

ANNUAL REPORT 2011

वार्षिक प्रतिवेदन ०६७/०६८



KARJA SUCHANA KENDRA LIMITED

...FROM THE HISTORY LEAF

Economist Paul Henry Nystrom credits the panic of 1837 as the impetus to the rise of the credit bureau industry. In his 1919 book "Economics of Retailing", Nystrom details how collection problems resulting from bankruptcies and business closures led to the establishment of the first credit information bureau in 1837 which was the first of its kind, giving birth to an entirely new industry focused on the underlying factors of granting credit. Initially, it was established to serve

wholesalers who desired information concerning out of town merchants interested in commencing trade. It was a few short years later in 1841-20 years before the U.S. civil war-when the great abolitionist, Lewis Tappan founded the Mercantile Agency to offer credit services to businesses.

For over 170 years now, millions of businesses have relied on these credit services to pave their path to business success.



(Clockwise from Top Left) Abraham Lincoln, Ulysses S. Grant, William McKinley & Grover Cleveland

THE FOUR US PRESIDENTS WHO WORKED AS THE CREDIT INFORMATION BUREAU
REPORTER DURING THOSE PIONEER YEARS

(1837-1899)

Still Depending Upon Instinct Instead of Information?

Still Resorting to Assumption & Speculation?

Still Wondering How to Combat Credit Delinquencies?

We Help You Say "I **Do**" to Putting Your Lending Decision Foot Forward.

No Speculation; Pure Conviction





**Winner of the National Best Presented
Account Awards 2009**



**We made it again ...
Winner of the National Best Presented
Account Awards 2010**

**WINNER OF REGIONAL AWARD (SOUTH ASIA)
SAFA Best Presented Account Award-3rd Place**



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DREAM, VISION, MISSION & OBJECTIVE

OUR DREAM

... We nurture a dream to make this Kendra a World Class Credit Information Bureau in terms of Products and Services.

VISION & MISSION

- Be a change agent and a major catalyst in the development of country's credit market and a vehicle to reduce the non-performing loans of the financial sector
- Facilitate member banks and financial institutions to make informed, objective and faster credit decisions and provide tools for effective credit risk management
- Consistently offer various innovative solutions in credit information reporting by being responsive towards the changing market needs. Be a one-window solution for diverse areas of banking
- Enhance the credibility in operation by installing a very secured technical and physical infrastructure and enabling a superior information availability system to the users
- Adopt a moral and ethical data handling standards and practices to maintain the accuracy and integrity of the data
- Focus on good corporate culture, governance and practices
- Invest in talent and develop the workforce that continuously strives hard to provide cutting edge solutions and services to the users.

OBJECTIVES

- Build an information bank by collecting & collating trade, credit and financial information of borrowers and prospective borrowers of lending institutions and disseminate those information to them, upon request, to facilitate them on their lending decisions
- Consistently offer high quality of credit reports and other innovative solutions in line with the market needs and bring credibility in products and services delivered
- Focus on information accuracy and integrity and implement best practices and standards in information handling. Make the information delivery service fast, secured and error free
- Make Kendra a highly organized and efficient institution with best supporting platform in terms of solution, technology and people that is capable of meeting the increasing information needs of the banks and financial institutions
- Promote the public to strive for making good Reputation Collateral.

ETHICAL PRINCIPLES

- Neutrality & Non discrimination to its Users
- Accuracy, Completeness & Timeliness of the Information Delivered
- Security of the Data in the Bureau
- Reciprocity.

BUSINESS STRATEGIES

Technology

- Automate all Business Processes & Procedures of the Bureau. Make adequate provisions for failover mechanisms to provide service uninterruptedly
- Introduce very robust, flexible and modular system architecture supported by strong physical and system security
- Set up strategic alliance with Technology Partner to introduce best international practices and domain expertise.

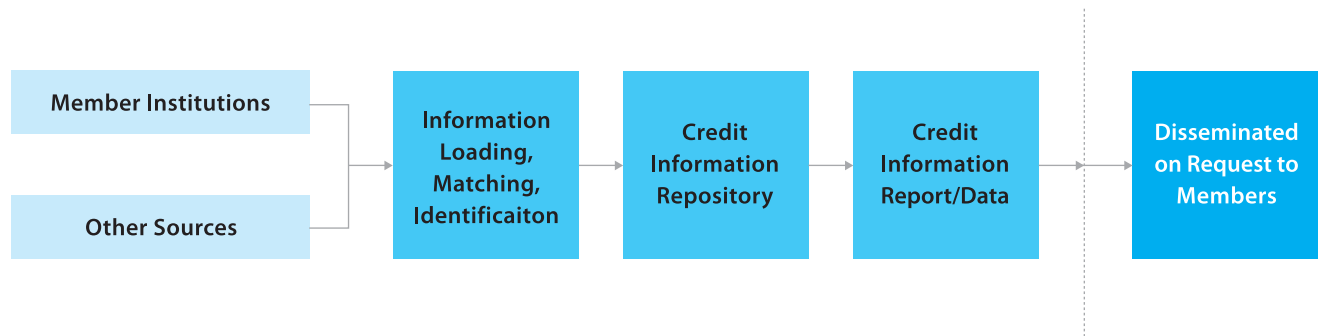
Products & Services

- Enrich the quality of the credit reports and introduce new products and services that add value in the credit risk assessment of the banks & financial institutions
- Collect the credit information of all the borrowers irrespective of any threshold in order to incorporate all SME and small borrowers
- Collect the credit information from various other lending agencies other than banks and financial institutions.

Customer Care & Support

- Provide regular training and orientation programs to the users of the banks and financial institutions
- Make the service more affordable to the users by bringing down the tariffs.

FUNCTIONING OF A CREDIT BUREAU



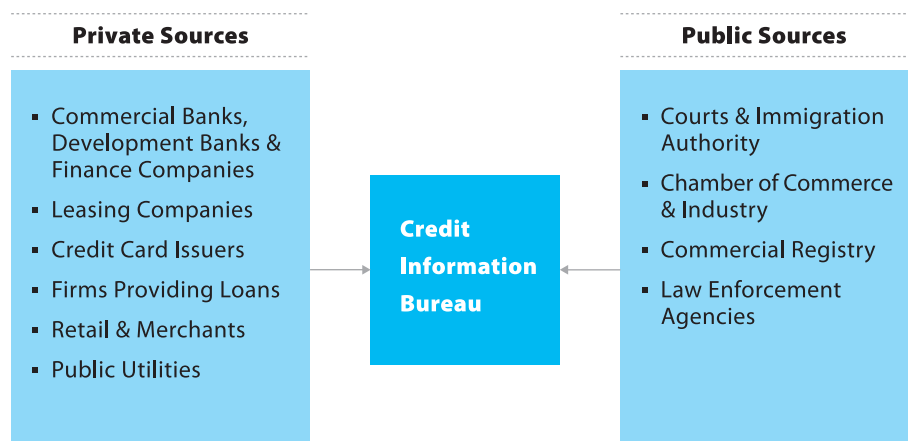
CIB IMPACT SUMMARY

Consumers	Small & Medium Enterprises	Members	Regulator
<ul style="list-style-type: none"> ▪ Faster and easier access to credit ▪ Higher standard of living ▪ Reduced cost of borrowing for applicants with demonstrated credit performances 	<ul style="list-style-type: none"> ▪ Faster and easier access to credit ▪ Reduces SME high risk perception among lenders ▪ Great development ▪ Reduce cost of borrowing for applicants with demonstrated credit performance 	<ul style="list-style-type: none"> ▪ Increase market penetration ▪ Operating efficiencies ▪ Shift to information based banking ▪ Comprehensive risk review of clients ▪ Enable differential pricing based on payment behaviour 	<ul style="list-style-type: none"> ▪ Provides effective credit risk monitoring mechanism ▪ Facilitates credit expansion without increasing risk ▪ Reduces NPLs and default probability levels in economy

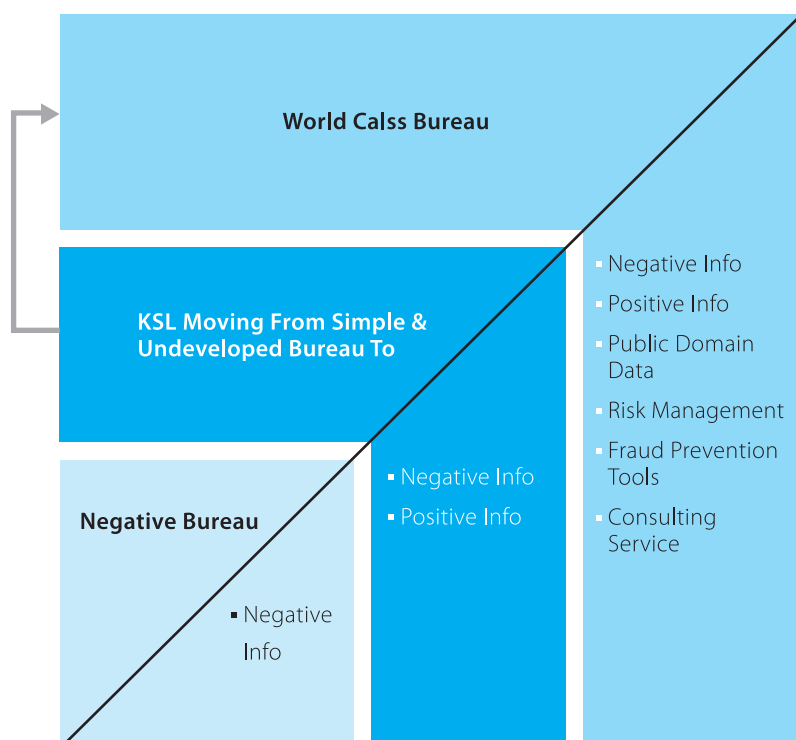
KEY SUCCESS FACTORS

- Government & Central Bank support to enforce basic regulations for bureau
- Enabling legislation to regulate information sharing and create rights and obligations for all parties
- Clear Mission and Strong Management
- Appropriate technology infrastructure to compile and deliver credit reports
- Comprehensive positive and negative information database
- Members commitment to use and contribute to the bureau
- Timely data submission and update
- Presence of a unique identification number for each individual and business to improve search accuracy.

SOURCES OF INFORMATION



CIB MOVING FROM



Given the sizeable credit market in the country, Credit Bureau can play a pivotal role in helping Banks & Financial Institutions to further penetrate the credit market and address some of the major deficiencies arising out of information asymmetry in Banking and Finance sector.

ABOUT KARJA SUCHANA KENDRA LIMITED (CIB)

- Established in 14 May 1989 as Credit Information Bureau (CIB) under Nepal Bankers Association. Established with a view to curb the burgeoning NPL of the Banking and Finance sector
- Remained under the supervisory umbrella of Central Bank for 15 years
- Initially many litigation against it challenged its existence & legality for Blacklisting & disclosure of information
- NRB promulgated NRB Act (Section 88), 2058 to give legal framework for CIB Operation
- Registered as a Company in 2004 as per Company Act 2053 and started its operation from May 2005.

LEGAL & REGULATORY FRAMEWORK

- Operates through Provisions made in **NRB Act (Section 88), 2058**
- Pursuant to Section 88(2) and exercising the power granted under Section 110(2) of NRB Act 2058, "**Nepal Rastra Bank Credit Information Bylaws 2059**" were issued
- Pursuant to NRB Act (Section 88), 2058 and exercising the power granted under NRB Act (Section 79) and Credit Information Bylaws 2059(7), **NRB Directives No. 12** was initially issued for the effective regulation of Credit Information Bureau relating with credit information management and Blacklisting.

SOME PROVISIONS OF THE ACT

- Mandatory requirement for all members to receive credit reports before **any new credit extension, renewal, restructuring, and/or rescheduling of NRs. 1 million or above facility**
- Credit Reports only to members, central bank or to any institutes as recommended by the Central Bank
- Mandatory requirement for all members to report to CIB in prescribed formats within stipulated time for any credits of **NRs. 2.5 million or above facility**
- Mandates CIB to **inspect and supervise** the member Banks & Financial institutions to check their credit reporting to CIB
- **Maintain a list of borrowers referred to as the Blacklist.** CIB lists the borrowers in blacklist only upon the recommendation of Banks and Financial Institutions
- **Penalties** for not reporting data or reporting false/inaccurate data. ■

BOARD OF DIRECTORS



ASHOKE RANA
Chairman



SIDDHANT RAJ PANDEY
Director



DR. MIN BAHADUR SHRESTHA
Director



RAM SANTA SHRESTHA
Director



NIRMAL DAHAL
Director



GOPI BHANDARI
Director
(Recently Appointed)



NEENA THAPA
Director
(Recently Appointed)

“

Even though there are many constraints and problems, nonetheless we are confident to confront all our challenges and reach to our destination.

”

ASHOKE RANA
CHAIRMAN



MESSAGE FROM THE CHAIRMAN

The year 067/068 remained a relatively very good year for Kendra. Lots of improvements were seen in its service and company maintained a very good growth rate as that of previous years. The operating revenue increased by 57% where as operating expenses by only 8% giving rise to the increase in net profit by 51%. This year Kendra implemented various austerity measures and was successful in restraining the growth of expenses by the slender margin. The automation of its operation and retrenchment of the redundant staffs further helped to bring down the operating expenses where as increase in number of searches helped to increase its revenue. The company spent nearly Rs. 9 million for Voluntary Retirement Scheme where some staffs were given early retirement because of the automation of the Kendra's operations. This non-operating expense had the effect of bringing down the net profit from 79% to 51%. The company has maintained a very steady growth since last few years where net profit has risen remarkably each year.

