

**AUDITOR'S REPORT TO THE SHAREHOLDERS OF
NEPAL CLEARING HOUSE LIMITED**

6. We have audited the accompanying financial statements of **Nepal Clearing House Limited**, which comprise the Balance Sheet as at Ashad 32, 2067, (July 16, 2010) and the related Statement of Change in Equity, Cash Flows, and Notes to the Annual Accounts for the year then ended.

Management's Responsibility for the financial Statements

7. 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 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

8. 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 about whether the financial statements are free of material misstatement.

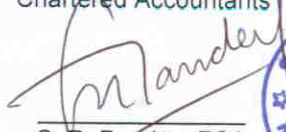
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud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

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

Opinion

9. On the basis of our examination, we would like to report that:
- We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
 - The Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
 - The Balance Sheet, Cash Flow Statement and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Company. The Company had not prepared income statement as it is yet to commence its operation.
 - During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
 - We have not come across any fraudulence in the accounts.
10. In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of **Nepal Clearing House Limited** as at Ashad 32, 2067 (July 16, 2010), and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards and comply with Company Act 2063.

For: S. R. Pandey & Co.
Chartered Accountants


S. R. Pandey, FCA
Partner



Place: Kathmandu
Date: September 13, 2010

Nepal Clearing House Limited
Kathmandu, Nepal
Balance Sheet as on Ashadh 32, 2067 (July 16, 2010)

Particulars	Schedule	As on Ashadh-end 67 (16 July 10)	As on Ashadh-end 66 (15 July 09)
Shareholder's Fund:			
Share Capital	1	58,837,995.00	3,574,995.00
Reserve & Surplus:	2	-	-
Other Fund:			
Medium & Long Term Loans	3	-	-
Total	NRs.	58,837,995.00	3,574,995.00
Fixed Assets	4		
Gross Block		113,000.00	-
Less : Accumulated Depreciation		3,766.66	-
Net Block		109,233.34	-
Investment		-	-
Current Assets			
Inventories		-	-
Cash & Bank Balances	5	58,700,312.97	3,604,766.77
Prepaid, Loans, Advances & Deposits	6	203,227.98	32,923.82
Deferred Tax Assets		-	-
Total Current Assets (A)		58,903,540.95	3,637,690.59
Current Liabilities			
Accounts Payable	7	242,370.00	323,411.20
Provisions		-	-
Deferred Tax Liability		-	-
Total Current Liabilities (B)		242,370.00	323,411.20
Net Current Assets (A-B)		58,661,170.95	3,314,279.39
Deferred Expenses	8	67,590.71	260,715.61
Total	NRs.	58,837,995.00	3,574,995.00
Contingent Liabilities		-	-
Notes to Annual Accounts	9		


Accountant


Maha Pd. Adhikari
Director


Sashin Joshi
Director

As per our report of even date
For: S. R. Pandey & Co.
Chartered Accountants


Ashok Rana
Director


Rabindra B. Malla
Managing Director


Suman Joshi
Chairman


(S. R. Pandey, FCA)
Partner

SEP 13 2010





Nepal Clearing House Limited
Kathmandu, Nepal
Cash Flow Statement
For the Period 2066/04/1 to 2067/03/32 (16 July 2009 to 16 July 2010)

Particulars	Current Year	Previous Year
Net Profit/(Loss)	-	-
Preliminary & Preoperating (Expenses)/Surplus	193,124.90	(260,715.61)
Add/(Less) : Adjustment		
Depreciation	3,766.66	-
Financial Expenses	-	-
Income Tax Paid	-	-
Deferred Expenses Write Off	-	-
Cash Flow from Operation Before Working Capital	196,891.56	(260,715.61)
Increase(Decrease) in Current Liabilities	(81,041.20)	323,411.20
Decrease (Increase) in Current Assets	(170,304.16)	(32,923.82)
Cash Flow From Operating Activities	(54,453.80)	29,771.77
Purchase of Fixed Assets	(113,000.00)	-
Investment	-	-
Sale of Fixed Assets	-	-
Cash Flow From Investing Activities	(113,000.00)	-
Interest on loan	-	-
Increase (Decrease) in Loans	-	-
Share Capital	55,263,000.00	3,574,995.00
Others	-	-
Cash Flow From Financing Activities	55,263,000.00	3,574,995.00
Net Increase(Decrease) in Cash & Bank Balances	55,095,546.20	3,604,766.77
Cash & Bank Balances at the Beginning of the Year	3,604,766.77	-
Cash & Bank Balance at the end of the Year - NRs.	58,700,312.97	3,604,766.77


