NCHL-ECC, NCHL published public awareness information with taglines in various print and other communications media, the impact of which seems to have increased the volume of express cheque clearing transaction more than two folds during this year as compared to the last year. Similarly, NCHL also published public awareness informations with taglines and FAQs in various prints and digital media about NCHL-IPS system. NCHL, jointly with various BFIs, placed standees of NCHL-IPS services at different branches with high footfalls as the part of the awareness campaigns.

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. The average collection period of receivables at the end of fiscal year was at 25.73 days. This system automates the billing process of NCHL-ECC and NCHL-IPS, with facility to generate direct debit of transaction fees on the 5th day of the following month. Enhancements related to billing for NCHL-IPS was also incorporated in the NCHL-CRM System to automate the billing process along with the billing of NCHL-ECC.

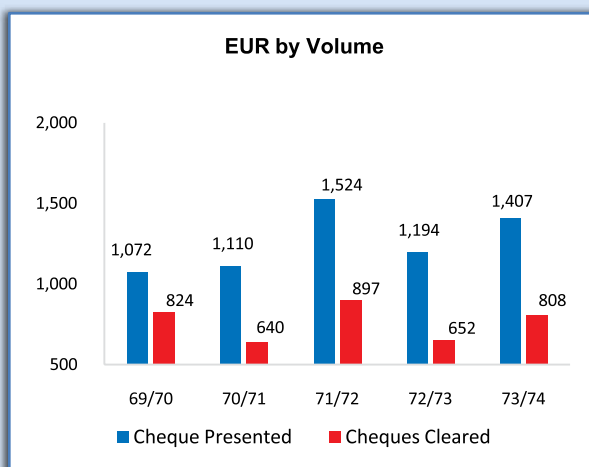
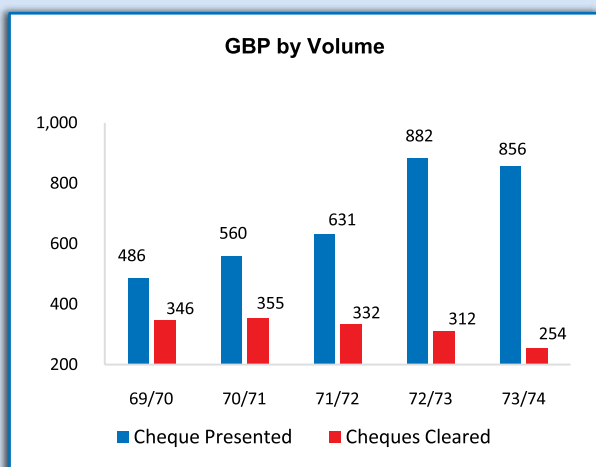
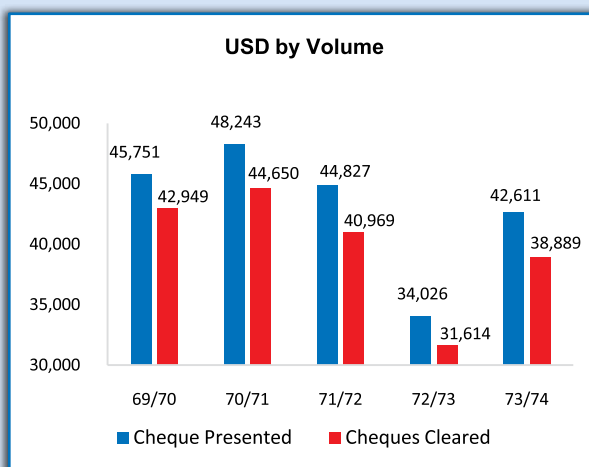
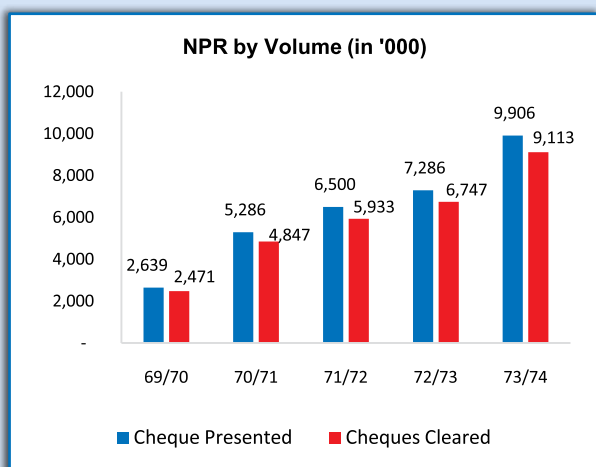
Operational Snapshots

A snapshot of the transactions in NCHL-ECC System during the fiscal year 2016/17 is as follows.

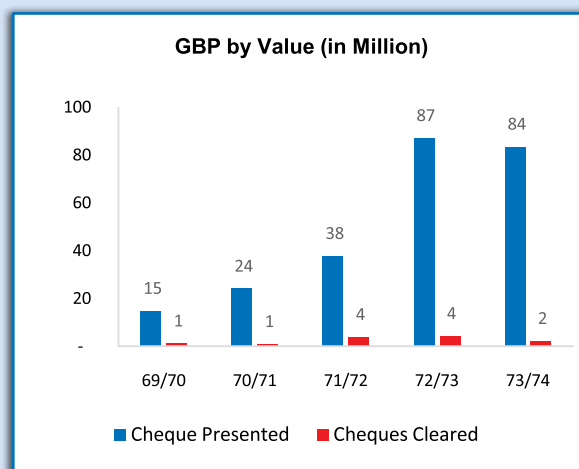
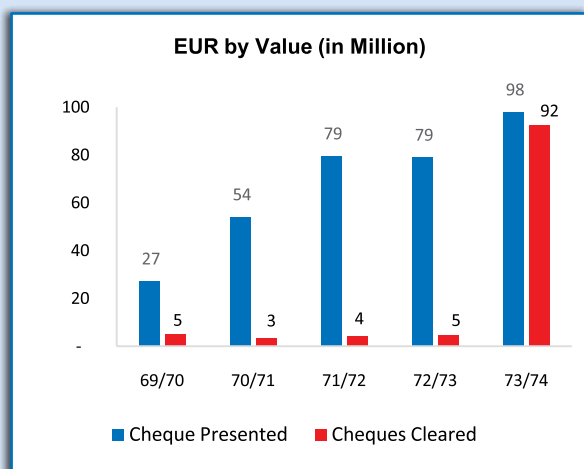
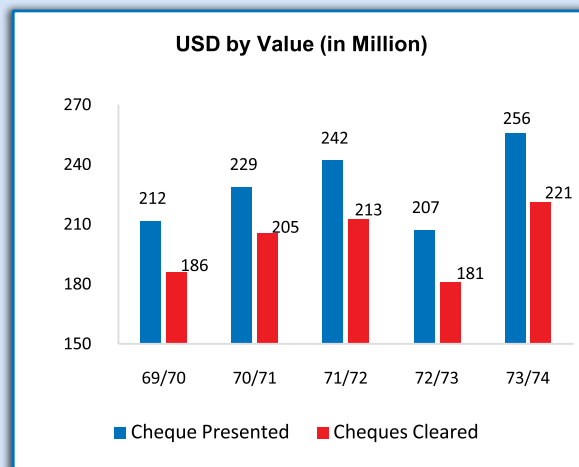
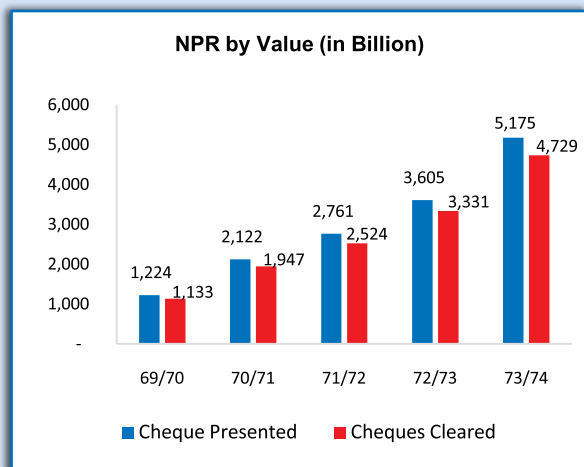
Particulars	2016/17	2015/16	2014/15	2013/14	2012/13
Cheque Presented – By Volume	9,951,269	7,322,359	6,547,010	5,335,671	2,686,744
Cheque Cleared - By Volume	9,152,848	6,779,247	5,974,907	4,892,757	2,514,651
Cheque Rejection % (By Volume)	8.02%	7.42%	8.74%	8.30%	6.41%
Average Cheque per day *	43,326	31,473	28,405	23,262	11,647
Number of Clearing Days (including Friday sessions)	275	277	268	277	278

*Friday session not considered for computing daily average

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



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



A snapshot of the transactions in NCHL-IPS System in the last year is as follows.