With an alarming proportion of credit risk problems emerging in the financial sector of the country of late, the role of effective credit information bureau cannot be overemphasized and its importance has become even more evident now. The increased credit risk problems which emerged primarily because of the sector specific deficiencies like permissive banking practices, absence of risk based pricing methodologies, lack of customer risk rating models, lack of transparency among the banks and financial institutions and lack of credit risk management tools have made the strengthening of Karja Suchana Kendra an inevitable necessity towards restraining the credit risk problems and enhancing the functionality of financial system of the country. Successful credit economies all over the world have as their backbone Credit Bureaus, which plays an important role in the area of credit risk management and the promotion of sound credit culture in the financial system of the country.

Even though Kendra has made remarkable progress in the last few years and earned kudos from all, we cannot sit on our laurels and be complacent. We have to go a long way and there are many more things to do. Making the credit report more inclusive, comprehensive, informative, accurate and up to date is the prime concern of the company at present. For this, we have placed all our mechanisms in place to facilitate banks and financial institutions to send the data through various means as convenient to them. Lots of options are open to them either to send through web based on-line, FTP or through CDs.

We always need the support of banks and financial institutions in all our endeavors. Sending the information of the new borrowers immediately after lending, sending the updated quarterly reports of the borrowers on time, sending the records of all the borrowers irrespective of any threshold will help us enrich our database and improve the quality of the credit reports. Correct and current information in the credit report will ultimately help the banks and financial institutions in their credit risk assessments and lending decisions.

We are still struggling with the implementation of our much-talked CIB modernization project. Its procurement is still in process and has been delayed because of the lack of adequate funds for its procurement. Kendra is looking for ways to arrange resources for its earliest procurement and implementation of the system.

Even though there are many constraints and problems, nonetheless we are confident to confront all our challenges and reach to our destination. With your due help and assistance, we will certainly achieve the new milestones in coming years. We assure you that we are very much committed to take Kendra into new era and put it at par with international bureaus in terms of products and services.

ASHOKE RANA, Chairman ■

“

The outgoing year 067/068 remained a very satisfying year for Kendra where Kendra met all its set operating milestones and recorded a substantial profit as in previous years.

”

ANIL CHANDRA ADHIKARI
CEO



FOREWORD

The outgoing year 067/068 remained a very satisfying year for Kendra where Kendra met all its set operating milestones and recorded a substantial profit as in previous years.

Kendra improved upon its operation and brought further efficiency and effectiveness in credit information delivery service to the banks and financial institutions. Major areas of improvements were on enriching the contents of the credit reports, improving on the access of the service, developing additional mechanisms for uploading the data, bringing down the billing cycles, improving on receivables, cutting down the excess and redundant workforce, increasing the frequency of trainings and interaction programs, adding further layers of securities in data collection, dissemination and extending its online services to the regional development banks and financial institutions located in various parts of the country outside Kathmandu valley. Credit reports were made more comprehensive, inclusive and were made available in PDF file format; the loans were categorized; the additional fields for "Report Type" & "Report Cost" were added in the search history record and the loan information in the credit report were classified group-wise by the types of the lending institutions. Provisions were also made for the users to upload the data through File Transfer Protocol. Thus users can submit the data to Kendra now through any of the three mechanisms namely FTP or CD or online entry.

During the year, Kendra conducted many training programs to the banks and financial institutions. The users were given refreshment trainings in order to keep them aware about the new changes being made in the system. Kendra also conducted number of interaction programs with the users during the period to seek their suggestions to improve on the existing services of the company.

Kendra always worked hard to maintain its service at the highest level. Uninterrupted on-line service, easy access to

network, user friendly searching logics and criterions, comprehensive and accurate reports, correct and timely billings were the major focus areas where Kendra put its extra efforts to comply with. And if the responses received from the banks and financial institutions were any indications, we must say that we remained quite successful in the year 067/068 to meet the expectations of our users. Year 067/068 remained a very good year in terms of financial performance of the company. Company's operating revenue and expenses were Rs. 73,757,579 & Rs. 13,496,156 respectively. Operating revenue increased by 57% where as operating expenses increased by only 8%. The non-operating expenses amounting to Rs. 9 million were disbursed for VRS Scheme to lay off few staffs of the company. The bonus amount increased by 50% to Rs. 4,403,714 where as tax paid to the exchequer increased by 50% to Rs. 11,023,452. Net profit increased by 51% to Rs. 33.01 million.

Kendra intends to bring further improvements in its service in the year 068/069. The CIB modernization Project and Secured Transaction Registry Project which were started way back could not move ahead because of the lack of funds. CIB is working hard to arrange the financial resources and revive both projects.

At the end, I would like to thank all the member banks and financial institutions for their continual support to us and for their suggestions and feedbacks to improve on our services. Kendra would not have come to this stage without the guidance, direction and support of its Board of Directors. Their support always remained a source of inspiration to us to move ahead. At the end, I would like to thank all my colleagues who supported me all the way to take this Kendra forward in the year 067/068.

ANIL CHANDRA ADHIKARI, CEO ■

REPORT OF THE BOARD OF DIRECTORS PRESENTED BY THE CHAIRMAN AT SEVENTH ANNUAL GENERAL MEETING

Dear Shareholders,

On behalf of the Board of Directors of the company, I would like to welcome you all to this 7th Annual General Meeting of Karja Suchana Kendra Limited.

Please let me have this opportunity to take over this floor to brief you about the operational and financial performance of the company in the year 067/068 and various other issues related with the delivery of credit information service to its users.

The Balance Sheet, Profit & Loss Account and Cash Flow Statement for the Fiscal Year 2067/068 and report of the Board of Directors are hereby presented to you for the required discussions and approval. ■

REVIEW OF LAST YEAR OPERATION

SUMMARY OF THE OPERATIONAL PERFORMANCE

Year 067/068 was focused more on further improving the quality of online credit information service delivered to banks and financial institutions. To put in an encapsulated form, the major operational improvements accomplished in the year 067/068 were as follows:

- the online service coverage was extended to regional banks and finance companies located outside Kathmandu valley. All were covered by the on-line service by the end of fiscal year;
- the credit report was made informative with the inclusion of additional data fields; the loan types were categorized based on the disbursement of new loan or renewal, rescheduling & restructuring of existing loan;
- the data upload was made more secured by implementing File Transmission Protocol service. Users can submit the data through FTP or CD based submission or Online Data Entry;
- searching history record was made more illustrative by adding "Cost of Search" and "Type of Report Search" information in the record;
- billing cycle was brought down to monthly basis thus substantially improving the account receivables;
- the effective mechanism of data tracking and matching was developed to check the sanity of data submitted by different banks and financial institutions. The quality of data base highly improved in the year 067/068;
- detail logs were developed to track the bureau's operational activities (file processing, enquiry management etc). Also included a user friendly audit trail which captured any modification being made by the user;
- workforce were cut down by 40% bringing further efficiency and effectiveness in operation; Kendra turned to be lean and thin but highly dynamic institution;
- the best international practices were enforced in network security, application security and web security;
- additional improvements on system design were made for providing uninterrupted services to the users. Appropriate redundant equipments were installed as necessary. Robust back up system with appropriate back up policy implemented;
- data center was put on round the clock surveillance mode to provide physical security to the data center
- the users were given regular training to make them conversant with the bureau system; frequency of regular trainings increased in 067/068;
- more interactions programs were conducted with banks and financial institutions to have their suggestions to improve on the services of the bureau;

- on-line blacklist and de-list activities were made more efficient. The requests forwarded by banks and financial institution were made to attend within few hours if all the necessary documents were attached or uploaded;
- alert, messaging and emailing component were made more effective; all the notices, announcements, statements were provisioned to be sent through on line to the banks and financial institutions.

SOME MAJOR IMPROVEMENTS NOTICED

- No errors reported on credit reports. Match Merge and Tracking system working perfectly;
- System Access very easy. No complaints from the users regarding the system access ;
- Users find Searching logics very easy to use. No problems or errors reported yet on borrower identification;
- System Security of the highest standards. No cases

reported yet on information hacking;

- System available all through out the day from early in the morning till late in the evening. Users highly satisfied with the service availability. Service never got interrupted even for few seconds in the year 067/068 because of system malfunctions ;
- No problems on data upload through FTP server reported;
- No errors reported on bills and invoices that were electronically generated by the system. Billing system highly reliable and effective;
- The users of banks and financial institutions seem to be very much familiar with the bureau operations, system applications, input file format and database. Regular trainings and interaction programs have been very effective;
- Online messages, notices and reminders have helped timely submission of data and payment of invoice bills.

Thus it could be seen that Kendra achieved a lot of improvements in its operations in the year 067/068.

KEY FINANCIAL HIGHLIGHTS

Particulars	067/068	066/067	Increase	% Increase
Paid Up Share Capital	71,810,100	44,020,200	27,789,900	63%
Reserve & Surplus	56,101,637	45,098,051	11,003,586	24%
Fixed Assets	9,887,879	7,071,046	2,816,833	39.8%
Total Assets	139,194,550	100,985,826	38,208,724	37.8%
Total Investments	114,090,804	59,815,728	54,275,076	91%
Operating Revenue	73,757,579	47,029,263	26,728,316	57%
Operating Expenses	13,496,156	12,484,136	1,012,020	8%
Operating Profit	60,261,423	34,545,127	25,716,296	74%
Non Operating Expenses (VRS)	9,072,273	227,900	8,844,373	3,881%
Profit Before Bonus & Taxes	39,633,425	26,318,510	1,334,915	50.6%
Net Profit	33,013,687	21,875,117	11,138,570	51%
Earning per Share	46	49.7	(3.7)	(7.5)%

Is our service equally effective outside Kathmandu Valley? How the banks and financial institutions located in far flung areas of the country perceive our online service?

...Listen what they have to say.

- 1) त्यस केन्द्र बाट विगतका वर्षहरूमा फैक्स र पत्र मार्फत विविध सूचना उपलब्ध गराउँदै आई रहेको भएता पनि गत आ.व.देखि On Line Credit Information Service उपलब्ध गराई आधुनिक परिवेशमा प्रवेश गरी छिटो र सुगमता पूर्वक प्राप्त सूचनाले कारोबारको शीघ्र सम्पादनमा अत्यन्त सहयोग पुर्याएको छ । हामी जस्तो सुदूरमा रहेको संस्थालाई त भन्ने सजिलो भएको छ । यसकार्यका लागि महाकाली विकास बैंक लिमिटेड का तर्फ बाट हार्दिक धन्यवाद दिन चाहन्छु ।

SUDARSHAN JOSHI

Executive Director
Mahakali Bikas Bank Limited
Mahendranagar, Kanchanpur

- 2) Till a year back, we had to wait more than a week to collect the credit report from Kendra or wait for at least a day to get it through fax, which remained busy most of the time. Now after on-line service, things have changed and we are feeling very easy and comfortable in having immediate access to the credit reports. We thank CIB for extending such an excellent service.

RAJENDRA PRASHAD POUDEL

CEO
Bageswari Development Bank Ltd.
Nepalgunj, Banke

- 3) Our Bank faced lot of difficulties earlier in receiving credit reports on time. But after the implementation of on-line system, things have changed and we can receive report immediately. We have never faced any problem with CIB's online system. It has significantly improved our efficiency and our operation. We are very much grateful to CIB and thank CIB for the same.

SARJAN BHATARI

CEO
Resunga Bikas Bank Limited
Gulmi

- 4) Karja Suchana Kendra is providing exceptional service to Banks and financial institution through its on-line credit information searching system. Regional level development bank like ours has got easy and immediate access to the credit information of the proposed borrower. This has minimized our cost and time and has greatly helped us in providing prompt customer service to our clients. Thank you CIB.

SAGAR KUMAR GHIMIRE

CEO
Triveni Bikas Bank Limited
Bharatpur, Chitwan

- 5) The highly efficient online service of Kendra has helped us immensely to provide better and prompt service, reduce default rates and check multiple borrowing.

RAJNISH KUMAR SINGH

CEO
Sahayogi Vikas Bank Ltd.
Janakpur

- 6) The quality of the online service provided by Kendra has been extremely perfect. Since we are in service business, clients always expect the best and prompt service from us. I would like to thank "Karja Suchana Kendra Ltd." for its very good efforts in providing quality service. Your service is right there upon few clicks away on computer. It is awesome. Thanks.

