

BOARD OF DIRECTORS REPORT 068/069



KARJA SUCHANA KENDRA LIMITED

BOARD OF DIRECTORS



MR. SIDDHANT RAJ PANDEY
Chairman



DR. MIN BAHADUR SHRESTHA
Director



MR. AJAY SHRESTHA
Director



MR. JYOTI PRAKASH PANDEY
Director



MR. KAMAL PRASAD GNAWALI
Director



MR. RAM BAHADUR KHADKA
Director



MR. RAJENDRA MAN SHAKYA
Director

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MESSAGE FROM THE CHAIRMAN



SIDDHANT RAJ PANDEY
Chairman

We passed yet another fiscal year 068/069 which remained quite successful in terms of the operational and financial performance of the company. Company took a big leap and entered into new era by signing an Agreement with Dun & Bradstreet (D&B) for the installation and commissioning of one of the most advanced credit information bureau systems in the country. As the world's premier provider of credit information solutions and services, and the leading player in the South Asia and Middle East region, D&B will leverage its global expertise to partner with KSKL in establishing a world-class Credit Bureau in Nepal. The new Application System by D&B called "Silver Blade" employs state of the art technology and is developed to provide high speed Credit Bureau services to its users. D&B has been a strong player in the South Asian Credit Bureau domain since more than a decade and are partners with all the Credit Bureaus of the SAARC region.

Kendra also signed an Agreement with Asian Development Bank (ADB) to implement the Microfinance Credit Information Bureau Service in the country. The Kendra has received the Grant of

US\$ 2 million from the Asian Development Bank (ADB) under the Rural Finance Sector Development Cluster Program II for the procurement of Hardware & Third party software needed for the implementation of the MF Bureau. D&B will be developing the required application software for the MF Bureau as well.

The scope of activities of the Kendra will certainly increase after the implementation of both Commercial Bureau and MF Bureau. With both the Bureaus running together under its one umbrella, Kendra will be the largest repository of Credit Data in the country with the information of all Credits, big or small, extended in the economy being collected and recorded in its database. This will make Kendra a most vital institution in the growth of Credit Market in the country and make it a "one window solution provider" for diverse areas of banking business.

Kendra's operational performance remained quite satisfactory in the year 068/069. The coverage of service was further extended and system was made more secured, accessible and easy to use. Disaster Recovery site was installed to provide further redundancy to the system. Quality of database was further improved by deploying very effective validation systems. Response cycle time was further brought down by 50% from 8 secs to 4 secs this year. Because of the improvements made on the system and the quality of service provided, the number of searches made by the lending agencies increased by 48% which is quite high as compared to the previous years.

Kendra's financial performance was also very impressive this year. The total operating revenue was increased by 35% where as operating expense increased by only 0.65% leading to an operating profit margin ratio of 83.6%. The company implemented a very strong austerity

measures and were very successful in restraining the growth of expenses this year. Account receivable was brought down further to the level of 4.8% this year from 5.7% last year. The net profit thus got increased by 70.5% leading to a net profit margin ratio of 56.5%.

Overall, company did very well this year. As a matter of fact, Company has maintained a very steady growth since the last four years. All the operational and financial figures of the company of the last four years are the testament of that fact and highlight its achievements. Operating revenue has grown by 340% where as operating expenses increased by only 31% leading to a net profit growth of nearly 700% during the last four years.

We would like to thank all our member institutions for their support to us all the time. Without their support we could not have come so far and achieved this much. But there are still lot more desired from them in terms of sending correct, current, complete and consistent data to Kendra to help Kendra improve on its database and credit reports. The success of Kendra depends solely on the data and without it Kendra loses all its significance and credibility. Kendra is also having big problems with MIS mismatch between Kendra and some banks and financial institutions. Unless the banks upgrade their system, they can not optimize the benefits to be derived from the new Credit Bureau System.

We strive hard to keep on improving on our system and services. We worked tirelessly so far to reach to this stage and will keep on doing so in the future until we make Kendra an institution that we dreamed for. At the end I would like to thank the management of the company who worked hard to give better performances every year and helped establish the company in firm operational and financial footing.