 Accountant


 Maha Pd. Adhikari
 Director



 Sashin Joshi
 Director

As per our report of even date
 For: S. R. Pandey & Co.
 Chartered Accountants


 Ashok Rana
 Director


 Rabindra B. Malla
 Managing Director


 Suman Joshi
 Chairman


 (S. R. Pandey, FCA)
 Partner



Nepal Clearing House Limited
Kathmandu, Nepal
Changes In Equity as on 32 Ashad, 2066 (16 July 2010)

Particulars	Share Capital	Retained Earning	Capital Reserve	Other Reserve	Total NRs.
Opening balance	3,574,995.00	-	-	-	3,574,995.00
Adjustment	-	-	-	-	-
Balance	3,574,995.00	-	-	-	3,574,995.00
Increase in Capital	55,263,000.00	-	-	-	55,263,000.00
Profit/(Loss) during the year	-	-	-	-	-
Closing Balance	58,837,995.00	-	-	-	58,837,995.00


 Accountant


 Maha Pd. Adhikari
 Director

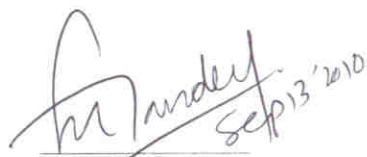

 Sashin Joshi
 Director

As per our report of even date
 For: S. R. Pandey & Co.
 Chartered Accountants


 Ashok Rana
 Director


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 Managing Director


 Suman Joshi
 Chairman


 (S. R. Pandey, FCA)
 Partner



Nepal Clearing House Limited
Kathmandu, Nepal
Schedule Attached to and Forming Part of Financial Statements for the year ended on
Ashad 32, 2067

Share Capital

Schedule No. - 1

Particulars	As on Ashadh-end 67 (16 July 10)	As on Ashadh-end 66 (15 July 09)
Authorized Capital 2,500,000 Ordinary Shares of Rs 100/- each	250,000,000.00	250,000,000.00
Issued Capital 1,285,700 Ordinary Shares of Rs 100/- each	128,570,000.00	128,570,000.00
Subscribed Capital 899,990 Ordinary Shares of Rs. 100/- each	89,999,000.00	89,999,000.00
Called-up Capital 899,990 Ordinary Shares of Rs. 100/- each (Previous year 899,990 Ordinary Shares of Rs. 5/- each)	89,999,000.00	4,499,950.00
Paid up Capital 899,990 Ordinary Shares of Rs. 100/- each (Previous year 899,990 Ordinary Shares of Rs. 5/- each) Less Calls in Arears Deposit Against Share	89,999,000.00 (33,661,005.00) 2,500,000.00	4,499,950.00 (924,955.00) -
Total Paid-up Capital	58,837,995.00	3,574,995.00

Reserve & Surplus

Schedule No. - 2

Particulars	As on Ashadh-end 67 (16 July 10)	As on Ashadh-end 66 (15 July 09)
Capital Reserve	-	-
Profit (Loss) Account	-	-
Total Nrs.	-	-

Medium & Long Term Loans

Schedule No. - 3

Particulars	As on Ashadh-end 67 (16 July 10)	As on Ashadh-end 66 (15 July 09)
Secured Loan	-	-
Un Secured Loan	-	-
Total Nrs.	-	-

Fixed Assets and Depreciation

Schedule No. - 4

PARTICULARS	Office Equipment	Vehicle	Others	Total NRs.
Cost Price				
Opening Balance	-	-	-	-
Addition during the year	113,000.00	-	-	113,000.00
Deletion during the year	-	-	-	-
TOTAL NRS	113,000.00	-	-	113,000.00
Depreciation				
Opening Balance	-	-	-	-
For the year	3,766.66	-	-	3,766.66
Deletion during the year	-	-	-	-
Total Depreciation	3,766.66	-	-	3,766.66
WDV as on 32/03/67 (16/07/10)	109,233.34	-	-	109,233.34
WDV as on 31/03/66 (15/07/09)	-	-	-	-

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Nepal Clearing House Limited
Kathmandu, Nepal

Schedule Attached to and Forming Part of Financial Statements for the year ended on
Ashadh 32, 2067

Cash & Bank Balance

Schedule No. - 5

Particulars	As on Ashadh-end 67 (16 July 10)	As on Ashadh-end 66 (15 July 09)
Cash Balance	-	-
Cash at Bank (Development Credit Bank Ltd)	58,700,312.97	3,604,766.77
Total Nrs.	58,700,312.97	3,604,766.77