HARI PRASAD GURUNG

CEO
Shangri-la Development Bank Ltd.
New Road, Pokhara

- 7) The online credit information service implemented by CIB has become extremely beneficial to the Financial Institutions like ours who are working in very remote areas of the country. The previous manual Information System used to take a week or even more to reach to us thus creating a lot of delay in our lending decisions. But this newly adopted internet system can provide us the information within few minutes thus making our service fast to our clients.
- 8) The online credit information service provided by CIB is excellent and of highest standard. The prompt access of information has enhanced our efficiency and service.
- 9) We have been using online credit information service since 2010. This service fulfills all our requirements and expectations. We have not faced any problem till date. Performance and service provided by CIB is excellent and praiseworthy.
- 10) गत आर्थिक वर्ष देखि कर्जा सूचना केन्द्र लिमिटेडले बैंक तथा वित्तीय संस्थाहरूलाई दिने कर्जा सूचना अनलाईन सेवा (Online Service) मार्फत दिने व्यवस्था मिलाएको हुँदा ज्यादै छिटो, छरितो सँग पाउन सकिएकोले प्रशंसनीय छ। फ्याक्स तथा कुरियर मार्फत कर्जा सूचना पठाउदा र प्राप्त गर्न लाग्ने समय बचत भएकोछ। कर्जा प्रदान गर्न आवश्यक सूचना प्राप्त गर्न लाग्ने ३ देखि ७ दिन सम्मको समय पखर्नु नपर्ने भएकोले सेवाग्राही खुसी छन्।
- 11) कर्जा सूचना केन्द्रले अनलाईन मार्फत सेवा शुरु गरेकाले छिटो छरितो सेवा प्रदान भैरहेको महसुस गरेका छौं। केन्द्रले प्रदान गरिरहेका अन्य सबै सेवाहरू स्वागत योग्य छन्।
- 12) On line service given by CIB is very good and it has helped us immensely in our business operations. We do not need to wait for weeks for credit report to arrive to our place. We can see report any time we like. This has helped to reduce our turn around time for making lending decisions and granting credit to our clients.
- 13) "सर्वसाधारणले जम्मा गरेको निक्षेपबाट नै बैंक तथा वित्तीय संस्थाले कर्जा प्रवाह गर्ने भएकोले यसरी प्रवाह हुने कर्जाको अधिकतम सुरक्षा हुनु जरुरी हुन्छ। कर्जा सूचना केन्द्रले बैंक तथा वित्तीय संस्थाका ग्राहकहरूको कर्जा अवस्थाको बारेमा सूचना उपलब्ध गराएर प्रवाहित हुने कर्जाको सुरक्षणमा धेरै सहयोग पुऱ्याएको छ। त्यसमा पनि गतवर्ष देखि कर्जा सूचना आदान प्रदान कार्य Online हुने अवस्था गरिदिएकोले हामी जस्ता मोफसलमा सेवा प्रदान गर्ने बैंक तथा वित्तीय संस्थाहरूलाई यसबाट निकै राहत पुगेको छ।" ■

GURU PRASAD GYAWALI

CEO
Nilgiri Vikas Bank Ltd.
Beni, Myagdi

YAM NATH NYAUPANE

CEO
Kanakai Bikas Bank Limited
Damak, Jhapa

SHAIENDRA BADE SHRESTHA

Act. CEO
Kabeli Bikas Bank Ltd.
Dhankuta

KAMAL BAHADUR K.C.

CEO
Western Development Bank
Ghorahi, Dang

टंक प्रसाद रेग्मी

प्रमुख कार्यकारी अधिकृत
पाथीभरा विकास बैंक लि.
उर्लावारी, मोरङ

SURESH BAHADUR BAM

CEO
Rara Bikash Bank Limited
Birendranagar, Surkhet

GANESH KUMAR K.C

CEO
Malika Vikas Bank Limited
Dhangadhi, Kailali

CORPORATE GOVERNANCE

The Governing Body of the company is the Board of Directors, which is represented by the promoter shareholders. The Board has four members from the Commercial Banks, one member from Development Banks, one member from Finance Companies and one member from Nepal Rastra Bank. The Chairman of the Board is elected from among the Board members. The term of the members of BOD is four years. Board oversees the company on behalf of the shareholders and takes major policy decisions to effectively run the company. Board has delegated the authority to CEO to carry out the day-to-day management of the company and meet its goals and objectives in line with its set vision and mission. The CEO is further guided and supported by the various committees chaired by the non-executive directors of the Board.

THE BOARD

ROLE OF THE BOARD

As per the Company's Articles of Association, the primary function of Board of Directors is as follows:

"The Board of Directors shall make all arrangements regarding the business of the company, and exercise its powers and discharge its duties as per the country's Company Act, Company's Articles of Association, Decisions reached by the shareholder's meetings in Annual General Meeting and Policy and Guidelines as formulated by the Nepal Rastra Bank from time and again".

CHANGES IN THE BOARD OF DIRECTORS

Dr. Min Bahadur Shrestha has been nominated by Nepal Rastra Bank as its representative to represent in the Board of Directors of the company with effective from 2068/2/12.

BOARD STRUCTURE AND COMPOSITION

Name	Representation from	Designation
1. Mr. Ashoke Rana	Commercial Bank Category	Chairman
2. Mr. Anurag Mishra	Commercial Bank Category	Director
3. Mr. Amrit Charan Shrestha	Commercial Bank Category	Director
4. Mr. Nirmal Dahal	Commercial Bank Category	Director
5. Mr. Siddhant Raj Pandey	Development Bank Category	Director
6. Mr. Ram Santa Shrestha	Finance Company Category	Director
7. Dr. Min Bahadur Shrestha	Nepal Rastra Bank	Director

BOARD OF DIRECTORS DISCLOSURE ***ASHOKE RANA****Chairman, Board of Directors**

- Rural Microfinance Development Corporation
- Nepal Bankers Association
- Himalayan Bank Limited

Chairman
President
CEO

MR. SIDDHANT RAJ PANDEY**Director**

- Nepal Bankers Association
- Nepal Bankers Training Institute
- Himalayan Climate Initiative
- Open Learning Exchange (OLE), Nepal
- ACE Development Bank

Board Member
Board Member
Board Member/Treasurer
Board Member/Treasurer
CEO

MR. NIRMAL DAHAL**Director**

- Laxmi Microfinance Development Bank
- Laxmi Bank

Director
Head/Credit Dept.

DR. MIN BAHADUR SHRESTHA**Director**

- Nepal Rastra Bank
- He has been associated with Management Association of Nepal, American Economic Association, New Zealand Association of Economists and Economic Society of Australia. He has so far no representations on boards of any other companies or organizations.

Executive Director

MR. RAM SANTA SHRESTHA**Director**

- Alpica Everest Finance Limited
- Nepal Finance Companies Association
- International Chamber of Commerce
- Nepal Udhayog Parishad (CNI) Services

CEO
Immediate Past President
Executive Director
Member/Banking & Financial

MR. AMRIT CHARAN SHRESTHA**Director**

- Nabil Bank
- He has no representation on boards of any other companies or associations.

Acting CEO

MR. ANURAG MISHRA**Director**

- Standard Chartered Bank
- He has no representation on boards of any other companies or associations.

Head/Wholesale Banking

(*The disclosures of new Board of Directors who were deputed later in fiscal year 068/069 are not given here)

BOARD MEETINGS 067/068

Name	Total Meetings Held	Total Meetings Attended
Mr. Ashoke Rana	9	9
Mr. Anurag Mishra	9	6
Mr. Amrit Charan Shrestha	9	6
Mr. Nirmal Dahal	9	9
Mr. Siddhant Raj Pandey	9	9
Mr. Ram Santa Shrestha	9	6
Dr. Min Bahadur Shrestha	9	None*

* Dr. Min Bahadur Shrestha was deputed only on 2068/2/12. Only two meeting were held after his appointment. He was out of the country during those two meetings

COMMITTEES

Audit Committee

Mr. Ram Santa Shrestha	Chairman
Mr. Anurag Mishra	Member
Ms. Purna Chitra Pradhan	Member Secretary

The Audit Committee meets each quarter to discuss on the audit report submitted by internal auditor. The primary function of the Audit Committee is to assist the Board in its general oversight of the Kendra's financial reporting, internal controls, and audit functions. The Audit Committee serves a Board-level oversight role, in which it provides advice, counsel and direction to the management and to the

auditors on the basis of information it receives, discussions with management and auditors and experience of the Audit Committee's members in financial and accounting matters. Kendra's management is responsible for the preparation, presentation, and integrity of the financial statements; accounting & financial reporting principles; internal controls; and procedures designed to reasonably assure compliance with accounting standards, applicable laws, and regulations of the country.

There were altogether four (4) audit committee meetings conducted and four internal audit reports submitted in the year 067/068. All members were present in all the meetings.

EXPENSES INCURRED ON COMMITTEES

	Board of Directors	Audit Committee
Total Meeting Allowances	Rs. 94,000	Rs. 16,000
Other Expenses	Rs. 28,238	Rs. 8,000
Total Expenses	Rs. 122,328	Rs. 24,000

MANAGEMENT

The CEO performs the customary function of developing the plans of actions, implementing the strategies and running the bureau's business. CEO is supported by the senior executives who report to him various issues related with the bureau's operation. CEO meets with the executives regularly and develops policies & strategies to be presented to the Board for their approval. CEO and senior executives implement those approved policies and strategies.

HUMAN RESOURCE

We firmly believe that the company is as good as the people working there in. We want to hire and retain good people and train them to make them expert in their respective fields. We usually send our staffs to be trained in various training programs conducted by IFC/World Bank and other agencies.

Some staffs were sent to have a weeklong extensive training in bureau operations in Bank Negara Malaysia. The training was conducted by WB/IFC in collaboration with Bank Negara Malaysia.

We want to see our organization to be very efficient and effective. The complete automation of the CIB system in 067/068 affected immensely the balance between the workload and number of staffs. Automation of the system made various divisions redundant. To settle this redundancy problem, company brought out the Golden Handshake Scheme to retire staffs working in those divisions and curtailed the workforce by nearly 40%. ■



CIB MANAGEMENT TEAM
(from left)

Ms. Sabina Shrestha
Ms. Purna Chitra Pradhan
Mr. Anil Chandra Adhikari
(CEO)
Mr. Omkar Lal Shrestha

CIB FAMILY



...DON'T GO BY OUR NUMBERS
WE ARE SMALL
BUT
DYNAMIC

DETAILS OF THE OPERATING PERFORMANCE

Credit Information Queries

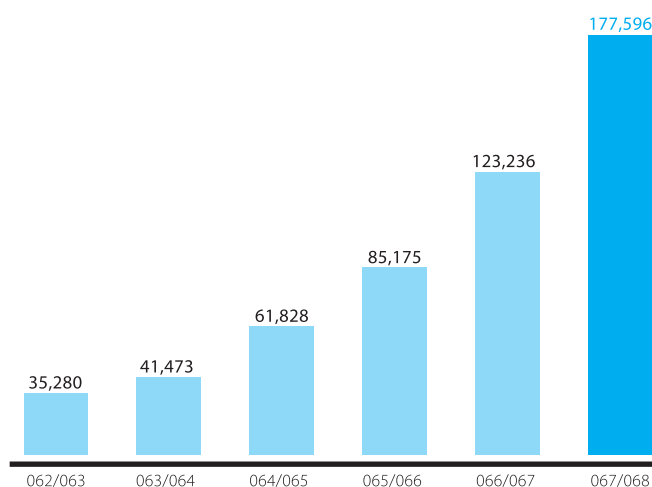
The impact of improved service was also reflected on the use of service by the banks and financial institutions. The number of "Hits" increased by nearly 45% in spite of liquidity crunch and decreased lending of the banks and financial institutions in the year 067/068. The reason for increase could be attributed to the increased awareness among the lenders to see the details of other companies and concerns in which borrower is associated with and also check & verify the credit profiles of guarantors, board of directors and other stakeholders associated with the borrower. Apart from this, the increased number of lending institutions and extensive coverage of Kendra's service all throughout the country also helped to increase the number of "Hits" in 067/068.

As can be seen, number of Hits increased by nearly 400% as compared to that of year 062/063.

The credit information queries among various categories of lending institutions seemed to vary significantly with commercial banks having maximum number of Hits followed by development banks and financial institutions.