Transaction Volume	Total	Transaction Value	Total
Transaction Presented – By Volume	494,319	Transaction Presented – By Value in NPR	264,955 M
Transaction Cleared - By Volume	452,601	Transaction Presented – By Value in USD	16M
Transaction Rejection % (By Volume)	7.41%	Transaction Presented – By Value in EUR	0.2M
Average Transaction per day	2,413	Transaction Presented – By Value in GBP	0.3M
Number of Clearing Days			205

04 Products and Services

NCHL's main focus has always been to providing best possible products and services to its members. NCHL-ECC system is the first national payment and settlement system in Nepal that provides clearing & settlement of paper based instruments. And the interbank payment system (NCHL-IPS) that was rolled out during the review year provides payments & settlement of bank account based transactions.

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 200 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 2 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 and 2nd express session are available from Sunday to Friday and 3rd express session is 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 200 Million & up to NPR 300 Million for NPR cheques and above 2 Million & up to 3 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	10.00 to 11:30
Paying bank response cut-off time	15:00	11:30	12:30	13:30	12.30
Settlement of the session	15:30	12:00	13:00	14:00	13.00

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

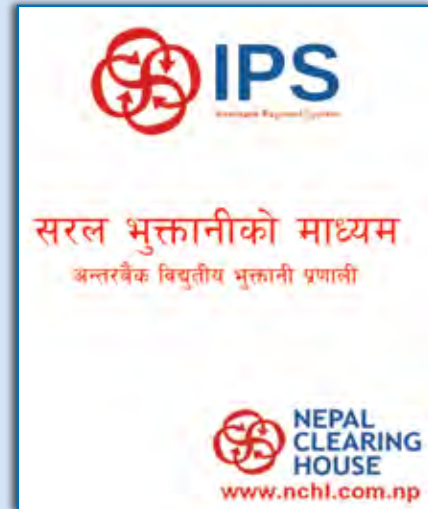
Interbank Payment System (NCHL-IPS)

NCHL-IPS is a system for clearing large volume of 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 own 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 and Direct Debit Transactions

Direct Credit is a payment transaction initiated by debtor (payer) through its bank. The instruction can be provided through the bank or through an

alternate channel. And Direct Debit 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.



Currently 12 Direct Credit and 4 Direct Debit types of category purposes (products) are available in NCHL-IPS system.

Category Purpose/Product	Purpose Description
Direct Credit Transactions	
Customer Transfer	Transaction is related to general customer fund transfer
Treasury Payment	Transaction is related to treasury operations
Government Payment	Transaction is a payment from government to the beneficiary
Remittance Payment	Transaction is related to a payment of remittance proceeds
Dividend Payment	Transaction is payment of dividends
IPO Refund Payment	Transaction is payment of IPO refunds
Salary Payment	Transaction is the payment of salaries chargeable to Employees
Salary Payment Corporate	Transaction is the payment of salaries chargeable to Corporates
Insurance Payment	Transaction is a payment of insurance premium and for disbursement by Insurance companies
Installment Payment	Transaction is related to a payment of an installment of loan repayment, others repetitive and recurring payments
Credit Card Payment	Transaction is related to a payment of credit card account bill/charges
Fees Payment	Transaction is related to a payment of fees
Direct Debit Transactions	
Insurance Payment	Transaction is a collection of insurance premium by Insurance Companies
Installment Payment	Transaction is related to a collection of an installment of loan repayment, others repetitive and recurring collections
Credit Card Payment	Transaction is related to collection of credit card account bill/charges
Fees Payment	Transaction is related to collection of fees

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.

National Archive Systems

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

National cheque archive 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.

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, effective governance of the business affairs at the strategic 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
Rajan Singh Bhandari	9/9
Janak Bahadur Adhikari	5/6
Jyoti Prakash Pandey	8/9
Upendra Poudyal	6/6
Anil Keshary Shah	1/2
Rabindra Bdr. Malla	9/9
Krishna Raj Lamichhane	7/8
Bharat Raj Dhakal	1/1
Saroj Kaji Tuladhar	8/9

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 6 meetings were held during the review period.

HR Committee

HR Committee was formed in the last fiscal year and comprise of three members from the Board of Directors. 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, on need basis.

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

In order to review the effectiveness of internal control procedures and compliance with policies and procedures across all systems and operational departments, the quarterly internal audit was outsourced to J.B Rajbhandari & DiBins for the FY 2016/17 (2073/74), under the supervision of the Audit Committee. J. B Rajbhandari & Dibins was paid NRs. 141,250.00 including VAT for the internal audit assignment.

External Audit

The statutory auditor for the review period was BRS Neupane & Co. The GB & Co. (CA Gayandra Bahadur Bhari) that was appointed by the 5th AGM had to be changed due to the new ICAN Regulation, that single person cannot remain in multiple audit firm with effect from 31st Asar 2074. And the decision in this regards was made by 103rd Board Meeting and necessary approval taken from the Company Registrar Office as per the Company Act 2063 clause 113.

The details of the audited financials for the fiscal year 2016/17 (2073/74) are incorporated in the Financial Information section of this report. Total fees paid to the external auditor for the fiscal year 2016/17 was NRs. 101,700.00 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. So, the ISO27001:2013 certification was obtained in the fiscal year 2071/72 from URS Certifications. As per the requirement for maintaining the certification, an annual surveillance audit by the ISO27001 certified auditors is required and in the next year NCHL will apply for the recertification.

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. And with the implementation of the Payment & Settlement Bylaw and the Payment System Licensing Policy by Nepal Rastra Bank, it is expected to increase other payment providers in the market. Considering this, NCHL has taken a strategy to target such institutions as indirect/ technical members of NCHL-IPS and other systems. The high dependency on NCHL-ECC will also be offset by the recently introduced NCHL-IPS system.

Also, in anticipation of increased transaction volume in NCHL-IPS, particularly the bulk transactions, NCHL is developing a generic *connectIPS* as payment processor with additional integration middleware module for members of NCHL-IPS. *connectIPS* will seamlessly integrate bank's core banking system with NCHL-IPS system for handling of outward and inward transactions from/to the bank. The *connectIPS* core system will also have capability to process e-commerce payment transactions initiated by the bank's customer by integrating it with the e-commerce sites and underlying credit transaction processed through NCHL-IPS system. This system is currently under testing phase and is expected to control the business risk to some extent.

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 relates to the risk that member BFIs will not be able to fulfill their financial obligations on the settlement date of NCHL-ECC and NCHL-IPS systems and have potential 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 with 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 Licensing Policy, 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. NCHL is also licensed to carry out the activities of Payment System Operator in accordance with Licensing Policy for Institution/Mechanism Operating Payment Related Activities, 2016 to carry out Clearing Related Activities and Automated Clearing House. 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

Systemic 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 is exposed to such risk due to operation of two payment systems. In order to minimize the risk, the settlements of both the system falling in the same settlement time are consolidated and has been working very closely with the settlement bank, Nepal Rastra Bank, and with the participating members thereby reducing the overall impact of such risk.

06 Human Resource

NCHL recognizes the value and effort invested by the employees in attaining the overall organizational objectives. Hence, it has given highest importance to the human capital of the company. 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 15 employees at the end of the FY2016/17, supporting more than 6,800 (both NCHL-ECC and NCHL-IPS) business user of 85 NCHL-ECC members, 67 NCHL-IPS direct members and 2 NCHL-IPS indirect members which means, providing services to over 453 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 2016/17	FY 2015/16	FY 2014/15	FY 2013/14	FY 2012/13
Number of Staff	15	14	12	12	12
Staff Expenses	16,918,812.14	13,897,739.57	10,463,175.03	9,596,005.88	9,029,550.21
Expense per Staff	1,127,920.81	992,695.68	871,931.25	799,667.16	752,462.52
Staff Expense to Total Operating Expenses	35.2%	30.9%	17.9%	25.1%	15.1%
Operating Income per Staff	17,786,174.37	11,608,130.36	9,455,740.99	8,100,591.28	7,343,501.69
Staff Bonus	17,608,118.88	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 recommended through the HR committee. Employee performance is appraised on half yearly basis and accordingly annual performance appraisal based salary increments and/or promotions are awarded as per Employee Performance Objectives & Appraisal Procedures.

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 2016/17	FY 2015/16	FY 2014/15	FY 2013/14	FY 2012/13
Staff Training Expenses	341,064.71	130,658.50	210,675.00	209,430.49	245,310.00
Training Expense / Staff Expenses	2.0%	0.9%	2.0%	2.2%	2.7%

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 8 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, Vulnerability Management, Penetration Testing and Risk Management.

NCHL Core Team

1. Neelesh Man Singh Pradhan

Chief Executive Officer

Mr. Pradhan has experience of over 16 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 13 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 14 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 Baniya 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. Diwas Kumar Sapkota

System Manager

Mr. Sapkota has experience of over 10 years in the field of banking, IT operations and software development. He was earlier working with Everest Bank Ltd. prior to joining NCHL and led various in-house developments and system implementations at the bank. He holds MScIT degree from Sikkim Manipal University and MBA in Marketing from Pokhara University.

5. Vivek Giri,

Business & Product Development Officer

Mr. Giri has experience of over 8 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 is associated with the company for last 1 year. Prior to joining NCHL she was associated with S.R. Pandey & Co. 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 sixth 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 2016/17 (2073/74).