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

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of the company, I would like to welcome you all to this 8th 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 068/069 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 068/069 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 068/069 was mainly focused at providing uninterrupted, high quality Credit Information Services to the Banks and Financial Institutions of the country regardless of their location, size and category. The focus was also aimed at making the service more affordable to the users with the introduction of various kinds of discount packages based on their usage and search volumes. To put in an encapsulated form, the major operational highlights of the year 068/069 were as follows:

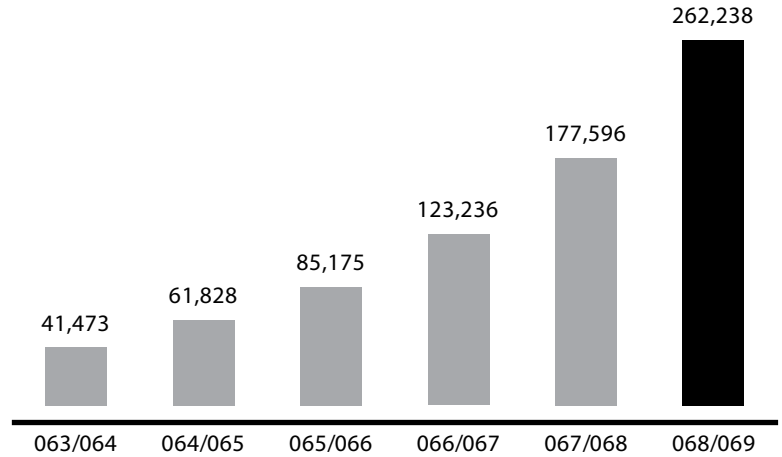
- the penetration of online service was made more extensive and widespread through out the country with all the Commercial Banks, Development Banks and Financial Institutions irrespective of their location connected to Central Credit Bureau System. The efforts were also made to link all their branches to the Bureau,
- the service was provided uninterrupted through out the year. There were no service breakdowns reported during the period and system availability was 100%. All network equipments were configured in a failover mode in a 2 node cluster using appropriate protocols to provide redundancy and automatic fail-over. The failover mechanisms were supplemented by robust backup system,
- the warm disaster recovery site was installed & commissioned in Government Integrated Data Center located in Singh Durbar, Kathmandu so that the service could be provided within minutes from warm DR Site in case of any disaster at the Primary site.
- The DR Site was connected to Primary Site with separate high capacity ISP Link,
- the additional security mechanisms were put in place to make the system comply with all three levels of system security namely network security, application security & web security. The data security was maintained at the highest level and no cases of security breach in data access, transmission, storage and information dissemination were reported during the year,
- the data center was further equipped with additional physical security devices to make it more secured from any unauthorized access,
- the data upload through FTP Servers were made more effective in transmitting large volumes of data securely from the Banks and Financial Institutions to the CIB Database. The FTP System now can collect, streamline and store any volume of data received from the Banks and Financial Institutions into the Bureau's Database,
- the response cycle time (the time elapsed between system access and credit report generation) were made to be less than 4 secs. This was the huge improvement in performance as compared to previous year where the average response cycle time was nearly 8 secs. Thus, there was 50% improvement on response cycle time,
- the further improvement in the quality of database was observed in the year 068/069. The effective mechanisms were developed to make the system perform the validation check on the data submitted by the member institutions to ensure the sanity of the data. Only those data that passed the validation check were made to enter the system,
- the improvements on operational performance was achieved by developing a very effective audit trail system. Various logs were developed to capture all user activities and system processes. System was developed to maintain a running log or journal of transactions relating to functions or processes,
- alert, messaging and emailing component which were developed

earlier and were in preliminary form were made more advanced and effective this year. All notices, announcements, statements regarding the operation were provisioned to be sent to Banks and Financial Institutions through these advanced email systems,

- the number of Information Searches or Hit Rates increased by nearly 48% this year. Many factors such as easy access to service, increased coverage, quality credit reports, attractive discount offerings and increased awareness among users to use credit reports for the credit appraisals etc. seem to have contributed for this increase,
- Commercial Banks generated the highest number of Hits (69%) followed by National Development Banks (11%), Finance Companies (10%) and Regional Development Banks (9%). Co-operatives and others were the lowest users of the service (1%),
- if the Hit Rates or Number of Searches were any indications of the lending patterns of the Banks & Financial Institutions, it showed some peculiar trends as some Development Banks generated more Hits than some Commercial Banks. Some Finance Companies were way ahead of some Commercial Banks and Development Banks in the number of Hits generated,