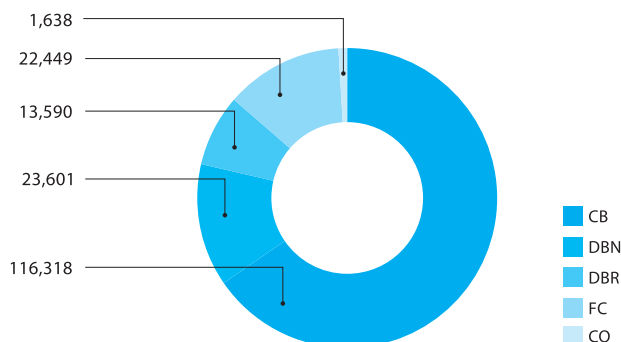
Total Queries/"Hits"

Year	062/063	063/064	064/065	065/066	066/067	067/068
Total Queries/"Hits"	35,280	41,473	61,828	85,175	123,236	177,596
Yearly increments		6,193	20,355	23,347	38,061	54,360



Number of Searches Among Different Lending Agencies

Categories of Lending Institutions	Number of Searches	Percentage
Commercial Banks (CB)	116,318	65.5%
Development Banks/National (DBN)	23,601	13.29%
Development Banks/Regional (DBR)	13,590	7.65%
Finance Companies (FC)	22,449	12.64%
Co-operatives and Others (CO)	1,638	0.92%
Total Searches	177,596	100%

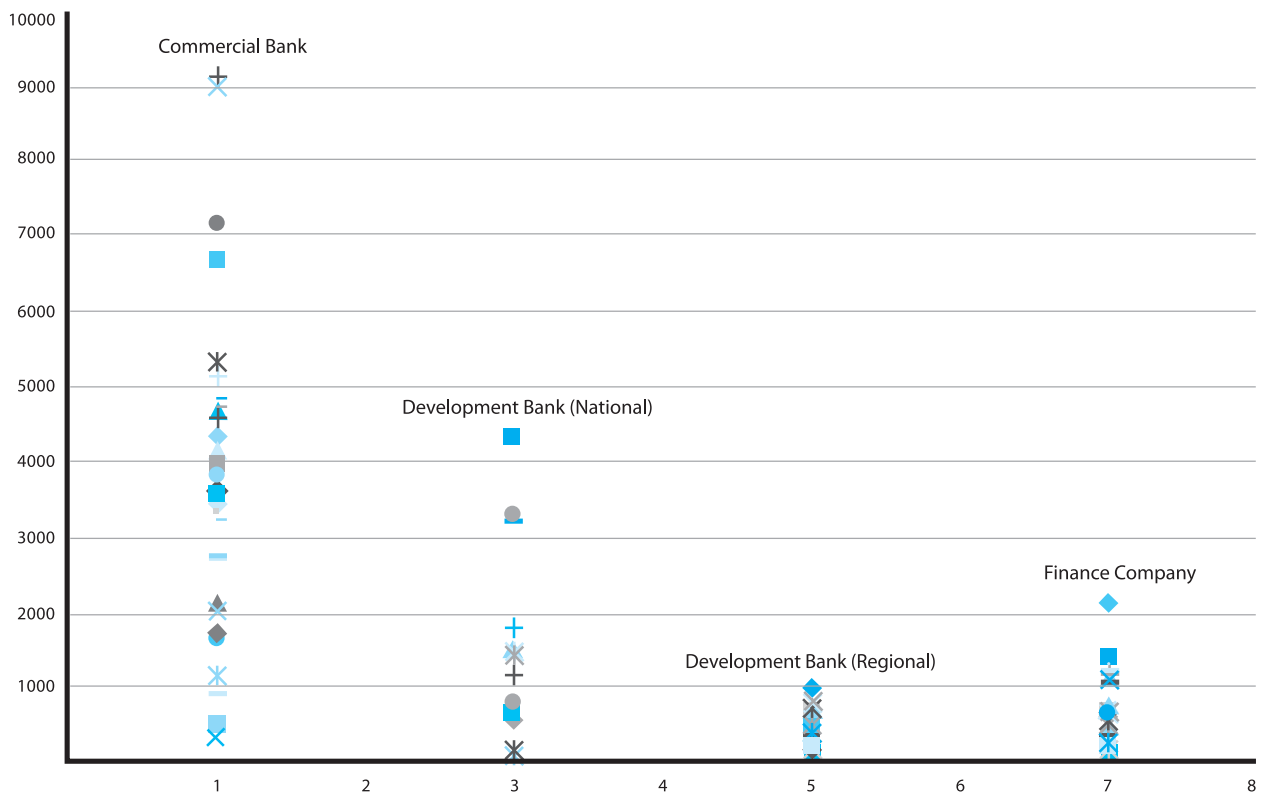


PATTERN OF SEARCH UNDER EACH CATEGORY

The graph below shows that the number of Hits of many banks remained somewhere in the range of 3000hits to 5000hits. Some banks had annual hits of more than 9000hits where as some new banks had the Hits of less than 500hits. There were many established banks whose Hits could not exceed more than 3000hits and remained between 1000hits to 3000hits. This gives the indication of huge gap on the lending pattern of the banks with some banks doing brisk lending business where as some doing fair or poor business. The average Hits of National Development Banks (NDBs) were 1000hits/year. The Hits of one development bank was

as high as 4500hits and of one development bank as low as 250hits/year. The regional development banks fared poorly with average hits not exceeding 400hits/year. Some finance companies had the number of Hits exceeding 1500hits/year making them at par with commercial banks and national development banks. Some finance companies had the annual hits not exceeding even 25hits/year.

Thus if the Hit Rates are any indications of the lending pattern of the financial institutions, there seems to be huge disparities among the lending institutions of same category and also of different categories.

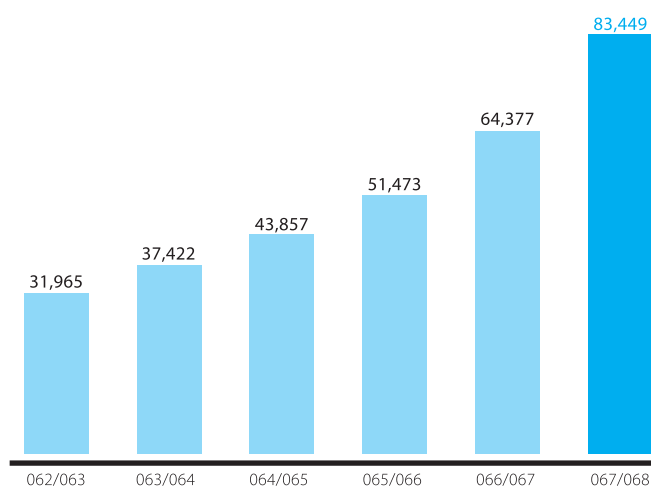


BORROWERS RECORDS

The number of borrowers' records increased by 19,072 records or by nearly 30% as compared to previous year. This increment was the highest as compared to any other preceding years. This led to increase the database records from 64,377 records in 066/067 to 83,449 records in 067/068. This increase in records may be because of the increased number of banks and financial institutions and the rapid expansion of their branches in various parts of the country leading to higher penetration of their services. Apart from that, there are few banks and financial institutions that have been sending the records of all their borrowers irrespective of any threshold. These additional records may also have contributed in increasing the number of records in the database. The above table shows that commercial banks constitute nearly 72% of the borrowers' records followed by finance companies (16%) and development banks (12%). Thus it could be seen that finance companies and development banks compare nowhere to commercial banks in terms of credit market penetration of Rs. 25 million and above facilities and remain far from being competitive to them.

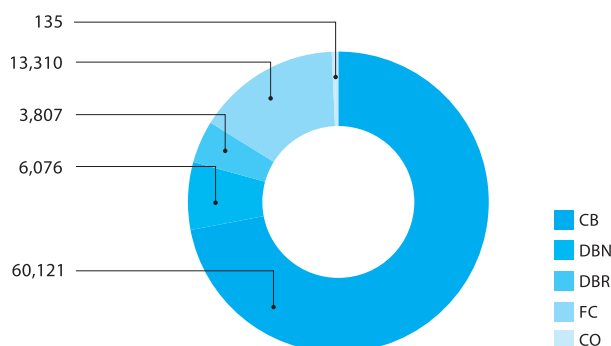
Registered Borrowers in CIB Database

Year	062/063	063/064	064/065	065/066	066/067	067/068
Total Borrowers	31,965	37,422	43,857	51,473	64,377	83,449
Yearly Increments	3,852	3,457	6,435	7,616	12,904	19,072



Borrower Records Distribution Among Different Lending Agencies

Categories of Lending Institutions	Number of Records	Percentage
Commercial Banks (CB)	60,121	72%
Development Banks/National (DBN)	6,076	7.3%
Development Banks/Regional (DBR)	3,807	4.6%
Finance Companies (FC)	13,310	16%
Co-operatives and Others (CO)	135	0.16%
Total Searches	83,449	100%



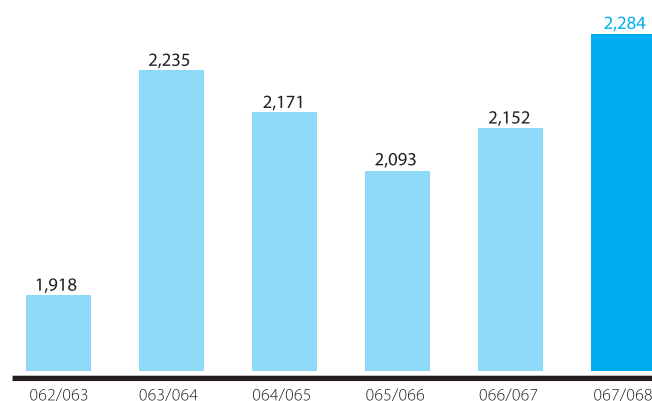
Kendra has invited all the member banks and financial institutions to forward their borrowers records irrespective of any loan threshold. Kendra has all technical infrastructures in place and has the capability to accept any volume of data in its database. Thus the readiness of the bureau and the willingness of the banks and financial institutions to send the records are expected to contribute significantly in increasing the number of borrowers' records in the coming years.

The number of blacklisted borrowers also increased sharply in the year 067/068. The increasing trend that started in year 066/067 continued in the year 067/068 with total number of blacklisted borrowers increasing from the previous figure of 171 borrowers to 263 borrowers. The number of borrowers removed from the blacklist also increased from previous number of 112 borrowers to 131 borrowers in 067/068. The reasons for this increase could be attributed to the newly promulgated NRB Directive that empowers lenders to include any defaulter of any loan amount into the blacklist if the defaulter meets any or all "blacklist" inclusion criteria as listed in the NRB Directive. Apart from this there are various other provisions in the BAFIA (Act) that gives the lenders the right to include any defaulter into the blacklist irrespective of any amount or any default period.

Statistics of the Blacklisted Borrowers & Total Non Performing Assets

Year	Till 062/063	063/064	064/065	065/066	066/067	067/068
Added in Blacklist	2,909	430	82	55	171	263
Removed from Blacklist	991	113	146	133	112	131
Total Borrowers in Blacklist at the End of Fiscal Year	1,918	2,235	2,171	2,093	2,152	2,284

As can be seen from the above table, there are total of 2,284 borrowers in the blacklist at the end of fiscal year 067/068.



DATA UPDATES

Kendra took various kinds of measures and implemented methodologies to maintain the quality of the data at its correct best form. The data uploaded by the banks and financial institutions gets first checked whether it meets all the validation criteria (business rules) before sending it for match and merge with the Master Record. Kendra developed advanced credit reportee Match and Merge techniques and methods, thereby collating all information on a particular credit reportee and providing a unified view of a credit reportee. The Matching engine developed is robust and has multiple levels of identification criteria based on Previous Submission, Citizenship Number, Citizenship Issued Date and Place, Name and Address and Surrogates (such as Gender, Place of Birth etc.). This rigor in matching has helped ensure the optimal Master Record pertaining to the same entity. Kendra also tracks the borrower's identification information entered by banks and financial institutions while searching the

records of the borrowers. This additional information is used to update Master Records of the borrowers, which are not yet complete. Thus lots of improvements were made in 067/068 in devising ways to improve the quality of the database.

DATA UPLOADS

Kendra implemented additional means to facilitate banks and financial institutions to send their data through File Transfer Protocol, which is a standard network protocol, used to transfer files from one host to another in internet environment. User can use web browser to connect to FTP address and enter Username and Password to connect to the host. Submission of File through secure FTP server shall ensure the highest level of data security for banks and financial institutions. Thus, at present Banks and Financial Institutions can use various means of data transfer methodologies to send information to Kendra. They can submit the data through FTP or CD based submission or on-line data entry.

SERVICE COVERAGE

After the successful implementation of online service in Kathmandu valley, Kendra started providing online service to all the Regional Development Banks and Financial Institutions located outside Kathmandu valley. Kendra further added 75 Regional Development Banks, 18 Finance Companies, and 2 microfinance institutions in its online network in the year 067/068 thus bringing all banking and financial institutions of the country in its service umbrella. This has immensely helped financial institutions located in far-flung areas in obtaining the credit reports of their borrowers within a minute where they had to wait for weeks or so earlier.

ADDITION OF DATA FIELDS IN CREDIT REPORT

The objective of Kendra always remains to make credit information report more inclusive and informative so as to make lenders more aware about the personal and credit profiles of the borrowers. We have added new entry field "Applied For" to categorize whether the loan is new or whether it is the renewal, restructuring and rescheduling of the existing loan. We have added two more fields "Cost of the Search" and "Type of Report Searched" in the Search Report in order to let users know the cost of their usage of the service.

RISK MANAGEMENT

The periodical internal audit from a reputed chartered accountancy firm is carried to monitor and manage the various types of operational and financial risks of the company. Our staffs are also trained for prudent risk management practices to manage various types of risks. The company has very trained and qualified IT staffs who have the capability and expertise to cope up with any types system security problems and technical issues. The operations staffs also have many years of experience in managing credit bureau data and other information received from lending agencies. All our assets including our staffs have been safeguarded with adequate insurance coverage.

RISK FACTORS DISCLOSURES

Banking and Finance Sector went through a very lean phase in the year 067/068. They had to cope with multiple challenges - liquidity crisis, inflated interest rate, declining deposits, loan recovery problems and danger of real state collapse. Never before had the country's financial industry faced such multiple challenges at once as in 067/068.

Since the revenue of the Kendra directly depends on the "Searches" made by the users, liquidity crunch of the financial sector tends to have the ripple effects on the revenue of the company. This liquidity crunch leads to lower lending which

leads to lower "Searches" by banks and financial institutions. This will ultimately lead to reduced revenue of the company. Apart from this, Merging and Closing down of lending institutions also affect the "Searches" and bring down the revenue of the company.