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:

The business growth of NCHL in the last fiscal year has been outstanding in terms of the operational and financial achievements. And NCHL will maintain the current momentum of growth from the existing systems and will continue to venture into other innovative payment and settlement systems.

Recent changes in the government policies (announced in Government of Nepal Budget 2074/75 and Monetary Policy of Nepal Rastra Bank) related to bank account based transactions including; mandatory account based transaction for NPR 1 million & above; cash based transaction from any of the bank branches; government expenses directly to the beneficiaries bank accounts; distribution of salary, pension and social security through bank accounts; are expected to positively increase the transaction volume of NCHL-ECC and NCHL-IPS.

We also see major activities in Nepal within the payments industry and in particular micro retail payments. This is also supported by the recent policy of Nepal Rastra Bank (Payment & Settlement Bylaw and Payment System Licensing Policy) that allows opening-up of payment service providers (PSP) and payment system operators (PSO). Although, single such

licensed institutions has come into operation with few others under preparation, there are possibility that more players (domestic and may be in partnership with international providers) may come into operation in next 2-3 years. There could be some overlapping in the micro retail payments segment especially for the transactions that are anticipated to be processed through NCHL-IPS system and few of NCHL's upcoming systems. However, given the strategic position of NCHL that has linked almost all the banks and financial institutions in Nepal, it is well placed to collaborate even with the new providers, particularly for account based transactions and hence additional opportunities for NCHL. Such institutions could be enrolled within NCHL as indirect or technical members.

The merger of banks and financial institutions has drastically reduced the membership base of NCHL, which is expected to continue in next fiscal year also. This has reduced the annual membership fees income for NCHL. Despite the challenges of continuous merger, NCHL was able to enroll additional 3 members within NCHL-ECC system and 22 members within NCHL-IPS. The total membership base by the end of the review period remains at 85 members for NCHL-ECC and 73 for NCHL-IPS.

As one of the major operating expenses of NCHL is for the software AMC, payable in USD to the vendor, the downside exchange rate fluctuation of USD/NPR has remained in favor of NCHL in the last fiscal year. However, the appreciation of US dollars against NPR could adversely impact

the financials of NCHL. Absence of qualified and experienced human resources was one of the major challenges that we had to face in the bygone year.

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 this level and achieve the current growth. 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 collaborate with all such partners.

Change in Board of Director:

Mr. Janak Bahadur Adhikari, Executive Director of Nepal Rastra Bank (NRB) has been nominated as the Board of Director with effect from 12th Ashwin 2073 as a representative from NRB. After the retirement of Mr. Upendra Poudyal (representative of NMB Bank Ltd.), Mr. Anil Keshary Shah (representative of Mega Bank Nepal Ltd.) joined the Board of Directors with effect from 13th Chaitra 2073 for the remaining period. Similarly, after the retirement of Mr. Krishna Raj Lamichhane (representative of Kailash Bikash Bank Ltd.), Mr. Bharat Raj Dhakal (representative of Muktinath Bikash Bank Ltd.) joined the Board of Directors with effect from 13th Ashad 2074 for the remaining period. NCHL would like to thank and acknowledge the contributions made by Mr. Upendra Poudyal and Mr. Krishna Raj Lamichhane during their tenure as the Directors 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 membership fee based income. However, due to the increased branch network and the customer base, the transaction volume is expected to increase.
- The recent policy (Payment & Settlement Bylaw and Payment System Licensing Policy) of NRB allowing other institutions to provide payment services will increase the number of players in the payments industry with possible traction in some of the products of NCHL. Although there are possibility of some level of competition in the micro retail payments segment, this is also expected to increase number of Indirect and Technical members of NCHL.
- The policy of Nepal Rastra Bank to allow transactions of NPR 10 lakh and above mandatorily through bank accounts indicates regulatory direction towards promoting non-cash transactions thereby increasing opportunities for cheque and interbank transactions for NCHL. Similarly, the policy of NRB to allow cash deposit from any branch of the BFIs to account of any other bank is also expected to promote the usage of NCHL-IPS system.
- Technology based inherent risks could also adversely affect the operations at NCHL thereby causing impact in its business. However, NCHL has implemented comprehensive risk management framework to monitor and control such risks.
- The fluctuation in the exchange rate of USD against NPR will have major impact in the operating expenses of the company. However, the company has policy of entering into forward contract, if required, based on the market information to minimize foreign exchange risk.
- Limited availability of the skilled resources is one of the major factors that could affect NCHL. To address this, the company has been continuously providing various internal and external trainings to enhance the skills of its employees and has regularly reviewed the employee benefits.

Remarks and observation from Independent Auditor's Report:

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

Amount recommended for Dividend and Bonus:

20% on paid up capital amounting NRs. 30,000,000.00 has been proposed as cash dividend and 20% of the paid up capital has been proposed as bonus shares for the fiscal year 2016/17.

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

Detail of management expenses incurred during the year

The details of the management expenses are as follows:

Particulars	2016/17 (2073/74)	2015/16 (2072/73)	2014/15 (2071/72)
Staff Expenses	16,918,812.14	13,897,739.57	10,463,175.03
Other Admin Expenses	11,574,597.09	7,847,172.75	7,817,653.33
Total	28,493,409.23	21,744,912.32	18,280,828.36

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 2017/18 include:

- Maintain operational stability of NCHL-ECC and NCHL-IPS systems. Upgrading and strengthening the existing infrastructure will be of prime importance to support expected increase in transaction volume.
- Increase acceptability of NCHL-IPS system for the member BFIs and their customers by means of establishing multiple business cases in collaboration with different billers.
- Focus on increasing Indirect/ Technical members in NCHL-IPS.
- Assist member BFIs in integrating NCHL-IPS system with their core banking system, with focus on implementing *connectIPS* as an additional component of NCHL-IPS. *connectIPS* will seamlessly integrate bank's core banking system with NCHL-IPS system (for outward and inward transactions) and also provide mechanism to process e-commerce payment transactions initiated by the bank's customer.
- Promote and encourage member BFIs to introduce outward clearing from majority of their branches.
- NCHL will continue providing training and orientation programs to its existing members and other prospective institutions.
- Prepare detailed project for real time – Retail Payment System (generic switch for mobile and other channels).

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

Members of the Audit Committee are:

1. Mr. Janak Bahadur Adhikari - Chairman
2. Mr. Rabindra B Malla - Member
3. Mr. Saroj Kaji Tuladhar - Member
4. Ms. Anuja Adhikari - 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. Total of NRs. 75,000.00 was disbursed as meeting allowance to the Audit Committee members. Applicable tax was deducted prior to the payment in all such payments. Six 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. 275,000.00 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
Janak Bahadur Adhikari	30,000.00
Rajan Singh Bhandari	45,000.00
Jyoti Prakash Pandey	40,000.00
Anil Keshary Shah	5,000.00
Upendra Poudyal	30,000.00
Rabindra Bdr. Malla	45,000.00
Krishna Raj Lamichhane	35,000.00
Bharat Raj Dhakal	5,000.00
Saroj Kaji Tuladhar	40,000.00

The Chief Executive Officer during the year under review was paid basic salary of NRs. 2,880,000.00; NRs. 2,822,400.00 as allowance

& other benefits including provident fund contribution and; NRs. 2,435,287.69 as statutory & welfare 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, Bonus and Dividend Payable:

Cash Dividend of 20% and Bonus share of 20% has also been proposed from the profit earned from the FY 2016/17. There exists no any outstanding dividend payable from FY 2015/16.

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

Not Applicable.

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

Not Applicable.

Any other details to be disclosed:

Disclosed in appropriate part of this report and financial statements.

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

On behalf of Board of Directors

Rajan Singh Bhandari
Chairman

Independent Auditors' Report

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, 2074 (Corresponding to July 15, 2017), 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, 2074 (Corresponding to July 15, 2017), in accordance with Nepal Accounting Standards.

Date : 21st August 2017
Place : Kathmandu, Nepal


CA. Gyanendra B. Bhattarai
Partner



Financial Statement

Nepal Clearing House Limited Balance Sheet

As at Asadh 31, 2074 (July 15, 2017)

Amount in NRs.