Prepaid, Loan, Advances & Deposits

Schedule No. - 6

Particulars	As on Ashadh-end 67 (16 July 10)	As on Ashadh-end 66 (15 July 09)
Other Receivable	22,650.00	21,900.00
Tax Deposit (Advance Tax)	180,577.98	11,023.82
Total Nrs.	203,227.98	32,923.82

Accounts Payable

Schedule No. - 7

Particulars	As on Ashadh-end 67 (16 July 10)	As on Ashadh-end 66 (15 July 09)
Short Term Loan		
Secured	-	-
Un-secured	-	-
Other Payable		
Sundry Creditors	51,650.00	289,691.20
Salary Payable	95,250.00	-
P.F. Payable	40,000.00	-
TDS Payable	55,470.00	33,720.00
Total Nrs.	242,370.00	323,411.20

Deferred Expenses

Schedule No. - 8

Particulars	As on Ashadh-end 67 (16 July 10)	As on Ashadh-end 66 (15 July 09)
Preliminary & Preoperating Expenses:		
Pre-operating Expenses upto Previous Year b/f	260,715.61	-
Preliminary Expenses	-	180,000.00
House Rent	10,000.00	10,000.00
Salary & Allowances	307,500.00	-
Business Promotion Expenses	4,785.00	-
Consultancy Fee	67,800.00	57,900.00
Curier Expenses	1,616.77	-
Legal Fee	5,000.00	6,000.00
Meeting Allowances	237,500.00	-
Printing & Stationery	1,846.40	32,696.55
Traveling Expenses	438,324.10	-
Advertisement	42,286.86	30,661.20
Audit Fee	16,950.00	16,950.00
Depreciation	3,766.66	-
Sub Total	1,398,091.40	334,207.75
Incidental Income (Interest from Bank)	(1,130,361.09)	(73,492.14)
Miscellaneous Income	(200,139.60)	-
Total Nrs.	67,590.71	260,715.61

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**NEPAL
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Nepal Clearing House Limited
Kathmandu, Nepal
Sub-Schedule of Financial Statements for the year ended on Ashad 32, 2067

Other Receivable:
Star Law Firm (against TDS)

Amount Rs.
22,650.00

22,650.00

Sundry Creditors

Rabindra Malla
S. R. Pandey & Co.
House Rent Payable

10,400.00

32,250.00

9,000.00

51,650.00

TDS Payable

TDS Payable-Audit Fee
TDS on Consultancy - SRP
TDS Consultancy- Star Law Firm
TDS Payable-Salary
TDS on House Rent

450.00

1,200.00

33,945.00

18,875.00

1,000.00

55,470.00

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NEPAL CLEARING HOUSE LIMITED
KATHMANDU, NEPAL

SCHEDULE '9' NOTES TO ANNUAL ACCOUNTS (FY 2066/67)

F) General information

Nepal Clearing House Limited. ("the Company") is a limited liability company domiciled in Nepal. The address of its registered office is Kathmandu, Nepal. The principal objective of the company is to facilitate cheque clearance. The financial statements were adopted by the Board of Directors on September 12, 2010

G) Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

H) Statement of Compliance

The financial statements have been prepared in accordance with Nepal Accounting Standards ("NAS") except otherwise stated, Generally Accepted Accounting Principles (GAAP) and the Company Act, 2063.

I) Basis of Preparation

The financial statements are prepared on historical cost basis. The preparation of financial statements in conformity with NAS and GAAP requires the use of certain critical accounting estimates. It also requires management to exercise judgment in process of applying the Company's accounting policies.

J) Fixed Assets and Depreciation

a. Fixed assets are stated at cost less accumulated depreciation.

b. Fixed Assets are depreciated on written down value method on the basis of effective useful life of the assets decided by the management. Accordingly, fixed assets are depreciated on the basis:

Type of Asset	Effective useful life	Rate of Depreciation
Office Equipment	5 years	20% on SLM

c. Fixed assets are depreciated on the basis of completed month basis.

I) Income Tax Liability

i. Current Tax: The Company had commenced its commercial operation and hence tax provision has not been made.

ii. Deferred Income Tax: Deferred has been calculated based on the difference in short term tax assets and liability as per the provision of NAS 9. No provision has been made toward this as the temporary difference at the end of the year is nil.



Accountant


Maha Pd. Adhikari
Director



Sashin Joshi
Director

For: S. R. Pandey & Co.
Chartered Accountants


Ashok Rana
Director


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Managing Director


Suman Joshi
Chairman


(S. R. Pandey, FCA)
Partner