In the beginning of 067/068, Kendra gauged this problem before hand and implemented its network expansion strategy through out the country. It expanded its network service outside Kathmandu valley very fast in order to bring all the Regional Banks and Finance Companies under its network so that the number of searches reduced by the liquidity crunch could be compensated by the searches made by new institutions. This strategy worked very well

and the revenue growth remained fairly at appreciable level. Credit Bureau is a clearinghouse for credit history information, a repository of factual information that contains very confidential credit application and repayment records of the borrowers. Such kinds of information should be maintained at highest level of security. It should be ensured that the system is least likely susceptible to any attacks from outside world. Kendra has maintained a robust infrastructure and implemented various kinds of system security measures to prevent any attacks from internet world. The new data center provides adequate physical security to Bureau Data Center where unauthorized elements cannot get into. The Data Center is kept under 24 hrs surveillance mode with all modern security gadgets in place.

One of the prime reasons to look for a proven technology from the established vendor is to further circumvent our system from any possible attacks and intrusions from the external world. Security is the prime concern for Kendra and it intends to introduce best possible technology available in the market to safeguard its system. ■



IT TEAM
Our Backbone & Strength



Data Center : Always Alert 365x24x7

ISSUES & PROBLEMS AFFECTING THE SERVICE OF THE BUREAU

Most of the issues that were reported in previous year's Annual Report 066/067 still persist this year and there seem to be only marginal improvements on those issues.

i) Reporting & Updates

Majority of the banks and financial institutions still fail to send the new (ka.su.fa 1) and updated quarterly credit reports (ka.su.fa. 2) of their borrowers to Kendra on time. Many new borrowers' records are reported too late and sometimes even after the gap of one year. Some records are received only when the borrowers are about to be put into the blacklist. The quarterly reports of the existing borrowers are seldom received on time leading to degradation in the quality and accuracy of the credit report. Banks and Financial Institutions are less responsive in this matter and seem to have failed to realize the importance of sending the correct and timely information to Kendra whose ultimate beneficiaries are banks and financial institutions themselves. This kind of activity is against the NRB Directive and is subject to punishment as per the Directive.

Kendra has also noticed a lot of discrepancies and differences in the borrowers' records available with Kendra and that available with NRB. The list of new borrowers' records received by NRB as a part of regular reporting by banks and financial institutions differs with the records sent in by them to Kendra for the registration in its database. This kind of discrepancy leads to more confusion on the credibility of Bureau's reporting.

ii) Credit Reporting Limits

One of the major problems in the growth of credit market in the country is the lack of adequate information about the SME and small borrowers. Higher credit reporting limit

as set forth by Nepal Rastra Bank has precluded the Bureau from receiving the data of SME and small borrowers, which constitute the major portion of the lending of banks and financial institutions. This has serious implications in strengthening our database and making our database more inclusive and matured. Bureau will be of less significance when it fails to collect all credit facilities extended by the banks and financial institutions in the market. By setting higher reporting limit, NRB itself is restraining the growth of credit market in the country. Kendra has already reported the seriousness of this issue to NRB, Nepal Bankers Association, Nepal Development Banks Association and Nepal Finance Companies Association seeking their assistance in this regard.

iii) Blacklist and De-list Provisions

There is the immediate need to amend the various Blacklist Clauses of the NRB Directive, which contradict each other and has given more room for interpretations leading to misunderstandings between Kendra and Banks & Financial institutions. It is also observed that a blacklist provision made in Directive contradicts with some provisions of BAFIA (Act) giving more difficulties for Kendra in making effective and timely decisions on the Blacklist issues. This issue has to be addressed and sorted out as soon as possible in order to bring the uniformity in the interpretations of Blacklist provisions.

iv) Poor IT infrastructure of Banks and Financial Institutions

Apart from some leading banks & financial institutions, many suffer from their poor IT infrastructure and technology base. They seem to have the difficulty in properly connecting to Bureau's system and sending the data in a format, frequency and time as required by the bureau. They have the problem in generating the automated report from their internal

system to be sent to the Bureau. This has led to the errors in report and delay in reporting thus affecting the timely update of the credit reports.

v) Supervision by the Regulator

It has been observed that lot more monitoring and supervision of the banks and financial institutions by the regulatory body is required in order to make banks and

financial institutions abide by the NRB Directive. Lack of supervision and lack of any punitive actions against the offending banks and financial institutions have encouraged them to be careless and negligent in CIB reporting. ■

SUMMARY OF CORRECTIVE MEASURES TO BE IMPLEMENTED

- Mandatory provision for correct, complete and timely reporting of borrower's credit profiles by banks and financial institutions to Kendra.
- Mandatory provision for one copy of NRB reporting to be made available by banks and financial institutions to Kendra on a periodic basis. (reporting related with new borrowers, their credit profiles and any other information that relates with Kendra's credit report)
- Credit reporting limit threshold to be wiped out and all the borrowers' records irrespective of any threshold to be reported to Kendra.
- The NRB Directive related with Blacklist provisions to be amended immediately.
- Banks and Financial Institutions to immediately upgrade their IT system and make it compatible with Kendra's system for secured, smooth and error free data transfer.
- Efficient and Effective supervision of banks and financial institutions by NRB to ensure that the CIB reporting is made correctly on a periodic basis as per the NRB Directive. ■

IMPACTS OF REGIONAL AND GLOBAL DEVELOPMENTS IN CREDIT BUREAUS

The SAARC region saw the proliferation of many new credit bureaus in the last decade. India is having one of the most sophisticated credit bureau systems in the region. CIBIL, a leading credit bureau service provider of India, has made the strategic alliance with TransUnion for consumer reporting and Dun & Bradstreet for the commercial reporting. Sri Lanka and Pakistan are not that far behind. They both have the very advanced credit bureaus developed by D&B and have been operating the services since last many years. Bangladesh has installed CRIF Credit Bureau System and has already rolled the bureau service to its members. Bhutan and Maldives who are the new entrants in the credit bureau market are also having D&B system in place. All these countries have been delivering very high quality credit bureau services and offering various kinds of value added products and services to their clients. The economic & financial benefits of these bureaus have been tremendous, as they have contributed significantly in the growth of credit markets in those countries. Thus all the SAARC countries except Nepal share the same platform with other developed nations of the world in having the advanced credit bureau system and delivering high quality credit bureau services. It is an irony that Nepal being the first country in the region to start the credit bureau service is still struggling hard to be in that league. Nepal compares nowhere as compared to other SAARC countries in terms penetration of bureau service and development of credit market. The quality of service offered and the capability of the system to generate various kinds of value added products and services are still below international benchmarks. Even Maldives with the population of 400,000 and with only seven banks in the country has much better system and services compared to that of Nepal.

We have to move a long way to catch up with our regional neighbors. Even though we are inching forward in that direction to have a new system in place, we seem to be getting too late and too slow. The lack of this will certainly have serious implications and isolate Nepal from the network of regional credit bureaus. This will affect the Nepal's participation in the Regional Credit Bureau Association of the SAARC countries. The major objective of this association is to share the information of the serious defaulters among the SAARC nations. This will immensely help Nepal in bringing back to books many serious defaulters who have run away to other side of the borders. The possible incompatibility of our existing system with the advanced system of other bureaus of the region may put us in a weak position to extract maximum benefit out of this alliance.

At the global arena, new credit bureaus with latest system and technology are mushrooming every where. Most of them are having the systems supplied by international vendors like TransUnion, Experion, CRIF, Dun&Bradstreet, Equifax and Campuscan etc. Credit bureau is emerging as a new phenomenon in Asia, Africa, Middle East and everywhere because of its immense contribution to the development of credit market and their contribution to the economy. These credit bureaus keep on setting new standards and benchmarks every other day. The International Credit Bureau Association also sets the new standards, which it expects all members to comply with. These kinds of standards put further pressure on Nepal either to upgrade its own system or remain aloof and excluded from the fraternity of international bureaus. ■

REVIEW OF FUTURE PROSPECTS/OUTLOOK

Against the backdrop of increased competition in banking and finance sector and various kinds of loan arrears & loan recovery problems emerging in the sector at present, the importance of efficient and effective credit bureau cannot be over emphasized. Motivated by industry survival amidst increasing competition, the banking and financial institutions of the country are becoming increasingly aware of the essential role that credit information bureau can play toward the creation of an efficient financial system. The bureau has the huge potential to grow in the future and can revolutionize the growth of credit market in the country by helping bank and financial institutions penetrate the SMEs market and create the new market.

SME has emerged as the prime driver of economic development and has contributed substantially in the growth of GDP of the country. While the sustained and long term growth of SME sector in Nepal remains constrained by a number of factors; by far the biggest problem facing the sector is the unavailability of the adequate financing facilities. The Credit Bureau can play a pivotal role in helping SMEs to have the access to finances by eliminating risk aversions of the banks towards extending credit to SMEs. While lending to large companies requires a detailed analysis of the potential borrowers' financial standing, for smaller loans, payment history of the credit report can be sufficiently a good predictor of the probability of default of SMEs. ■

SOCIAL RESPONSIBILITIES, ENVIRONMENTAL ISSUES

Kendra has always remained concerned about the social responsibilities and has helped various deprived institutions with donations and others in the past. Kendra intends to continue this tradition and do all it could from its limited resources to help the underprivileged and deprived segment of the society. We encourage the people and

organization to engage in environmental protection and extend them the financial assistance to do so. We have made Kendra a paperless institution by completely automating its services. This complete automation of bureau services also goes a long way in enhancing the cause of environmental protection and clean energy. ■

ACTION PLANS FOR THE YEAR 2068/069

Even though we had set targets to implement the CIB Modernization Project and Secured Transaction Registry Project in the year 067/068, the projects could not be implemented due to various reasons. Kendra will focus on to implement these two projects in the year 068/069.

This year our focus will be on the following:

- Implementation of CIB modernization Project which were at the final stage of the contract award
- Implementation of Secured Transaction Registry Project and Preparation of the Regulation for its effective operation
- Collection of all borrowers' records available with banks and financial institutions irrespective of any threshold
- Request NRB to make further amendments on NRB Directive regarding the blacklisting provisions and make it compatible with the provisions of Bank and Financial Institutions Act (BAFIA)
- Develop the GIDC center as warm disaster recovery site with the provisions of direct optical fiber link to connect it to Primary Site; Set up additional ISP link in primary site from other ISP
- Organize regular refresher trainings to the users and credit department personnel of banks and financial institutions to make them conversant and familiar with the Bureau system and new developments in its software
- Focus on Capacity Building and Institutional Development of the Bureau. Organize trainings, seminars and overseas visits to the staffs to make them familiar with best international practices in bureau operation
- Develop the input file formats and technical framework for the implementation of microfinance project. ■

DETAILS OF FINANCIAL PERFORMANCE

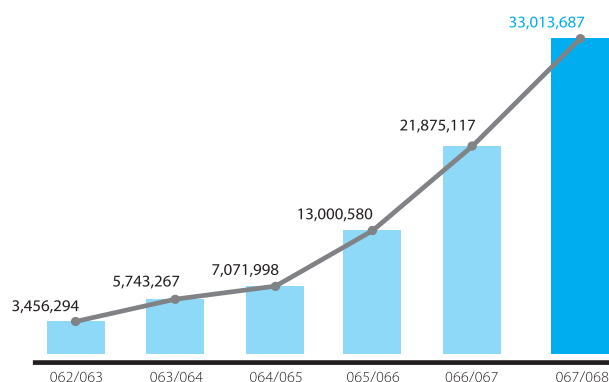
The fiscal year 067/068 had been quite satisfactory in terms of financial performance of the company. The revenue from the Service Charges, the core revenue generating activity of the company, increased by 53% this year as compared to 43% last year. The total operating revenue increased by 57% because of the additional revenue generated by interest income which increased nearly by 93%. The operating expense got increased by only 8% this year. The salary and allowance which constitute nearly 65% of the total expense increased by 4.9% where as the sum of other expenses increased by 14.6% thus giving rise to total increment of operating expense by Rs. 1,012,020. Company received Rs. 18,000 as the registration charge for the membership of the bureau. There were altogether 18 new financial institutions registered in the year 067/068.

Company spent Rs. 9,072,273 for the Voluntary Retirement Scheme to give a golden handshake to the retrenched staffs. This has been recognized as the non-operating expense in the income statement. The depreciation expense has been increased by 28% because of the construction of data center and purchase of various technical equipments & accessories for the center. The bonus amount has been increased by nearly 50%. The income tax amounting to Rs. 11,023,452 has been provisioned this year of which current tax calculated at the rate applicable in accordance with Income Tax Act and Rules amounted to Rs. 10,714,452 and the Deferred Tax expense recognized as per the Nepal Accounting Standards 09, amounted to Rs. 309,000. Thus the company made a net profit of Rs. 33,013,687, which was 51% higher than that of previous year. Twenty percent of the net profit was deducted for the General Reserve and the rest was sent to the Accumulated Profit account.