Particulars	Schedule	This Year	Last Year
Shareholder's Fund:			
Share Capital	1	180,000,000.00	150,000,000.00
Reserve & Surplus	2	110,179,570.39	38,234,215.27
i) Technology Enhancement Reserve		41,241,387.82	14,852,316.80
ii) Profit and Loss		68,938,182.57	23,381,898.47
Total Shareholder's Fund		290,179,570.39	188,234,215.27
Medium & Long Term Loans	3	-	-
Deferred Tax Liability		-	-
Total		290,179,570.39	188,234,215.27
Fixed Assets	4		
Gross Block		133,366,544.35	117,200,156.68
Less : Accumulated Depreciation		92,467,021.03	77,396,346.13
Net Block		40,899,523.32	39,803,810.55
Investment	5	273,500,000.00	150,000,000.00
Current Assets (A)			
i) Cash & Cash Equivalents	6	21,007,257.82	32,772,002.50
ii) Inventories	7	197,058.01	223,021.41
iii) Prepaid, Loans, Advances & Deposits	8	12,836,138.06	16,091,307.95
iv) Trade & Other Receivables	9	24,253,548.41	16,103,620.80
Total Current Assets (A)		58,321,002.30	65,189,952.66
Less: Current Liabilities and Provisions (B)			
a) Current Liabilities			
i) Current liabilities and Payables	10	35,806,612.14	30,015,466.06
ii) Provisions	11	48,058,226.95	38,057,026.68
Total Current Liabilities (B)		83,864,839.09	68,072,492.74
Net Current Assets (A-B)		(25,543,836.79)	(2,882,540.08)
Deferred Tax Assets		1,323,883.86	1,312,944.80
Expenditures to the extent not written off	12		-
Total		290,179,570.39	188,234,215.27

Significant Accounting Policies and Notes to Accounts
Schedule 1-16 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
BRS Neupane & Co.
Chartered Accountants

Janak Bahadur Adhikari
Director

Anil Keshary Shah
Director

Jyoti Prakash Pandey
Director

Rabindra B. Malla
Director

Bharat Raj Dhakal
Director

Saroj Kaji Tuladhar
Director

Date: 21st August 2017

Place: Kamaladi, Kathmandu, Nepal

Nepal Clearing House Limited
Income Statement

For the period from Shrawan 01, 2073 to Asadh 31, 2074
(Corresponding period from 16 July 2016 to 15 July 2017)

Amount in NRs.

Particulars	Schedule	This Year	Last Year
Operating Income :			
Revenue	13	265,708,615.49	160,065,825.01
ECC Software License - Members		1,084,000.00	2,448,000.00
Operating Expenses :			
Operating Expenses	14	48,081,532.14	44,922,367.22
Cost of ECC Software License - Members		-	-
Gross Profit		218,711,083.35	117,591,457.79
Other commercial income		20,813,537.26	7,491,276.49
i) Interest Income		17,612,457.93	7,480,075.99
ii) Other Income		3,201,079.33	11,200.50
Administrative Expenses	15	28,493,409.23	21,744,912.32
Operating Profit		211,031,211.38	103,337,821.96
Depreciation Expenses		17,341,903.65	18,176,498.66
Staff Bonus		17,608,118.88	7,741,938.48
Profit before Tax		176,081,188.85	77,419,384.82
Provision for Tax		44,146,772.79	20,390,531.00
Deferred Tax Surplus (Deficit)		10,939.06	707,554.44
Net Profit after Tax		131,945,355.12	57,736,408.26
Profit (Loss) Up to Last year		23,381,898.47	7,192,771.86
Accumulated Profit (Loss) up to this year		155,327,253.59	64,929,180.12
Appropriation:			
a. Technology Enhancement Reserve		26,389,071.02	11,547,281.65
b. Ordinary Reserve Fund		-	-
c. Proposed Cash Dividend		30,000,000.00	30,000,000.00
d. Proposed Dividend		30,000,000.00	-
e. Balance of Profit and Loss transferred to Reserve and Surplus		45,556,284.10	23,381,898.47
Total		131,945,355.12	64,929,180.12

Schedule 1-16 form an integral part of financial statements

Neelesh Man Singh Pradhan
Chief Executive Officer

Rajan Singh Bhandari
Chairman

CA. Gyanendra B. Bhari
BRS Neupane & Co.
Chartered Accountants

Janak Bahadur Adhikari
Director

Anil Keshary Shah
Director

Jyoti Prakash Pandey
Director

Rabindra B. Malla
Director

Bharat Raj Dhakal
Director

Saroj Kaji Tuladhar
Director

Date: 21st August 2017

Place: Kamaladi, Kathmandu, Nepal

Nepal Clearing House Limited

Cash Flow Statement

For the period from Shrawan 01, 2073 to Asadh 31, 2074
(Corresponding period from 16 July 2016 to 15 July 2017)

Amount in NRs.

Particulars	This Year	Last Year
A. Cash flow from Operating Activities		
Net Profit/(Loss) before tax	176,081,188.85	77,419,384.82
Preliminary & Pre-operating (Expenses)/Surplus	-	-
Add/(Less) : Adjustment		
Depreciation	17,341,903.65	18,176,498.66
Gratuity Provision	(86,672.92)	16,485.03
Leave Provision	221,692.79	(652,797.85)
Staff Bonus Provision	17,608,118.88	7,741,938.48
Financial Expenses		-
Income Tax Paid		-
Proposed Dividend	(30,000,000.00)	(30,000,000.00)
Cash Flow from Operation Before Working Capital	181,166,231.25	72,701,509.14
Increase (Decrease) in Current Liabilities	(15,980,582.19)	35,962,823.04
Decrease (Increase) in Current Assets	(4,895,794.32)	(9,665,021.67)
Cash Flow From Operating Activities (A)	160,289,854.74	98,999,310.51
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(19,050,487.67)	(19,373,517.54)
NCHL IPS Project-WIP	-	(6,397,930.73)
Investment	(123,500,000.00)	(60,000,000.00)
Sale or Disposal of Fixed Assets		-
Cash Flow From Investing Activities (B)	(142,550,487.67)	(85,771,448.27)
C. Cash flow from Financing Activities		
Interest on loan	-	-
Increase (Decrease) in Loans	-	-
Share Capital	-	-
Sale of Fixed Assets	612,871.25	-
Dividend Paid	(30,116,983.00)	(14,883,017.00)
Cash Flow From Financing Activities (C)	(29,504,111.75)	(14,883,017.00)
Net Increase(Decrease) in Cash & Bank Balances (A+B+C)	(11,764,744.68)	(1,655,154.76)
Cash & Bank Balances at the Beginning of the Year	32,772,002.50	34,427,157.26
Cash & Bank Balance at the end of the Year	21,007,257.82	32,772,002.50

Neelesh Man Singh Pradhan
Chief Executive Officer

Rajan Singh Bhandari
Chairman

CA. Gyanendra B. Bhari
BRS Neupane & Co.
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Director

Anil Keshary Shah
Director

Jyoti Prakash Pandey
Director

Rabindra B. Malla
Director

Bharat Raj Dhakal
Director

Saroj Kaji Tuladhar
Director

Date: 21st August 2017

Place: Kamaladi, Kathmandu, Nepal

Nepal Clearing House Limited
Statement of Changes in Equity
For the period from Shrawan 01, 2073 to Asadh 31, 2074
(Corresponding period from 16 July 2016 to 15 July 2017)

Amount in NRs.

Particulars	Share Capital	Share Premium	Revaluation Reserve	Technology Enhancement Reserve	Accumulated Profit/(Loss)	Total
Balance at 31 Asadh 2073	150,000,000.00	-	-	14,852,316.80	23,381,898.47	188,234,215.27
Changes in Accounting Policy	-	-	-	-	-	-
Restated balance	150,000,000.00	-	-	14,852,316.80	23,381,898.47	188,234,215.27
Surplus on Revaluation of properties	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-
Net Profit for period	-	-	-	-	131,945,355.12	131,945,355.12
Transfer to Technology Enhancement Reserve	-	-	-	26,389,071.02	(26,389,071.02)	-
Proposed Cash Dividend	-	-	-	-	(30,000,000.00)	(30,000,000.00)
Proposed Bonus Share	30,000,000.00	-	-	-	(30,000,000.00)	-
Issue of Share Capital	-	-	-	-	-	-
Balance as at 31 Asadh 2074	180,000,000.00	-	-	41,241,387.82	68,938,182.57	290,179,570.39

Nepal Clearing House Limited
Schedule Attached To and Forming Part of Financial Statements
As at Asadh 31, 2074 (July 15, 2017)

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	-	-
Proposed Bonus Share Capital	30,000,000.00	-
Total	180,000,000.00	150,000,000.00

Reserve & Surplus

Schedule - 2

Particulars	This Year	Last Year
Technology Enhancement Reserve	41,241,387.82	14,852,316.80
Opening Balance	14,852,316.80	3,305,035.15
Transfer during the period	26,389,071.02	11,547,281.65
Profit and Loss	68,938,182.57	23,381,898.47
Opening balances	23,381,898.47	7,192,771.86
Transfer during the period	45,556,284.10	16,189,126.61
Total	110,179,570.39	38,234,215.27

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, 2074 (July 15, 2017)

Amount in NRs,
Schedule - 4

Fixed Assets and Depreciation

Particulars	Office Equipment	Vehicle	Others	Software	Project WIP	Total
Cost Price						
Opening Balance	62,458,509.92	7,895,224.16	37,712.00	37,011,458.94	9,797,251.66	117,200,156.68
Addition during the year	2,420,036.92	-	13,200.00	26,414,502.41		28,847,739.33
Deletion/Capitalization during the year	-	(2,884,100.00)	-	-	(9,797,251.66)	(12,681,351.66)
TOTAL	64,878,546.84	5,011,124.16	50,912.00	63,425,961.35	-	133,366,544.35
Depreciation						
Opening Balance	45,609,604.43	2,315,927.50	23,106.61	29,447,707.59	-	77,396,346.13
For the year	4,876,160.13	787,719.87	6,151.80	11,671,871.85	-	17,341,903.65
Deletion during the year	-	(2,271,228.75)	-	-	-	(2,271,228.75)
Total Depreciation	50,485,764.56	832,418.62	29,258.41	41,119,579.44	-	92,467,021.03
WDV as on 31 Asadh 2074	14,392,782.28	4,178,705.54	21,653.59	22,306,381.91	-	40,899,523.32
WDV as on 32 Asadh 2073	16,848,905.49	5,579,296.66	14,605.39	7,563,751.35	9,797,251.66	39,803,810.55

Nepal Clearing House Limited

Schedule Attached To and Forming Part of Financial Statements

As at Asadh 31, 2074 (July 15, 2017)

Amount in NRs.