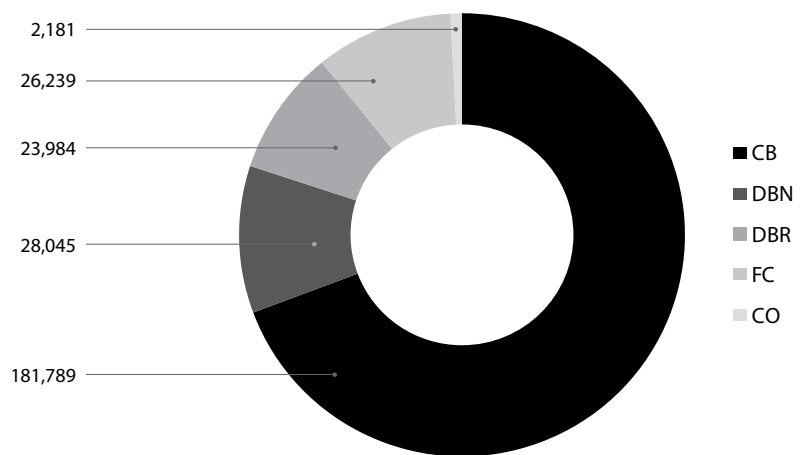
Total Queries/"Hits"

Year	063/064	064/065	065/066	066/067	067/068	068/069
Total Queries/"Hits"	41,473	61,828	85,175	123,236	177,596	262,238
Yearly Increments	6,193	20,355	23,347	38,061	54,360	84,642



Distribution of Hits

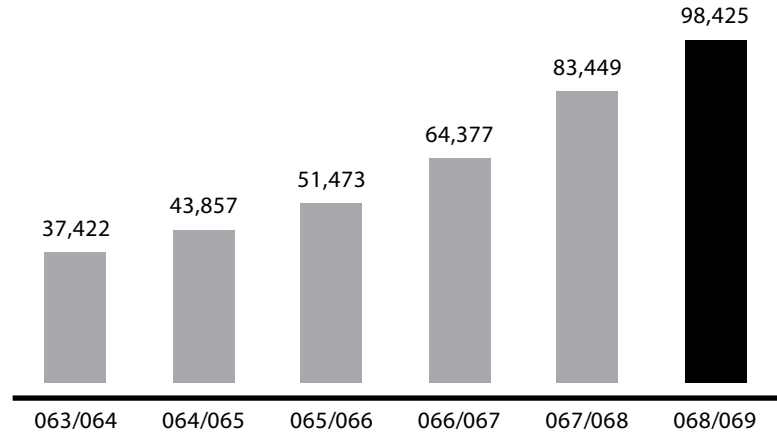
Categories of Lending Institutions	Number of Searches	Percentage
Commercial Banks (CB)	181,789	69.32%
Development Banks/National (DBN)	28,045	10.69%
Development Banks/Regional (DBR)	23,984	9.15%
Finance Companies (FC)	26,239	10.01%
Co-operatives and others (CO)	2,181	0.83%
Total Searches	262,238	100%



- Borrowers' Records, which indicate the total number of borrowers who were extended the loans of Rs. 2.5 million and above facilities by the Banks and Financial Institutions of the country, increased by only 18% this year as compared previous year's increment of 29%. This decrease in lending could be attributed to the various factors such as liquidity crisis, real state collapse, deflated interest rate, poor state of economy etc. affecting the sector,
- Borrowers' Records Distribution shows similar pattern as that of Hit Rates. Commercial Banks were the biggest lenders in the Rs. 2.5 million & above loan category as compared to the Development Banks and Finance Companies,

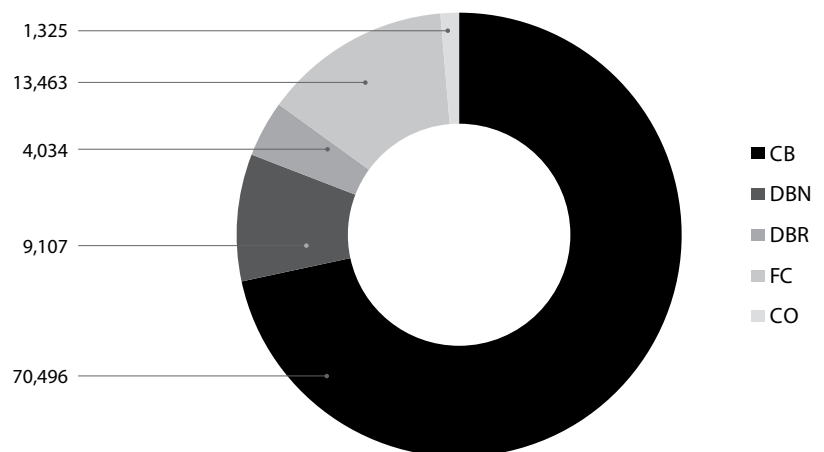
Registered Borrowers in CIB Database

Year	063/064	064/065	065/066	066/067	067/068	068/069
Total Borrowers	37,422	43,857	51,473	64,377	83,449	98,425
Yearly Increments	3,457	6,435	7,616	12,904	19,072	14,976