Net Profit

Year	062/063	063/064	064/065	065/066	066/067	067/068
Total Revenue	11,953,613	17,034,176	22,656,438	32,502,767	47,029,263	73,757,579
Total Expenses	8,497,319	11,290,909	15,584,440	19,502,187	25,154,146	40,743,892
Net Profit	3,456,294	5,743,267	7,071,998	13,000,580	21,875,117	33,013,687

Net Profit from Operation



As decided in the 6th Annual General Meeting of the company, promoter shareholders were issued bonus shares in the ratio of 2:1 (1 bonus share equivalent 2 ordinary shares) thus increasing the paid up share capital to Rs. 71,810,100. The reserve and surplus increased by 24.4% and went up to Rs. 56,101,637. The total Capital and Liabilities thus increased by 43.5% from Rs. 45,098,051 to Rs. 127,911,737.

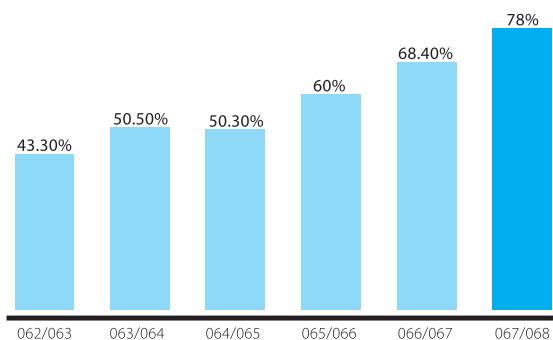
Fixed assets increased by 40% due to purchase of data center assets and a vehicle. New assets worth Rs. 5,565,129 were added in the year, which increased the Fixed Asset, less Depreciation by Rs. 2,816,832. Investment increased substantially due to money received by way of shares and profit and decrease in cash and bank balance. The balanced portfolio of short term and long term investments helped increase the returns on investments substantially with average rate of return being 12.6%. The Gratuity Fund that is deposited in Citizens Investment Trust is also shown as Investment. The fund has been decreased by nearly 43%

because of the release of some portion of the fund to the retrenched staffs. Service Charge receivable has been reduced substantially by nearly 40% because of the very tight credit policy and efficient bill collection mechanisms. This has helped to improve Trade and Receivables account. Cash and Bank Balance have reduced substantially by nearly 76% because of the closures of all-low yielding operating and deposit accounts and retention of only high yielding fixed accounts. Prepaid Advances, Loans and Deposits got reduced by nearly 62% because of the reduction on the advance taxes and loans to staffs. Company kept the tight monitoring of tax payment and ensured that the payment made incorporated the tax deducted at source by the banks and financial institutions. Loans to staffs were reduced because of the loan settled by the retrenched staffs. Trade and other Payables decreased by nearly 12% because of decrease in the Gratuity Fund.

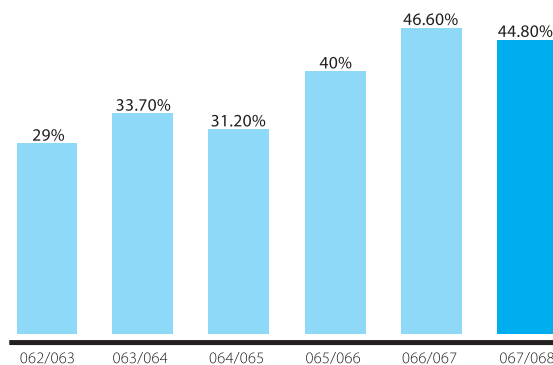
SOME IMPORTANT RATIOS

Profitability Ratios

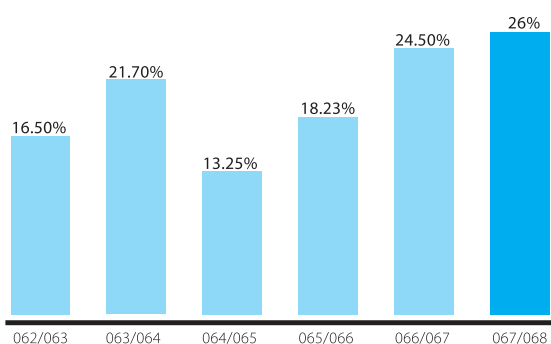
Operating Profit Margin Ratio



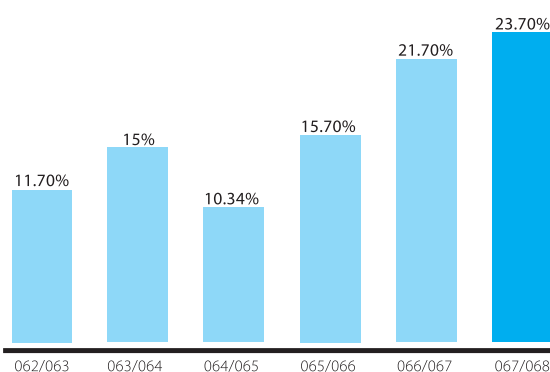
Net Profit Margin Ratio



Return on Equity

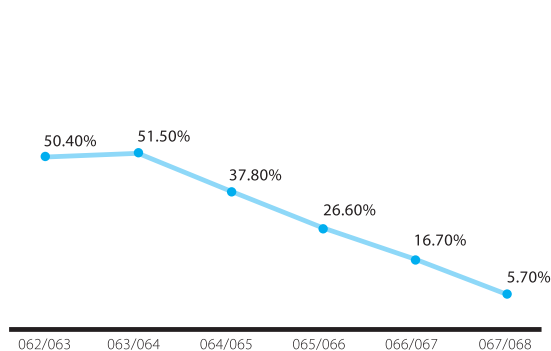


Return on Assets

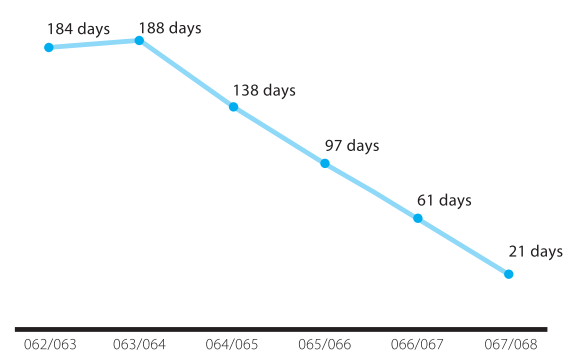


ACTIVITY RATIO

Receivable Turnover Ratio



Average Collection Period



The above ratios demonstrate how effective and successful the company remained in the past in improving its operational performances that has direct bearing on the various profit margins. Bills collection, which remained a big problem before, has been brought down substantially to such a level that matches the international benchmark in credit bureau operations.

Board has decided on its 59th Board Meeting dated 27th September, 2011 to disburse 20% Cash Dividend and issue 20% Bonus Share to its existing shareholders subject to the

approval from the forthcoming 7th Annual General Meeting of the Company. Cash dividend amounting to Rs. 14,362,020 and the tax expenses amounting to Rs. 755,896 for the issue of the bonus share has been adjusted in the Provision account of the financial statement. Proposed Cash dividend has the effect in reducing the Reserve and Surplus account by Rs. 15,117,916 from Rs. 56,101,637 to Rs. 40,983,721. These two accounts have been adjusted in the Balance sheet accordingly. ■

INTERNAL CONTROL SYSTEM

Kendra has a very effective control mechanism in place that monitors all the operational parameters that has direct bearings on the quality of service and on the financial performance of the company. There is the periodic internal audit of the operations & finance in every quarter which is carried out by renowned Chartered Accounting firm BRS Neupane & Co., an independent correspondent firm to Deloitte Touche Tohmatsu, having its principle office in Kumari Marg, Naxal. Our statutory auditor M/s CSC and Co. is one of the largest firms of accounting and consulting in Nepal and is associated with internationally renowned firm

"Price Waterhouse Coopers". The members of the Audit Committee regularly have informal and formal discussions with internal auditors in connection with the results of the various areas of review undertaken by the internal auditors. The audit report gets reviewed by members of the audit committee who have many years of experience in the banking and finance sector of the country. The members of the internal audit have the direct access to the audit committee and may bring any pertinent issues or problems for the discussions. ■

SEPARATE REPORT OF THE AUDIT COMMITTEE

During the fiscal year 067/068, the Audit Committee fulfilled its duties and responsibilities generally outlined in Company Act of the country. The Kendra had four meetings, which were conducted regularly on quarterly basis. Specially the Committee, among other actions:

- reviewed and discussed with management and the internal auditor Kendra's quarterly earnings, consolidated financial statements, and any related periodic reports
- reviewed with management, the internal auditor, and the independent auditor management's assessment of the effectiveness of the Kendra's internal control over financial reporting
- reviewed with the independent auditor, management, and the internal auditor, as appropriate, the audit scopes and plans of both the independent auditor and internal auditor
- inquired about significant risks, reviewed Kendra's policies for risk assessment and risk management, and assessed the steps management has taken to control these risks, and
- met in periodic executive sessions with each of the independent auditor, management and internal auditor.

The Audit Committee is of the opinion that the company has a proper financial reporting process to disclose its financial information, in which the financial statements are correct, sufficient and credible. The Audit Committee is of the opinion that the company has proper and adequate internal control systems and there are no significant deficiencies. The Audit Committee is also of the opinion that the company has been in compliance with laws and regulations to which the operations of the company are subjected. The Audit Committee thus recommends to re-new the contract of BRS Neupane & Co., for the internal auditor and M/s CSC and Co. for the statutory auditor of the company for the fiscal year 068/069.

Based on the reviews and discussions described above, the Audit Committee recommends to the Board of Directors that the audited consolidated financial statements be included in the Kendra's Annual Report for the fiscal year ended 067/068 for filing it to the Inland Revenue Department of Ministry of Finance for tax purposes and submitting the copy of the report to Company Registrar Office and Nepal Rastra Bank for their reference. ■

COMMENTS & OBSERVATION OF THE BOARD ON THE AUDIT COMMITTEE'S REPORT AND AUDITOR'S REPORT

As per the recommendation made by Audit Committee, Board of Directors has approved for the inclusion of the consolidated financial statement in the Annual Report. Board thanked the Audit Committee, Management, Internal Auditor and Statutory Auditor for their cumulative efforts in maintaining the account books correct and transparent and introducing the best practices in internal control system

and risk management. As per the recommendation received from the Audit Committee, Board will be recommending the shareholders in the 7th AGM of the company to ratify the names of BRS Neupane & Co. and M/s CSC and Co. as the Internal Auditor and Statutory Auditor respectively for the year 068/069. ■

STATEMENT OF THE VALUE ADDED AND ITS DISTRIBUTION

■ Contribution to the national exchequer and to the economy

The company paid Rs. 11,023,452 as the corporate tax to the Government of Nepal in the year 067/068. Kendra also helped to collect Rs. 68 crore from the serious defaulters (from blacklist borrowers) in the year thus helping the banks and financial institutions reduce their non-performing loans.

■ Shareholders as Dividend

Last year (066/067) Company issued bonus share equivalent to 50% of the paid up capital to its promoter shareholders. This year also the Board proposes to disburse 20% cash dividend and issue 20% bonus shares of the paid up capital to its shareholders from its earnings of the fiscal year 067/068.

■ Employees Salary

The total expense incurred by the company in the form of salary, allowance and other facilities to the staffs amounted to Rs. 8,774,667. CEO was paid the total remuneration package of Rs. 2,095,000 and the remaining staffs were paid Rs. 6,679,667. CEO is also provided with vehicle and all its operating costs. Looking at the appreciable performance demonstrated by the CEO, Board has extended the term of the CEO for another four years.

■ Employees Bonus

Company has allocated Rs. 4,403,714 as the provision for bonus for the year 067/068 to be distributed to its staffs. Bonus will be paid to all its staffs as per the provisions made in the Labor Act of the country. The amount left after making the bonus payment, 30% will be deposited in the National Staff Welfare Fund and the remaining 70% will be deposited in Staff Welfare Fund of the company.

■ Retained by the Entity

Company has transferred Rs. 33,013,687 to its Accumulated Profit account from the earnings of the fiscal year 067/068. ■

ADDITIONAL DETAILS

NUMBER OF REGISTERED MEMBER BANKS & FINANCIAL INSTITUTIONS IN THE COMPANY ECONOMY

Categories of Financial Institutions	Registered Members Till 067/068	Registered Members Till 066/067
Commercial Banks	31	27
National Development Banks	14	14
Regional Development Banks	82	72
Finance Companies	82	79
Others (Rural Development Banks, Microfinance Institutions)	3	2
Total Registered Numbers	212	194

LITIGATION CASES

There are altogether 5 cases pending against the CIB related with Blacklist in various courts till the end of 067/068. Out of the 9 cases carried forward from the year 066/067, 4 new cases were registered in the year 067/068 and 8 cases were settled by the court during the period.

SPECIAL PROPOSAL FOR THE ISSUE OF CASH DIVIDEND AND BONUS SHARE

As per the decision reached by the BOD meeting dated 27th September 2011, the company decides to disburse 20% cash dividend and issue 20% bonus shares of the total paid up capital to its promoter shareholders this year from its earning of 067/068. This will incur the total cash out flow of Rs. 15,117,916 that includes the cash outflow of Rs. 14,362,020 for the cash dividend payment and further outflow of Rs. 755,896 for the tax payment resulting from the issue of the bonus share.

On behalf of the Board of the Directors, I will like to bring forward this proposal on the floor of this AGM for your discussion and approval.