Investment

Schedule - 5

Particulars	This Year	Last Year
FD - Siddhartha Bank Ltd.	16,500,000.00	32,500,000.00
FD - Janata Bank Ltd.	-	20,000,000.00
FD - Laxmi Bank Ltd.	-	10,000,000.00
FD - Civil Bank Ltd.	10,000,000.00	30,000,000.00
FD - Mega Bank Ltd.	-	20,000,000.00
FD - Himalayan Bank Ltd.	26,000,000.00	-
FD - Machhapuchhre Bank Ltd.	55,500,000.00	-
FD - NCC Bank Ltd.	10,000,000.00	9,000,000.00
FD - Kumari Bank Ltd.	50,000,000.00	-
FD - Sanima Bank Ltd.	5,000,000.00	-
FD - Tourism Dev. Bank Ltd.	35,000,000.00	15,000,000.00
FD - Jyoti Bikas Bank Ltd.	23,500,000.00	-
FD - Guheswori Merchant Banking & Finance Ltd.	-	10,500,000.00
FD - ICFC Finance Ltd.	5,000,000.00	-
FD - United Finance Ltd.	37,000,000.00	3,000,000.00
Total	273,500,000.00	150,000,000.00

Cash & Cash Equivalents

Schedule - 6

Particulars	This Year	Last Year
Cash Balance	-	-
Bank Balance :		
Nepal Rastra Bank	5,020.00	5,000.00
Prabhu Bank Ltd.	6,405.75	414,596.31
Janata Bank Nepal Ltd.	44,363.84	324,769.09
Laxmi Bank Ltd.	6,756.00	20,532,284.43
Siddhartha Bank Ltd.	558,569.64	2,073,228.04
Civil Bank Ltd.	163,055.47	377,555.83
Kumari Bank Ltd.	3,406,697.56	-
Sanima Bank Ltd.	11,390,772.43	-
Himalayan Bank Ltd.	4,910.00	-
Mega Bank Nepal Ltd.	14,083.08	65,955.53
Machhapuchhre Bank Ltd.	367,133.57	-
NCC Bank Ltd.	7,986.10	319,730.08
Tourism Dev. Bank Ltd.	801,674.13	1,325,408.10
Jyoti Bikas Bank Ltd.	536,996.69	-
ICFC Finance Ltd.	91,994.77	-
Guheswori Merchant Banking & Finance Ltd.	6,310.59	3,705,772.96
United Finance Ltd.	3,594,528.20	3,627,702.13
Total	21,007,257.82	32,772,002.50

Nepal Clearing House Limited
Schedule Attached To and Forming Part of Financial Statements
As at Asadh 31, 2074 (July 15, 2017)

Amount in NRs.

Inventories

Schedule - 7

Particulars	This Year	Last Year
Diesel Fuel Storage	197,058.01	223,021.41
Total	197,058.01	223,021.41

Prepaid, Loan, Advances & Deposits

Schedule - 8

Particulars	This Year	Last Year
Tax Deposit (Advance Tax)	44,311,389.79	30,553,777.54
Less: Provision for tax	(44,146,772.79)	(20,390,531.00)
Net Advance tax deposit	164,617.00	10,163,246.54
Prepaid Expenses	5,492,335.70	5,300,976.05
Short Term Deposits	6,500,000.00	-
Other Deposits	530,710.36	530,710.36
Advance- Party	175,475.00	96,375.00
Total	12,863,138.06	16,091,307.95

Trade & Other Receivables

Schedule - 9

Particulars	This Year	Last Year
Member Banks	22,990,361.00	16,553,278.33
Less: Provision for doubtful debt	(839,500.00)	(1,095,000.00)
Net Receivable	22,150,861.00	15,458,278.33
Interest Receivable	2,102,687.41	645,342.47
Other Receivable	-	-
Total	24,253,548.41	16,103,620.80

Current Liabilities & Payable

Schedule - 10

Particulars	This Year	Last Year
Sundry Creditors	4,092,797.58	4,953,879.41
TDS Payable	435,531.61	529,192.44
Expense Payable	481,285.23	1,028,268.67
Advance Income	30,796,997.72	23,387,142.54
Dividend Payable	-	116,983.00
Total	35,806,612.14	30,015,466.06

Provisions

Schedule - 11

Particulars	This Year	Last Year
Provision for Gratuity	1,393,749.87	155,749.87
Less: Gratuity Investment Fund	(1,324,672.92)	-
	69,076.95	155,749.87
Provision for Leave	381,031.12	159,338.33
Provision for Staff Bonus	17,608,118.88	7,741,938.48
Proposed Cash Dividend	30,000,000.00	30,000,000.00
Total	48,058,226.95	38,057,026.68

Nepal Clearing House Limited

Schedule Attached To and Forming Part of Financial Statements for Asadh 31, 2074 (July 15, 2017)

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	-	-

Operating Income - Revenue

Schedule - 13

Particulars	This Year	Last Year
ECC Transaction Fees - NPR	134,999,935.00	93,550,495.00
ECC Transaction Fees - EUR	41,190.00	29,775.00
ECC Transaction Fees - GBP	25,320.00	23,160.00
ECC Transaction Fees - USD	1,210,650.00	889,410.00
ECC Transaction Fees - High Value	75,100.00	61,000.00
ECC Transaction Fees - Express	43,732,400.00	13,783,100.00
ECC Transaction Fees - Archive	180,900.00	101,800.00
ECC Other Fees & Charges (Reason Based)	14,875,155.00	8,023,400.00
IPS Transaction Fees - NPR	8,430,514.00	-
IPS Transaction Fees - EUR	175.00	-
IPS Transaction Fees - GBP	102.00	-
IPS Transaction Fees - USD	12,884.00	-
IPS Other Fees & Charges (Reason Based)	187,906.00	-
NCHL-Membership Fee	331,250.00	525,000.00
NCHL-Membership Fee - Renewal	13,343,750.05	12,467,708.12
NCHL-Software AMC - Renewal	13,941,437.48	13,237,791.41
NCHL-IPS Subscription Fee	14,859,412.71	-
NCHL-IPS Creditor Listing Fee	23,333.34	-
Network Connectivity & Management Fee	8,622,919.71	9,190,113.97
Login ID Fee	10,814,281.20	8,183,071.51
Total	265,708,615.49	160,065,825.01

Operating Expenses

Schedule - 14

Particulars	This Year	Last Year
AMC for ECC Software - NCHL	7,385,748.74	6,972,316.02
AMC for ECC Software - BFIs	29,542,995.04	27,889,264.12
AMC for Oracle	688,896.48	698,347.14
AMC & Renewal - Network / Firewall	2,388,226.47	1,386,510.00
Network Connectivity Charges	4,572,354.50	5,354,725.12
AMC Expenses - Dark Core	173,985.34	178,479.96
AMC Expenses - Hardware	1,515,451.54	1,282,191.87
AMC Expenses - Internal S/W & H/W	479,939.10	419,907.91
Data Hosting (Remote DR)	744,559.20	738,330.08
Member Training / Orientation Expenses	589,375.73	2,295.00
Total	48,081,532.14	44,922,367.22

Nepal Clearing House Limited

Schedule Attached To and Forming Part of Financial Statements for Asadh 31, 2074 (July 15, 2017)

Amount in NRs

Administrative Expenses

Schedule - 15

Particulars	This Year	Last Year
Advertisement & Public Notice	256,736.42	185,237.77
AGM Expenses	520,872.46	271,363.92
Audit Fee & Expenses- Internal	154,275.44	125,225.00
Audit Fee & Expenses- ISO certification & Surveillance	-	80,032.00
Audit Fee & Expenses- Statutory	112,258.00	94,203.11
Bank Commission	75,909.53	42,131.21
Books and Subscription Expenses	23,473.39	7,747.59
Business Promotion Expenses	1,809,437.26	48,000.00
Consultancy Fee	36,725.00	178,950.00
Courier Expenses	44,323.64	39,490.60
Donation	-	-
Electricity Expenses	1,279,474.00	925,440.00
Fuel Expenses	384,393.40	899,363.59
Insurance Expenses	239,634.29	331,821.25
Legal Fee	47,140.00	73,450.00
Local Conveyance	21,100.00	18,340.00
Loss on disposal of Fixed assets	-	-
Meeting Allowance & Expenses	397,996.00	312,288.00
Office Expenses	419,898.31	409,830.69
Other Expenses	202,641.46	13,322.31
Printing & Stationery	106,417.78	104,183.56
Provision-Doubtful debt	-	352,000.00
Public Awareness Programme	-	291,397.64
Renewal & Registration	39,835.00	25,675.00
Rent - DR Site	516,250.00	455,312.50
Rent - Building	1,956,056.63	1,727,844.80
Repair & Maintenance	209,056.05	314,779.58
Support/Security/Driver Expenses	703,187.35	366,120.00
Telephone Expenses	122,368.93	118,764.39
Travelling Expenses	1,891,170.92	31,041.00
Web Site Development/Hosting Expenses.	3,965.83	3,817.24
Staff Expenses		
Staff - Dashain Allowance	623,700.00	518,800.00
Staff - HR activity	200,000.00	87,431.50
Staff - Leave Fare Allowance	240,000.00	240,000.00
Staff - Provident Fund Contribution	777,128.67	633,050.32
Staff - Salary & Allowance Expenses	12,816,440.00	10,161,467.74
Staff - Training Expenses	341,064.71	130,658.50
Staff - Gratuity	388,498.34	449,144.11
Staff - Leave	523,612.79	168,458.33
Staff - Other Benefits	1,008,367.63	1,508,729.07
Total	28,493,409.23	21,744,912.32