Borrower Records Distribution Among Different Leading Agencies

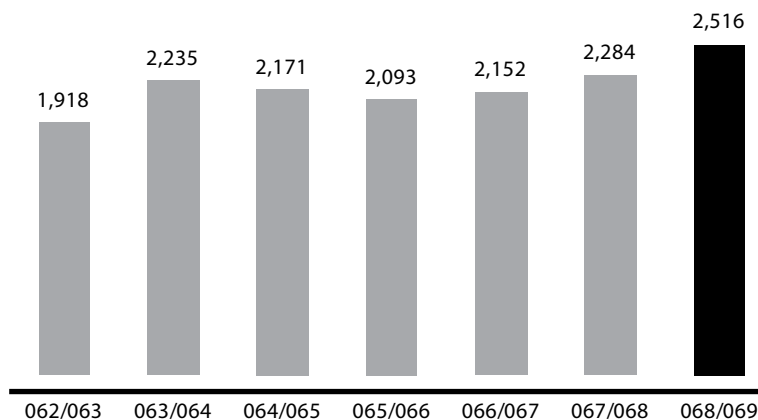
Categories of Lending Institutions	Number of Records	Percentage
Commercial Banks (CB)	70,496	71.62%
Development Banks/National (DBN)	9,107	9.25%
Development Banks/Regional (DBR)	4,034	4.10%
Finance Companies (FC)	13,463	13.68%
Co-operatives and others (CO)	1,325	1.35%
Total Searches	98,425	100



- the number of borrowers in the Blacklist increased sharply this year by 34%. The increased number of loan recovery problems and default loans, Central's Bank's new regulations regarding the Blacklist provisions and its strict monitoring & supervision on the default loans of the lending agencies seem to have contributed in increasing the number of Blacklisted Borrowers this year,
- Corporate Structure was made lean & thin but very efficient and effective. Judicious Balance was made between the workloads and human resource deployment thus reducing the redundancy in workforce. IT Department was strengthened by hiring qualified professionals,
- the Credit Information Report was made more informative with the addition of new data fields in the report,
- the Bureau increased the frequency of the trainings to be given to the users of Banks and Financial Institutions to make them familiar with the credit information reporting. Many interactions programs were conducted during the period to share ideas with the users to improve on the services rendered by the Bureau,
- the Billing Cycle was brought down further reducing the collection period from 24 days in 067/068 to 17.6 days in 068/069. In spite of increase in number

Statistics of the Blacklisted Borrowers & Total Non Performing Assets

Year	Till 062/063	063/064	064/065	065/066	066/067	067/068	068/069
Added in Blacklist	2,909	430	82	55	171	263	353
Removed from Blacklist	991	113	146	133	112	131	121
Total Borrowers in Blacklist at the end of Fiscal Year	1,918	2,235	2,171	2,093	2,152	2,284	2,516



of invoice bills and billing amount, there were no errors reported on the bills and the accuracy was one hundred percent,

- Company took all the necessary measures to manage the risk from operation. Company had very robust IT Security System in place and had trained IT staffs who could manage all kinds of system security risks. The operations staffs had many years of

experience in checking and validating the sanity of data received from the sources. The periodical internal audit from the reputed Chartered Accountancy firm was carried out to monitor various types of financial and operational risks. All the assets including the staffs of the company were safeguarded through adequate insurance coverage.

MAJOR OPERATIONAL ACHIEVEMENTS OF THE YEAR 068/069

- After many years of consistent efforts on the KSKL modernization project, KSKL finally signed the Agreement with Dun & Bradstreet (D&B), a global vendor and service provider, for the installation & commissioning of one of most advanced Credit Information Bureau System in Nepal. The Application Software named "Silver

Blade" is latest product of D&B which is one of its kinds in the world in terms its features and services. The Application Software is already in the process of customization and is expected to be completed by the end of the fiscal year 069/070,

- KSKL also got the funding from the Asian Development Bank to implement

the MF Credit Information Bureau. The funding is for the procurement of Hardware & 3rd Party Software & Data Center equipments. The procurement is already in process and its installation & commissioning is expected to be completed by the end of 069/070.