GRATITUDE

Finally, I would like to express my sincere gratitude to all the promoter shareholders of Kendra for their unflinching support and unquestioning trust extended to us all the time. I also would like to thank all the member banks & financial institutions for being with us in our difficult times and supporting us all through out. We are grateful to Nepal Rastra Bank, our Regulator, and all other concerned agencies for their valuable support and assistance. At the end, our success would not have been possible without the unwavering determination and fortitude of our CEO and the staffs of the company. ■

LIST OF PROMOTER SHAREHOLDERS AND THEIR SHARES

S.No.	Name of Banks and Financial Institutions	Total Shares
1	Nepal Rastra Bank	72,000
Commercial Banks		
1	Nepal Bank Limited	9,531
2	Rastriya Banijya Bank	9,531
3	Nabil Bank	25,416
4	Nepal Investment Bank	29,172
5	Standard Chartered Bank Nepal	25,416
6	Himalayan Bank	27,294
7	Nepal SBI Bank	25,416
8	Nepal Bangladesh Bank	28,089
9	Everest Bank	25,416
10	Bank of Kathmandu	39,177
11	Nepal Credit & Commerce Bank	25,416
12	NIC Bank	29,176
13	Lumbini Bank	9,531
14	Machhapuchhre Bank	25,416
15	Kumari Bank	25,416
16	Laxmi Bank	36,000
17	Siddhartha Bank	29,100
18	Agriculture Development Bank	21,600
19	DCBL Bank	25,356
20	NMB Bank	1,944
21	KIST Bank	5,700
Total Commercial Bank		479,113

S.No.	Name of Banks and Financial Institutions	Total Shares
Development Banks		
1	Nepal Industrial & Development Corporation	8,100
2	Nepal Development Bank	8,100
3	Manakamana Development Bank	20,604
4	Ace Development Bank	21,944
Total Development Banks		58,748

Finance Companies		
1	Nepal Aawas Finance Limited	1,944
2	NIDC Capital Market Ltd.	729
3	Narayani National Finance Limited	3,888
4	Nepal Share Markets & Finance Limited	1,944
5	Peoples Finance Limited	1,944
6	Himalaya Finance Limited	729
7	United Finance Limited	1,944
8	Union Finance Limited	1,944
9	Srijana Finance Limited	3,159
10	Kathmandu Finance Limited	5,544
11	Gorakha Finance Limited	1,944
12	Nepal Housing & Merchant Finance Limited	729
13	Paschimanchal Finance Company Limited	1,944
14	Universal Finance Limited	5,643
15	Samjhana Finance Limited	1,944
16	Goodwill Finance Limited	4,260
17	Shree Investment & Finance Limited	6,192
18	Siddhartha Finance Limited	9,144

S.No.	Name of Banks and Financial Institutions	Total Shares
19	International Leasing & Finance Company Limited	2,493
20	Mahalaxmi Finance Limited	1,944
21	Progressive Finance Limited	1,944
22	Bhajuratna Finance & Savings Co. Limited	729
23	General Finance Limited	1,944
24	Alpic Everest Finance Limited	6,192
25	Nava Durga Finance Co. Limited	1,944
26	Central Finance Limited	1,944
27	Premier Finance Co. Limited	1,944
28	Multipurpose Finance Co. Limited	1,944
29	Butwal Finance Limited	1,944
30	Om Finance Limited	729
31	CMB Finance Limited	6,192
32	World Merchant Banking & Finance Limited	1,944
33	Capital Merchant Banking & Finance Co. Limited	729
34	Crystal Finance Limited	1,944
35	Royal Merchant Banking & Finance Limited	1,944
36	Ghuweshwori Merchant Banking & Finance Limited	1,944
37	Patan Finance Co. Limited	729
38	Lalitpur Finance Co. Limited	1,944
39	Nepal Finance Limited	3,045
40	Annapurna Finance Company Limited	1,944
41	Lumbini Finance & Leasing Company Limited	729
42	Yeti Finance Limited	1,944
43	Standard Finance Limited	1,944
Total Finance Companies		108,240

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Gairidhara
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E-mail: csc@cscnepal.com
Web: www.cscnepal.com

To the Shareholders of Karja Suchana Kendra Limited

Financial statements and management's responsibility

We have audited the accompanying financial statements of Karja Suchana Kendra Limited which comprise the balance sheet as of July 16, 2011 (Ashadh 32, 2068) and the income statement, statement of changes in equity and cash flow statement for the year then ended and a significant accounting policies and other explanatory notes. These financial statements are the responsibility of the company's management.

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

Report on the requirements of Company Act 2063


We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit. The Balance Sheet, the Income Statement and Cash Flow Statement have been prepared in accordance with the provisions of Company Act 2063 and conform to the books of accounts of the company and the books of accounts and records are properly maintained in accordance with the prevailing laws.

During the course of our audit, we did not come across the cases where the Board of Directors or the representative or any employee of the company has acted deliberately contrary to the provisions of the law or caused loss or damage to the company or misappropriated funds of the company, nor have we been informed of any such case by the management.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as of July 16, 2011 (Ashadh 32, 2068), and its financial performance and cash flows for the year then ended in accordance with Nepal Accounting Standards and Company Act 2063.

Date : 10 Ashwin, 2068
Place: Kathmandu


LD Mahat
Partner
CSC & Co.
Chartered Accountants



KARJA SUCHANA KENDRA LTD.

Balance Sheet

As on Ashad 32, 2068 (Corresponding to July 16, 2011)

Particulars	Schedule	Current Year (NRs.)	Previous Year (NRs.)
CAPITAL AND LIABILITIES			
Share Capital			
Paid Up Share Capital	1	71,810,100	44,020,200
Reserve and Surplus			
Reserve Fund and Accumulated Profit	2	40,983,721	45,098,051
Loan Funds			
Secured Loans	3	-	-
Total		112,793,821	89,118,251
ASSETS			
Fixed Assets Less Depreciation	4	9,887,878	7,071,046
Investments	5	114,090,804	59,815,728
Current Assets (A)			
Trade and Other Receivable	6	7,438,867	8,441,427
Cash and Bank Balances	7	4,026,289	16,951,935
Pre-paid, Advances, Loans and Deposits	8	2,884,611	7,530,589
Total (A)		14,349,767	32,923,951
Current Liabilities and Provisions (B)			
Trade and Other Payables	9	6,879,099	7,784,870
Provisions	10	19,521,630	4,082,705
Total (B)		26,400,729	11,867,575
Net Current Assets (A - B)		(12,050,962)	21,056,375
Deferred Tax Assets		866,101	1,175,101
Total		112,793,821	89,118,251

Significant Accounting Policies and Notes 13
 All Schedules form an Integral Parts of This Financial Statements.

As per our report of even date

Anil Chandra Adhikari
 Chief Executive Officer

Ashoke S.J.B. Rana
 Chairman

Ram Santa Shrestha
 Director

L. D. Mahat
 Partner
 CSC & Co.
 Chartered Accountants

Gopi Bhandari
 Director

Nirmal Dahal
 Director

Siddhant Raj Pandey
 Director

Neena Thapa
 Director

Date: 2068/06/10
 Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD.**Income Statement**

For the Period from Shrawan 01, 2067 to Ashad 32, 2068
(Corresponding Period from July 17, 2010 to July 16, 2011)

Particulars	Schedule	Current Year (NRs.)	Previous Year (NRs.)
A. Income:			
1. Service Charge		64,378,968	42,167,870
2. Interest		9,349,311	4,840,393
3. Registration Charge		18,000	21,000
4. Other Income		11,300	-
5. Gain on Sale of Assets		-	-
Total		73,757,579	47,029,263
B. Expenditure:			
1. Operating Expenses	11	13,496,156	12,484,136
2. Non Operating Expenses	12	9,072,273	227,900
3. Depreciation on Fixed Assets	4	2,748,297	2,150,160
4. Provision for Bonus		4,403,714	2,924,279
Profit Before Tax (PBT)		44,037,139	29,242,789
5. Provision for Taxation (with Deferred Tax)		11,023,452	7,367,672
5.1 Current Tax Expenses		10,714,452	7,498,116
5.2 Deferred Tax Expense		309,000	(130,444)
6. Net Profit Transferred to Accumulated Profit		33,013,687	21,875,117
Total		73,757,579	47,029,263

All Schedules form an Integral Parts of This Financial Statements.

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer

Ashoke S.J.B. Rana
Chairman

Ram Santa Shrestha
Director

L. D. Mahat
Partner
CSC & Co.
Chartered Accountants

Gopi Bhandari
Director

Nirmal Dahal
Director

Siddhant Raj Pandey
Director

Neena Thapa
Director

Date: 2068/06/10
Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD.**Profit and Loss Appropriation Account**For the Period from Shrawan 01, 2067 to Ashad 32, 2068
(Corresponding Period from July 17, 2010 to July 16, 2011)

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Income :		
1 Accumulated Profit up to the Last Year	4,384,141	17,905,860
2 Current Year's Profit	33,013,687	21,875,117
Total	37,397,828	39,780,977
Expenses :		
1 Accumulated Loss up to the Last Year	-	-
2 Current Year's Loss	-	-
3 General Reserve	6,602,737	4,375,023
4 Provision for Previous Year Taxation	-	-
5 Capital Reserve	-	-
6 Dividend	-	386,142
6 Proposed Cash Dividend	15,117,916	1,158,426
7 Bonus Share	-	7,336,700
8 Deferred Tax	(309,000)	130,444
9 Proposed Bonus Share	14,362,020	22,010,100
Total	35,773,673	35,396,835
Accumulated Profit/(Loss)	1,624,155	4,384,141

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer**Ashoke S.J.B. Rana**
Chairman**Ram Santa Shrestha**
Director**L. D. Mahat**
Partner
CSC & Co.
Chartered Accountants**Gopi Bhandari**
Director**Nirmal Dahal**
Director**Siddhant Raj Pandey**
Director**Neena Thapa**
DirectorDate: 2068/06/10
Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD.

Cash Flow Statement

For the Period from Shrawan 01, 2067 to Ashad 32, 2068
(Corresponding Period from July 17, 2010 to July 16, 2011)

Particulars	Current Year (NRs.)	Previous Year (NRs.)
A. Cash Flow from Operating Activities		
Net Profit as Per P&L A/C	33,013,687	21,875,117
Adjustments:		
Interest Income	(9,349,311)	(4,840,393)
Depreciation	2,748,297	2,150,160
Operating Profit Before Working Capital Changes	26,412,673	19,184,883
Change in Working Capital		
Increase/(Decrease) in Provision	15,747,925	(1,676,090)
Increase/(Decrease) in Trade and Other Payables	(905,771)	1,843,440
(Increase)/Decrease in Advances, Loans & Deposits	4,645,978	(694,386)
(Increase)/Decrease in Trade & Other Receivables	1,002,560	59,331
Total (A)	46,903,365	18,717,178
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(5,565,129)	(2,289,608)
Sale of Fixed Assets	-	
Investments	(54,275,076)	(33,815,728)
Interest Income	9,349,311	4,840,393
Total (B)	(50,490,894)	(31,264,943)
C. Cash Flow from Financing Activities		
Issue of Share Capital (Except Bonus Share)	5,779,800	-
Secured Loans Against Fixed Deposit	-	(2,500,000)
Proposed Dividend	(15,117,916)	(1,544,568)
Total (C)	(9,338,116)	(4,044,568)
Net Cash Increase/Decrease (A+B+C)	(12,925,646)	(16,592,333)
Add: Opening Cash & Bank Balance	16,951,935	33,544,269
Closing Cash & Bank Balance	4,026,289	16,951,935

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer

Ashoke S.J.B. Rana
Chairman

Ram Santa Shrestha
Director

L. D. Mahat
Partner
CSC & Co.
Chartered Accountants

Gopi Bhandari
Director

Nirmal Dahal
Director

Siddhant Raj Pandey
Director

Neena Thapa
Director

Date: 2068/06/10
Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD.

Statement of Changes in Equity

For the Period from Shrawan 01, 2067 to Ashad 32, 2068
(Corresponding Period from July 17, 2010 to July 16, 2011)

Particulars	(Amount in NRs.)					
	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Reserve	Deferred Tax Reserve	Proposed Bonus Share
Opening Balance	44,020,200	4,384,141	10,229,451	7,299,257	1,175,101	22,010,100
Adjustments						
Current Year's Net Profit	-	33,013,687	-	-	-	-
General Reserve	-	(6,602,737)	6,602,737	-	-	-
Right Share	-	-	-	-	-	-
Issue of Bonus Share	22,010,100	-	-	-	-	(22,010,100)
Proposed Cash Dividend	-	(15,117,916)	-	-	-	-
Deferred Tax Income	-	309,000	-	-	(309,000)	-
Issue of Undistributed Share	5,779,800	-	-	-	-	-
Proposed Bonus Share	-	(14,362,020)	-	-	-	14,362,020
Closing Balance	71,810,100	1,624,155	16,832,188	7,299,257	866,101	14,362,020
						112,793,821

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer

Ashoke S.J.B. Rana
Chairman

Ram Santa Shrestha
Director

L. D. Mahat
Partner
CSC & Co.

Chartered Accountants

Gopi Bhandari
Director

Nirmal Dahal
Director

Siddhant Raj Pandey
Director

Neena Thapa
Director

Date: 2068/06/10
Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD.