Nepal Clearing House Limited
Schedule Attached To and Forming Part of Financial Statements
for Ashad 31, 2074 (July 15, 2017)

Significant Accounting Policies and Notes to Accounts

Schedule – 16

A. 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) from 4th Mangsir 2071 and effectively commenced NCHL-IPS transaction since 1st Bhadra 2073.

The principle objective of the company is to implement and operate national payment and settlement systems in Nepal. Till Asadh end 2074, NCHL has entered agreement for NCHL-ECC with 153 members out of which only 85 members (Nepal Rastra Bank, 28 Commercial Banks and 36 Development Banks & 20 Finance Companies) are in operation. 30 members of NCHL-ECC including 1 Commercial Bank, 20 Development Banks and 9 Finance Companies have merged during fiscal year 2073/74.

Similarly, for NCHL-IPS System, NCHL has entered agreement with 80 members (74 banks and financial institutions as Direct Members and 6 other institutions as Indirect/ Technical members), of which 67 direct members and 2 indirect members are in operation till Ashad end 2074. 7 direct members of NCHL-IPS have merged during fiscal year 2073/74. 4 indirect/ technical members are yet to come into operations.

B. Approval of Financial Statements

Accompanied financial statements are prepared under the responsibility of the management and adopted by the Board of Directors on its meeting held on 21st August 2017 with necessary recommendation for approval by the shareholders in the upcoming Annual General Meeting.

C. Basis of Financial statement

Financial statements are presented in Nepalese Rupees (NRs) and by applying accrual basis of accounting (except as otherwise stated therein).

D. Use of Estimates

The preparation of financial statement in conformity of NAS requires the management to make estimates and assumption that affect the reported amount in the financial statement. The management believes that the use of estimates used in preparation of the financial statement is prudent and reasonable. Apart from use of estimates, management has made various judgements in the process of applying the NCHL's accounting policies which has been described through significant accounting policies as stated herein.

E. Statement of Compliance

The financial statements are prepared in accordance with Nepal Accounting Standards (NAS) except otherwise stated and the Company Act, 2063.

F. Significant Accounting Policies

1. Revenue Recognition

All the revenue including NCHL-ECC transaction fees and charges, NCHL-IPS transaction fees and charges,

software and renewal charges, membership and membership renewal charges, network connectivity and management charges, NCHL-IPS subscription annual charges, creditor listing annual charges and Login Id fee, are accounted under accrual basis.

While segregating the first billed amount among Income and Advance Income on pro-rata basis, the first day of the month is considered rather than the effective date by NCHL-CRM & Billing System.

2. Recognition of assets and Depreciation

2.1. Fixed assets are recognized in historical cost convention basis at the cost of construction/acquisition inclusive of incidental expenses related to construction/acquisition. Assets values of NRs. 5,000 or less are expensed off in the same year of purchase during current financial year.

2.2. Fixed Assets are depreciated on (SLM) Straight Line Method on the basis of effective useful life of the assets decided by the Board. Accordingly, fixed assets are depreciated on the basis of completed month applying the following rates based on approved class of assets. However, 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.

Class of Assets	Depreciation Rate
Building	5%
Office Equipment	20%
Vehicle	15%
Other Assets	15%
Software	20%

2.3. In case of disposal of assets during the year, depreciation is charged up to the previous month of disposal and disposed amount accounted as approved by the Board.

2.4. Depreciation is calculated as per the rate and procedures defined in Income Tax Act 2058 (Amended) for income tax purpose.

3. Inventories

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

4. Accounting for Leases

Premises are taken as operating leases which are cancellable in nature. The expenses under operating leases as per the lease agreement are recognised under accrual basis and charged directly in the Profit and Loss Account.

5. Employee Benefits

5.1. Provident Fund

Provident Fund is contributed on monthly basic to the retirement fund equal to 10% of the basic salary of eligible employees. Such expenses are charged directly to Profit and Loss Account.

5.2. Bonus

Provision for bonus is calculated at 10% of Profit Before Tax as per Bonus Act, 2030.

5.3. Leave

Provision for leave are recognized under accrual basis of accounting and charged directly to Profit and Loss Account. Leave encashment are recognized in the books of accounts as per Employee's Service Rules (August 2015).

5.4. Gratuity

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 as per the Employee Service Rules. Gratuity on account of employees is accounted for, from the beginning of the service period of all employees. Such expenses are accounted under accrual basis and charged directly in Profit and Loss Account.

5.5. Other Benefits

Other staff benefits and facilities including festive allowance, mobile expenses reimbursement, fuel expense reimbursement, shift allowance and vehicle facility option (VFO) are recognized in books of accounts as per Employee Service Rules (August 2015), Human Resource Plan (May 2017) and employment contract.

6. Investment and Investment Policy

Investment are managed as per NCHL-Investment Policy (December 2015), as approved by the Board. Extract of the prevailing Investment Policy is as follows:

6.1. Investment asset allocation

Assets Category	Strategic Allocation	Lower Limit	Upper Limit
Fixed Deposits	40%	0%	90%
Debentures/Bonds	20%	0%	30%
Mutual Fund	20%	0%	30%
Cash Equivalents	20%	0%	100%

6.2. Investment counterparties: Government/ Nepal Rastra Bank (NRB), Banks & Financial Institutions, Listed Companies and Mutual Funds. Following criteria has been used for identifying eligible counterparties other than for Government.

- i. Counterparty shall be in operations for at least three years. For mutual fund investment, it shall be the years in operation for the issuer.
- ii. Counterparty shall be in profit for at least last two years with positive net worth.
- iii. For investments in banks and financial institutions, their CAR shall be 1% better than as prescribed by Nepal Rastra Bank and non-performing loan equal or less than 4%, both for at least last one year.
- iv. Investment allocation in banks and financial institutions shall be as follows.
 - Commercial Banks: 60-80%
 - Development Bank: 10-20%
 - Finance Companies: 10-20%

6.3. Single counterparty (other than Government/ NRB) exposure shall not exceed 25% of the investible fund. For the computation of counterparty exposure, investments in all asset categories shall be considered. However, if the limit exceeds due to the market revaluation or cash movements, it shall be rebalanced in the next review period or at the time of the maturity of the investment.

Investments in Fixed Deposits are valued at lower of cost or market price.

7. Cash/Bank Balances and Cash Equivalent

Cash/Bank Balances and Cash Equivalents are short term, highly liquid placements that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Placements having short term maturity (maturity within 3 months or less from the date of acquisition) are categorized as Cash Equivalents as per NAS 3 – Cash Flow Statement.

8. Income Tax

Income tax provision is calculated as per Income Tax Act, 2058.

9. Provisions, Contingent Liabilities and Contingent Assets

Provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

All other known liabilities are provided for as liabilities, whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed under contingent liabilities. Contingent Assets are neither recognized nor disclosed in the financial statement.

10. 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 this 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.

Dividend and bonus to the shareholders from the profit earned during the year are proposed as per the recommendation of the Board and are appropriately reflected in the books of account. Outstanding profit after appropriation is transferred to Balance Sheet as Reserve.

G. Notes to Accounts

1. Inventories

Inventory of NRs. 197,058.01 includes fuel stock maintained for operating generators. Other recurring inventory is not maintained since the value of such purchases is minor which are expensed off as and when purchased.

2. Software Assets

Main software assets include Electronic Cheque Clearing System (NCHL-ECC) and Interbank Payment System (NCHL-IPS). With the successful implementation of NCHL-IPS system on 1st Bhadra 2073, the opening WIP of NRs. 9,797,251.66 along with additional value of NRs. 16,576,570.75 is booked with accumulating total NCHL-IPS software assets of NRs. 26,373,822.41.

NCHL-ECC software (Banks and NCHL) asset is now depreciated (since acquisition on 2069/03) and hence WDV of the NCHL-ECC software is NIL. Other software assets include Oracle, MySQL database, Tally Accounting Software, MS windows, Office applications, Network monitoring, etc.

3. Operating Lease

The amount as illustrated are booked for this year under operating lease:

Lease Category	Lease Rental (FY2073/74)	Lease Period
House Rent – Main Office	993,536.17	2067/08/01 to 2076/08/30
House Rent – Support Office	462,600.00	2072/06/14 to 2074/06/14
DR Rental Charges	516,250.00	2073/01/01 to 2077/12/30

4. Employee Benefits

The contribution for provident fund made during the fiscal year amounts to NRs 777,128.67.

The total leave amount paid for accumulated leave in FY 2073/74 is NRs. 212,868.33 after adjustment of an additional provision of leave of NRs. 254,192.79.

Total amount of NRs 17,608,118.88 equivalent to 10% of the profit is provisioned for Staff Bonus.

The year end liability for staff gratuity amounts to NRs. 1,393,749.86. Out of this, eligible gratuity amount to be deposited in ARF (Approved Retirement Fund) amounts to NRs. 1,324,672.92 presented as gratuity investment fund during the fiscal year, hence additional provision for gratuity for FY 2073/74 amounts to NRs. 350,522.08.

5. Advance income

This includes following fees and renewal charges for upcoming fiscal year 2074/075:

Particulars	Amount (NRs.)
NCHL - Login ID fee	8,094,613.96
NCHL - Network and Connectivity Management Fee	3,072,749.70
NCHL - Membership Renewal Fee	4,691,666.74
NCHL - Software Renewal Fee	6,174,895.96
NCHL-IPS Subscription Fee	8,696,404.70
NCHL-IPS Creditor Listing	66,666.66
Total Advance Income	30,796,997.72

6. Other Income

6.1. Among the total bad debt provision of NRs. 1,095,000.00 accounted in the earlier fiscal years, NRs. 255,500.00 is recovered during the fiscal year corresponding to receivables from Nepal Finance Ltd, World Merchant & Finance Co. Ltd and charged to Profit and Loss Account under Other Income.

6.2. The Advance Income received from the merged members during the fiscal year of NRs. 2,539,279.70 in lieu of software renewal charges, membership and membership renewal charges, network connectivity & management charges, NCHL-IPS subscription annual charges for upcoming fiscal year are recognized as Other Income and charged to Profit and Loss Account.

7. Investments

Total investment of NRs. 273,500,000 is reported as of Ashad end 2074, which are made in the fixed deposits of different maturities at various banks and financial institutions as per the Investment Policy. Details of the investments are as follows:

Particulars	Amount (NRs.)
Commercial Banks	173,000,000.00
Development Banks	55,500,000.00
Finance Companies	42,000,000.00
Total	273,500,000.00

8. Short Term Deposits

The placements with maturity of 3 months or less, classified as cash equivalents in the form of short term deposits under Prepaid, Loan, Advances and Deposits remains at NRs. 6,500,000 as of the end of the FY 2073/74 as detailed below:

Particulars	Amount (NRs.)
Finance Companies	6,500,000.00
Total	6,500,000.00

As of the end of the FY 2073/74, the Bank Balance remains at NRs. 21,007,257.82. The concentration and maturity profile of Cash/ Bank Balance, Short term deposits (Cash Equivalent) and Investments are as follows:

Particulars	Cash/ Bank Balance	Short Term Deposits	Investments			Total	%
			0 Mth	> (0-3) Mths	> (3-6) Mths		
Commercial Banks	15,975,753.44	-	70,500,000.00	62,500,000.00	40,000,000.00	188,975,753.44	62.8
Development Banks	1,338,670.82	-	20,500,000.00	38,000,000.00	-	59,838,670.82	19.9
Finance Companies	3,692,833.56	6,500,000.00	32,000,000.00	10,000,000.00	-	52,192,833.56	17.3
Total	21,007,257.82	65,000,000.00	123,000,000.00	110,500,000.00	40,000,000.00	301,007,257.82	100.0

9. Loan and advances

No loan is availed during current financial year.

10. Tax

10.1. Income Tax

The company has provided for income tax provision of NRs. 44,146,772.79 considering inadmissible expenses as per Income Tax Act, 2058 which are adjusted against advance tax and presented as Net Advance Tax deposit under Prepaid, Loans, Advances and Deposits in the balance sheet.

10.2. 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 accounting base and tax base in line with Nepal Accounting Standards (NAS) - 9 Income Taxes.

Particulars	Accounting Base	Tax Base	Temporary Difference	Deferred Tax
Fixed Assets	40,899,523.32	45,904,288.99	5,004,765.67	1,251,191.42
Provision for Leave	221,692.79	-	221,692.79	55,423.20
Provision for Gratuity	69,076.95	-	69,076.95	17,269.24
Total			4,409,369.84	1,323,883.86
Total Deferred Tax Assets up to Last Year				1,312,944.80
Deferred Tax Expenses for This Year				10,939.06

11. Contingent Liabilities

There is no contingent liability as at the end of the fiscal year. However, there is a purchase order and a product/ service agreement issued to parties related to the procurements of three of the items but not yet delivered amounting to NRs 1,572,408.80, which are not accounted in the financials.

12. Related party disclosure

Following are the related party transactions.

12.1. Transaction with entity with significant influence (having more than 5% equity)

The company has operated current account with Nepal Rastra Bank (having 10% of equity) which was opened for the purpose of settlement of fees and charges. Current account balance at Nepal Rastra Bank as of the end of Asadh 2074 is NRs. 5,020.

12.2. Transaction with the banks represented on the Board

No transaction was entered except for fee and charges related to the normal business. However, prior to the appointment of the representative from Mega Bank Nepal Ltd., as one of the members of the Board of Directors, the company had Current Account with the bank. Current account balance at Mega Bank Nepal Ltd. as of the end of Asadh 2074 is NRs. 14,083.08.

12.3. Transaction with Board Members and Key Employee

No transactions were made with the Board Members except for the payment of meeting allowance related to the Board Meetings, Audit Committee Meeting and Human Resource Committee Meeting; and travel allowance as per the policy.

There were no transactions with the employees except allowed as per the Employee Service Rules and HR Plan of the company.

13. Proposed Dividend and Bonus Share

The Board of Directors has proposed 20% of Cash Dividend and 20% of Bonus Shares on paid up capital, subject to final approval in the next Annual General Meeting. Proposed dividend equivalent to NRs 30,000,000 and proposed Bonus shares equivalent to NRs 30,000,000 are adjusted in the provision account of the financial statements.

14. Appropriation of profit

As per the profit appropriation policy, 20% of current year profit, equivalent to NRs. 26,389,071.02 has been appropriated as Technology Enhancement Reserve. Total Technology Enhancement Reserve as of date stands at NRs. 41,241,387.82.

15. Subsequent events

There are no any occurrences after the reporting date considered as adjusting event requiring provisioning.

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

08 Other Information

Members of NCHL-ECC

(As of Shrawan end 2074 -16th August 2017)

Central Bank	
Nepal Rastra Bank	
Commercial Banks	
Agricultural Development Bank Ltd.	Nepal Bangladesh Bank Ltd.
Bank of Kathmandu Ltd.	Nepal Bank Ltd.
Century Commercial Bank Ltd.	Nepal Credit & 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.	Rastriya Banijya Bank Ltd.
Laxmi Bank Ltd.	Sanima Bank Ltd.
Machhapuchhre Bank Ltd.	Siddhartha Bank Ltd.
Mega Bank Nepal Ltd.	Standard Chartered Bank Nepal Ltd.
Nabil Bank Ltd.	Sunrise Bank Ltd.
Development Banks	
Alpine Development Bank Ltd.	Mission Development Bank Ltd.
Bhargav Bikas Bank Ltd.	Miteri Development Bank Ltd.
Corporate Development Bank Ltd.**	Muktinath Bikas Bank Ltd.
Deva Bikas Bank Ltd.	Nepal Community Development Bank Ltd.
Excel Development Bank Ltd.	NIDC Development Bank Ltd.
Gandaki Bikas Bank Ltd.	OM Development Bank Ltd.
Garima Bikas Bank Ltd.	Purnima Bikas Bank Ltd.
Green Development Bank Ltd.	Raptiveri Bikas Bank Ltd.
Hamro Bikas Bank Ltd.	Sahayogi Bikas Bank Ltd.
Jyoti Bikas Bank Ltd.	Sajha Bikas Bank Ltd.
Kabeli Bikas Bank Ltd.	Saptakoshi Development Bank Ltd.
Kailash Bikas Bank Ltd.	Shangri-la Development Bank Ltd.
Kamana Sewa Bikas Bank Ltd.	Shine Resunga Development Bank Ltd.
Kanchan Development Bank Ltd	Sindhu Bikas Bank Ltd.
Kankai Bikas Bank Ltd.	Tinau Bikas Bank Ltd.
Karnali Bikas Bank Ltd.	Tourism Development Bank Ltd.
Lumbini Bikas Bank Ltd.	Western Development Bank Ltd.
Mahalaxmi Bikas Bank Ltd.	
Finance Companies	
Central Finance Ltd.	Pokhara Finance Ltd.
General Finance Ltd.	Progressive Finance Co. Ltd.
Goodwill Finance Ltd.	Reliance Finance Ltd.
Guheshwori Merchant Banking & Finance Ltd.	Shree Investment & Finance Co. Ltd.
Gurkhas Finance Ltd.	Srijana Finance Ltd.
ICFC Finance Ltd.	Synergy Finance Ltd.
Jebils Finance Ltd.	Union Finance Ltd.
Lalitpur Finance Co. Ltd.	United Finance Ltd.
Manjushree Financial Institution Ltd.	World Merchant Banking & Finance Ltd.**
Nepal Finance Ltd.**	