Schedules to Balance Sheet as at Ashad 32, 2068

Share Capital**Schedule - 1**

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Authorised Share Capital		
(10,00,000 Ordinary Share of Rs. 100 Each)	100,000,000	100,000,000
Issued Share Capital		
(10,00,000 Ordinary Shares of Rs. 100 Each)	100,000,000	50,000,000
Paid-Up Share Capital		
498,000 Ordinary Shares of Rs. 100 Each	49,800,000	36,683,500
220,101 Bonus Share of Rs. 100 Each	22,010,100	7,336,700
Total Paid-Up Capital	71,810,100	44,020,200

Reserve & Surplus**Schedule - 2**

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Capital Reserve	7,299,257	7,299,257
General Reserve	16,832,188	10,229,451
Accumulated Profit	1,624,155	4,384,141
Deferred Tax Reserve	866,101	1,175,101
Proposed Bonus Share	14,362,020	22,010,100
Total	40,983,721	45,098,051

Secured Loans**Schedule - 3**

Particulars	Current Year (NRs.)	Previous Year (NRs.)
-	-	-
-	-	-

KARJA SUCHANA KENDRA LTD.
Fixed Assets and Depreciation

For the Period from Shrawan 01, 2067 to Ashad 32, 2068

Particulars	Dep. Rate	Cost Price			Depreciation			Written Down Value	
		Previous Year NRs.	Addition Current Year NRs.	Sales Adjustment	Balances NRs.	Previous Year NRs.	Current Year NRs.	Current Year NRs.	Previous Year NRs.
Building, Structures and Similar Works of Permanent Nature	5%		949,428	-	949,428	-	43,075	906,353	-
Computers, Furniture & Fixtures									
and Office Equipment	25%	5,898,830	3,110,051	-	9,008,881	2,658,218	1,060,515	4,075,567	2,026,031
Vehicle	20%	3,521,229	1,500,000	-	5,021,229	1,288,614	544,545	3,178,183	2,222,729
Plant and Machinery	15%	1,263,080	-	-	1,263,080	126,308	170,516	966,256	1,136,772
Other Intangible Assets		3,446,474	5,650	-	3,452,124	2,985,427	929,646	761,519	1,685,515
Balance of Current Year		14,129,612	5,565,129	-	19,694,742	7,058,567	2,748,297	9,887,878	7,071,046

KARJA SUCHANA KENDRA LTD.

Schedules to Balance Sheet as at Ashad 32, 2068

Investments		Schedule - 5
Particulars	Current Year (NRs.)	Previous Year (NRs.)
(a) Fixed Deposit		
Ace Development Bank Ltd.	7,500,000	5,500,000
Alpic Everest Bank Ltd.	9,000,000	9,000,000
Annapurna Finance Ltd.	4,000,000	-
Citizen Bank International Ltd.	4,000,000	-
Civil Bank Ltd.	7,000,000	-
Clean Energy Development Bank Ltd.	2,500,000	-
Everest Bank Ltd.	3,000,000	3,000,000
Global Bank Ltd.	4,000,000	4,000,000
Goodwill Finance Ltd.	5,000,000	2,500,000
ICFC Bittiya Sanstha Ltd.	5,000,000	-
International Development Bank Ltd.	3,000,000	1,000,000
Kist Bank Ltd.	3,000,000	-
Kumari Bank Ltd.	7,000,000	5,000,000
Manakamana Development Bank Ltd.	5,400,000	3,400,000
Manjushree Financial Institution	3,000,000	2,000,000
Nepal Industrial And Commercial Bank Ltd.	7,500,000	5,000,000
Nepal Investment Bank Ltd.	5,000,000	5,000,000
Nepal SBI Bank Ltd.	3,000,000	-
Prime Commercial Bank Ltd.	6,000,000	4,000,000
Reliance Finance Ltd.	2,500,000	-
Sagarmatha Merchant Banking & Finance Ltd.	5,000,000	5,000,000
Sunrise Bank Ltd.	3,000,000	-
Tourism Development Bank Ltd.	2,200,000	-
Union Finance Ltd.	5,000,000	2,000,000
	111,600,000	56,400,000
(b) Citizen Investment Trust	1,941,602	3,415,728
(c) Flexible Deposit		
Manjushree Finance Ltd.	336,798	-
Kist Bank Ltd.	212,404	-
	549,202	-
Total (a+b+c)	114,090,804	59,815,728

KARJA SUCHANA KENDRA LTD.

Schedules to Balance Sheet as at Ashad 32, 2068

Trade and Other Receivable		Schedule - 6
Particulars	Current Year (NRs.)	Previous Year (NRs.)
Receivables		
Service Charge	4,265,269	7,083,868
Interest Accrued		
Ace Dev. Bank Ltd.	191,150	172,753
Alpic Finance	365,903	259,483
Annapurna Finance Ltd.	143,137	-
Citizen Bank Ltd.	61,808	-
Civil Bank Ltd.	34,849	-
Clean Energy Dev. Ltd.	27,603	-
Everest Bank Ltd.	72,000	45,616
Global Bank Ltd.	480,000	-
Goodwill Finance	159,041	79,247
ICFC Finance	167,397	-
International Dev. Bank	97,863	48,411
Kumari Bank Ltd.	15,452	57,021
Manjushree Finance Ltd.	-	28,384
Nepal Investment Bank	304,110	227,055
Nepal SBI Bank Ltd.	17,260	-
NIC Bank Ltd.	214,521	185,753
Prime Bank Ltd.	123,616	-
Reliance Finance	31,233	-
Sagarmatha Finance	265,425	241,726
Sunrise Bank Ltd.	92,712	-
Tourism Dev. Bank	73,655	-
Union Finance Ltd.	234,863	12,110
Total	7,438,867	8,441,427

Cash and Bank Balance		Schedule - 7
Particulars	Current Year (NRs.)	Previous Year (NRs.)
Cash in Hand	1,434	1,314
Citizen Bank International - Call A/C	-	1,646,270
Nepal Rastra Bank - CIBL	1,320,370	4,789,800
Nepal Industrial & Comm. Bank - Call A/C	-	5,789,931
Nabil Bank Ltd. - 0201017500811 (Current)	574,986	1,881,548
Nabil Bank Ltd. Call A/C	1,165,488	265,233
NMB Bank Ltd. (Call)	-	74,294
Tourism Development Bank	-	2,000,511
Civil Bank Ltd. (Current)	132,430	-
Sunrise Bank Ltd.	-	136,543
Manakamana Development Bank	831,581	366,491
Total	4,026,289	16,951,935

KARJA SUCHANA KENDRA LTD.

Schedules to Balance Sheet as at Ashad 32, 2068

Pre-Paid, Advances, Loans and Deposits**Schedule - 8**

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Deposit		
Nepal Telecommunication	23,060	23,060
Staff Advances	157,952	292,678
Loans to Staff	801,423	2,001,054
Advance Tax	1,199,229	4,679,263
Others	702,947	534,534
Total	2,884,611	7,530,589

Trade and Other Payables**Schedule - 9**

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Auditors Fee	156,100	201,258
Telephone Charge (Payable)	14,000	39,132
Others Payable	1,838,607	1,189,622
Advance Received of Service Charges	73,781	-
Gratuity Fund/Retirement Fund (CIT)	1,941,602	3,415,728
Leave Fund	1,761,580	1,484,217
TDS Payable	10,702	7,423
IFC Intervation Expenses Payable	1,000,000	1,000,000
Dividend Payable	-	386,142
NLG Insurance Payable	15,598	41,549
Bonus Payable	67,130	19,800
Total	6,879,099	7,784,870

Provisions**Schedule - 10**

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Provision for Income Tax		-
Provision for Bonus	4,403,714	2,924,279
Provision for Cash Dividend	15,117,916	1,158,426
Total	19,521,630	4,082,705

KARJA SUCHANA KENDRA LTD.Schedules to Income Statement for the Period from
Shrawan 01, 2067 to Ashad 32, 2068

Operating Expenses		Schedule - 11
Particulars	Current Year (NRs.)	Previous Year (NRs.)
Salary and Allowances	8,774,667	8,365,442
Meeting Expenses	146,238	102,826
Travelling Expenses	285,458	-
Training Expenses	8,641	9,797
Printing and Stationery	125,205	423,260
Repair and Maintenance:		
a) Repair Expenses	65,090	189,534
b) Maintenance Expenses - Annual Charges (Software)	150,864	487,426
Telephone Charge	152,021	197,960
Postal Charge	40,600	132,293
Fuel Expenses	100,912	97,934
Insurance Premium	52,166	46,784
Auditor's Fee	168,581	203,965
Water, Electricity and Others	356,221	237,044
Legal Expenses	224,714	142,350
Paper and Publication	81,511	41,172
Web Charges	406,800	271,200
AGM Expenses	360,347	356,935
Books and Periodicals	-	400
Office Rent, Security and Other Expenses	1,708,000	725,000
Fee and Commission	-	55,460
Uniform Expenses	64,733	68,712
Interest Expenses	-	112,925
Entertainment Expenses	62,033	57,355
Furniture and Equipment Expenses	17,428	35,395
Miscellaneous Expenses	143,926	122,966
Total	13,496,156	12,484,136

Non Operating Expense		Schedule -12
Particulars	Current Year (NRs.)	Previous Year (NRs.)
VRS Expenses	9,072,273	-
Write off Expenses	-	227,900
Total	9,072,273	227,900

KARJA SUCHANA KENDRA LTD.**Significant Accounting Policies and Notes to Account**

For the Period Ended on 32 Ashad 2068

Schedule - 13**1. GENERAL**

Incorporation and Legal form of the Company:
The company is incorporated as a public limited company under the Company Act 2053.

2. NATURE OF BUSINESS

The primary objective of the company is to provide credit information to Banks and Financial Institutions.

3. ACCOUNTING CONVENTION

The Financial Statements have been prepared under the historical cost convention and comply with Nepal Accounting Standards.

4. BASIS OF ACCOUNTING

Income and expenses have been accounted for on accrual basis.

5. FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to Profit & Loss Account on a written down value (WDV) method except on software, intangible asset and server for which straight line (STL) method has been applied. Depreciation over the estimated useful life of assets as estimated by the management is as follows:-

Nature of Assets	Depreciation Rate
Building	5% WDV
Computers, Furniture & Fixtures and Office Equipment	25% WDV
Vehicles	20% WDV
Other Intangible Assets	20% STL

6. PROVISION FOR INCOME TAX

The provision for Income Tax has been calculated at the rate applicable for that year in accordance with Income Tax Act and Rules. The Provision for Income Tax as per Income Tax Act 2058 for the year is NRs. 10,714,452. The amount has been adjusted against the Advance Tax.

7. DEFERRED TAX

Nepal Accounting Standard 09, "Income Taxes" has been complied with from the fiscal year 2064/065. The details of deferred tax assets and liabilities for the year 067/068 are as follows:

Particulars	Deductible Temporary Differences (NRs.)	Taxable Temporary Differences (NRs.)	Net (NRs.)
Fixed Assets	-	(238,776)	(238,776)
Retirement Fund (CIT)	1,941,602	-	1,941,602
Leave Fund	1,761,579	-	1,761,579
Total Temporary Difference	3,703,181	(238,776)	3,464,405
Deferred Tax Assets (Liability)	925,795	(59,694)	866,101

The deferred tax asset arising due to the temporary difference amounts to NRs. 866,101 this year whereas it was NRs. 1,175,101 in previous year. The decrease in deferred tax assets by NRs. 309,000 during the year is added to the previous years' balance of the deferred tax assets in the Balance Sheet and incorporated as the deferred tax expense in the Income Statement of the current year.

8. PROVISION FOR STAFF BONUS

Staff bonus is provided at 10% of net profit before tax.

9. GENERAL RESERVE

As per the provision of the Articles of Association, 20% of the current year's profit amounting to NRs. 6,602,737 has been transferred to General Reserve.

10. INVESTMENTS

Investments in Fixed Deposits are recorded at cost price.

11. LOAN TO STAFF

Loan to staff represent loan granted to employees at concessional interest rate as per the policy of the company. Interest on such loan is recovered from employees on monthly basis and shown as income. Employees of the company availing such loan facility are required to obtain life insurance policy with insured sum equivalent to the amount of loan granted. Such policies are assigned to the company. Loans are recovered upon maturity of insurance policy.

12. CASH DIVIDEND AND BONUS SHARE

Board has decided on its 59th Board Meeting dated 27th September, 2011 to disburse 20% Cash Dividend and issue

20% Bonus Share to its existing shareholders subject to the approval from the forthcoming 7th Annual General Meeting of the Company. Cash dividend amounting to NRs. 14,362,020 and the tax expenses amounting to NRs. 755,896 resulting from the issue of the bonus share has been adjusted in the Provision account of the financial statement. Proposed Cash dividend has the effect in reducing the Reserve and Surplus account by NRs. 15,117,916 from NRs. 56,101,637 to NRs. 40,983,721. These two accounts have been adjusted in the Balance sheet accordingly.

13. ROUNDING-OFF/PREVIOUS YEAR FIGURES

Figures are rounded off to the nearest rupee. Previous year figures has been regrouped or rearranged wherever necessary. ■