** Currently Suspended

Members of NCHL-IPS

(As of Shrawan end 2074 - 16th August 2017)

Central Bank	
Nepal Rastra Bank	
Commercial Banks	
Agricultural Development Bank Ltd.	Nepal Bangladesh Bank Ltd.
Bank of Kathmandu 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.	Rastriya Banijya Bank Ltd.
Laxmi Bank Ltd.	Sanima Bank Ltd.
Machhapuchre Bank Ltd.	Siddhartha Bank Ltd.
Mega Bank Nepal Ltd.	Standard Chartered Bank Nepal Ltd.
Nabil Bank Ltd.	Sunrise Bank Ltd.
Development Banks	
Bhargav Bikas Bank Ltd.	Miteri Development Bank Ltd.
Deva Bikas Bank Ltd.	Muktinath Bikas Bank Ltd.
Excel Development Bank Ltd.	NIDC Development Bank Ltd.
Gandaki Bikas Bank Ltd.	Om Development Bank Ltd.
Garima Bikas Bank Ltd.	Purnima Bikas Bank Ltd.
Jyoti Bikas Bank Ltd.	Raptiveri Bikas Bank Ltd.
Kabeli Bikas Bank Ltd.	Sahayogi Bikas Bank Ltd.
Kailash Bikas Bank Ltd.	Saptakoshi Development Bank Ltd.
Kamana Sewa Bikash Bank Ltd.	Shangrila Development Bank Ltd.
Kanchan Development Bank Ltd.	Shine Resunga Development Bank Ltd.
Kankai Bikas Bank Ltd.	Sindhu Bikas Bank Ltd.
Lumbini Bikas Bank Ltd.	Tinau Bikas Bank Ltd.
Mahalaxmi Bikas Bank Ltd.	Tourism Development Bank Ltd.
Mission Development Bank Ltd.	
Finance Companies	
Goodwill Finance Ltd.	Pokhara Finance Ltd.
Guheshwori Merchant Banking & Finance Ltd.	Reliance Finance Ltd.
Gurkhas Finance Ltd.	Shree Investment and Finance Co. Ltd.
ICFC Finance Ltd.	Srijana Finance Ltd.
Manjushree Financial Institution Ltd.	United Finance Ltd.
Indirect/ Technical Members	
Best Remit P. Ltd.*	National Cooperative Bank Ltd.
IME Ltd.*	Qpay Pvt. Ltd.*
City Express Money Transfer P. Ltd.*	Sparrow Pay Pvt. Ltd. *
Global IME Capital Ltd.	

* Members yet to be Live

Annual General Meeting (AGM) Notice

छैठौं वार्षिक साधारण सभा सम्बन्धि सूचना

श्री शेयरधनी महानुभावहरू,

यस कम्पनीको सञ्चालक समितिको मिति २०७४/०५/०५ मा बसेको १०४ औं बैठकको निर्णय बमोजिम यस कम्पनीको छैठौं वार्षिक साधारण सभा निम्न लिखित मिति, स्थान र समयमा निम्न विषयहरूमा छलफल तथा निर्णय गर्न बस्ने भएको हुँदा कम्पनी ऐन, २०६३ को दफा ६७(२) अनुसार सबै शेयरधनी महानुभावहरूको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।

सभा हुने मिति, स्थान र समय :-

मिति : २०७४ साल असोज महिना ६ गते शुक्रवार (22nd September 2017)

स्थान : होटेल याक एण्ड यति, काठमाडौं ।

समय : साभ ४:३० बजे

छलफल गर्ने विषयहरू :-

क. साधारण प्रस्ताव:

१. संचालक समितिको आ. व. २०७३/०७४ को प्रतिवेदन पारित गर्ने ।
२. लेखा परिक्षण प्रतिवेदन सहितको २०७४ आषाढ मसान्त तकको वासलात तथा सोहि मितिमा समाप्त आ.व. २०७३/०७४ को नाफा नोक्सान हिसाब तथा नगद प्रवाह विवरण स्वीकृत गर्ने ।
३. सञ्चालक समितिले प्रस्ताव गरे बमोजिम २० प्रतिशत नगद लाभांश स्वीकृत गर्ने । (वोनस शेयर समेतको कर सहित)
४. आ.व. २०७४/०७५ को लागि लेखा परिक्षकको नियुक्ति तथा निजको पारिश्रमिक निर्धारण गर्ने ।
५. समूह 'ख-१' र 'ख-२' बाट प्रतिनिधित्व गर्ने एक/एक सञ्चालकको पद पदाधिकी वीचमा रिक्त भएकोमा संचालक समितिले सो रिक्त स्थानमा गरेको नियुक्तिलाई अनुमोदन गर्ने ।
६. नेपाल राष्ट्र बैंकको एकीकृत निर्देशन अनुसार रिक्त हुने सञ्चालकहरूको पद कम्पनीको नियमावली अनुसार समूह 'ख-१', 'ख-२' र 'ख-३' का शेयरधनीहरूको तर्फबाट संचालक समितिमा प्रतिनिधित्व गर्ने क्रमश तीन, एक र एक जना संचालकहरूको निर्वाचन गर्ने । (समूह 'ख-१' बाट प्रतिनिधित्व गर्ने सञ्चालकहरूको पद बाँकि पदाधिकी लागी रहने)

ख. विशेष प्रस्ताव:

१. सञ्चालक समितिले प्रस्ताव गरे बमोजिम २० प्रतिशत वोनस शेयर स्वीकृत गर्ने ।
२. वोनस शेयर बराबर चुक्तापुँजि बृद्धि गर्न प्रबन्धपत्र तथा नियमावलीको संशोधन स्वीकृत गर्ने र प्रस्तावित संशोधनमा नियमनकारी निकायहरूबाट कुनै फेरवदल वा सुझाव आएमा आवश्यक फेरवदल गर्न कम्पनीको सञ्चालक समिति वा सञ्चालक समितिले तोकेको कुनै पदाधिकीलाई 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 मा पनि हेर्न सकिनेछ । कुनै कारणले प्रतिवेदन प्राप्त नगर्नु हुने शेयर धनीज्यूहरूले यस कम्पनीको रजिष्टर्ड कार्यालयमा शेयरधनी प्रमाणपत्र प्रस्तुत गरी सो प्राप्त गर्न सक्नुहुनेछ ।
- (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 काठमाडौंमा 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 सभाकक्ष भित्र प्रवेश गर्न पाइने छैन ।
- (४) सभामा भाग लिन प्रतिनिधि (प्रोक्सी) नियुक्त गर्न चाहने शेयरधनीज्यूहरूले सभा सुरु हुने समय भन्दा कम्तीमा ४८ घण्टा अगावै यस कम्पनीको केन्द्रीय कार्यालयमा प्रोक्सी फारम दर्ता गरिसक्नु पर्नेछ । सभामा भाग लिन र मतदान गर्नका लागि प्रतिनिधि नियुक्त गरिसकेपछि उक्त प्रतिनिधि बदर गरी अर्कै मुकर्रर गर्ने भएमा सोको लिखित सूचना सोही अवधि भित्र कम्पनीको केन्द्रीय कार्यालयमा दर्ता गरिसक्नुपर्नेछ ।
- (५) शेयरधनीज्यूहरूको सुविधाको लागि हाजिरी पुस्तिका सभा स्थलमा सभा हुने दिन विहान ४:०० बजेदेखि सभा चालु रहेसम्म खुल्ला रहनेछ ।
- (६) अन्यकुनै जानकारीका लागि कम्पनीको रजिष्टर्ड कार्यालय, कमलादी, काठमाडौंमा सम्पर्क गर्नु हुन अनुरोध छ ।

AGM Proxy Form

श्री सञ्चालक समिति,
नेपाल क्लियररङ्ग 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 २०७४ साल असोज महिना ०६ गते
शुक्रवारका दिन हुने छैठौं वार्षिक साधारण सभामा स्वयंम उपस्थित भइ छलफल तथा निर्णयमा सहभागी हुन
नसक्ने भएकोले उक्त सभामा भाग लिन तथा मतदान गर्नका लागि न.पा./गा.वि.स.
वडा नं.
बस्ने त्यस कम्पनीका शेयरधनी श्रीशेयर प्रमाणपत्र नं.
लाई मेरो /हाम्रो प्रतिनिधि मनोनित गरी पठाएको छु /छौं ।

निवेदक :-

दस्तखत:-

नाम:-

ठेगाना:-

शेयरधनी परिचयनं:-

शेयर प्रमाणपत्र नं:-

कि.नं. देखि सम्म

मिति:-

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

Notes:-

A series of horizontal dotted lines for writing notes.

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