BRIEFS ABOUT THE NEW SYSTEM AND ITS BENEFITS

New system will provide quantum leap in performance as compared to the existing system and will be capable of processing large volumes of Commercial and Microfinance Data into decisions ready reports and insights. It will have many features and will have Best in Class Business Process and Basel II expertise. Apart from this, KSKL will have access to not only the latest Technological & Credit Reporting Systems but also to international best practices, business and legal know-how and high content, process oriented, and simulated training infrastructure of D&B which will contribute immensely for the capacity building

of KSKL staffs and banks' professionals engaged in credit bureau reporting.

The proposed Credit Bureau System would typically be capable of sharing data across borders with other South Asian Countries in a facilitated mechanism given D&B's implementations in India, Sri Lanka, Bhutan and Maldives. This will provide a great opportunity for Nepal to be in league with other SAARC nations and be a member of the SAARC Credit Bureau Association. The Association is going to be established very soon whose main purpose will be to share data of serious defaulters among the SAARC Nations.

With the implementation of new

system, KSKL will be operating both Commercial Bureau and Microfinance Bureau as one system and provide services to both of them based on the principle of reciprocity. Thus, KSKL will be covering all credit lending agencies of the country, small or big, under its umbrella and will be the largest data bank and repository of credit information in the country. There will be huge growth in volume of data and their transactions leading the quantum leap in the growth of revenue & profitability of the company. Various kinds of value added products that can be generated from the system will generate further revenue for the company.

CORPORATE GOVERNANCE

The Governing Body of the company is the Board of Directors which is represented by the promoter shareholders. The Chairman of the Board is elected from among the Board Members. The number of representations in the Board from each category of Financial Institution is based on its shareholding stake in the company. There are four

members represented from Commercial Banks, one member from Development Banks, one member from Finance Companies and one member from Nepal Rastra Bank.

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 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

Since the tenures of all Board Members were to expire on Baisakh 2069, the elections were held in the 7th

Annual General Meeting of the company for the new Board of Directors for the new term starting from 15 Baisakh, 2069. The followings members were elected unanimously for the Board of Directors from the AGM:

NEW BOARD STRUCTURE AND COMPOSITION

S.N.	Name	Representation from	Designation
1	Mr. Siddhant Raj Pandey	Development Bank Category	Chairman
2	Mr. Ajay Shrestha	Commercial Bank Category	Director
3	Mr. Jyoti Prakash Pandey	Commercial Bank Category	Director
4	Mr. Kamal Prasad Gnawali	Commercial Bank Category	Director
5	Mr. Ram Bahadur Khadka	Commercial Bank Category	Director
6	Mr. Rajendra Man Shakya	Finance Company Category	Director
7	Dr. Min Bahadur Shrestha	Nepal Rastra Bank	Director

The new Board Members unanimously elected Mr. Siddhant Raj Pandey as the Chairman of the Board from its first Board Meeting held on 15th May, 2012 (63rd Board Meeting).

BOARD OF DIRECTORS DISCLOSURE**MR. SIDDHANT RAJ PANDEY****Chairman**

- ACE Development Bank
- Nepal Banking Training Institute
- Public Private Partnership at Nepal Planning Commission
- Nepal Institute of International & Strategic Studies
- Himalayan Climate Initiative

CEO
Board Member
Member/Steering Committee
Director
Director/Treasurer

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. AJAY SHRESTHA**Director**

- Bank of Kathmandu
- Beed-BOK Venture Limited

CEO
Chairman

MR. JYOTI PRAKASH PANDEY**Director**

- Nepal Investment Bank Limited
- NIBL Capital Markets Limited

CEO
Chairman

MR. KAMAL PRASAD GNAWALI**Director**

- KIST Bank
- Kathmandu Medical College, Teaching Hospital
- Elite Capital Limited
- Kathmandu Engineering College
- Kathmandu Institute of Science & Technology
- Gulmi Bikas Bank
- Kist College of Management
- Kist College of Information Technology
- Jeevandhara Limited

Managing Director
Director
Director
Promoter
Promoter
Founder Member
Promoter
Promoter
Chairman

RAM BAHADUR KHADKA**Director**

- Agriculture Development Bank

Company Secretary

Mr. Rajendra Man Shakya**Director**

- CMB Finance Limited
- Nepal Finance Companies Association
- FNCCI Commodities Council
- Nepal Red Cross Society
- Nepal Baudhha Parishad

CEO
President
Executive Member
Life Member & Advisor
Life Member

BOARD MEETINGS 068/069

There were total of eight Board Meetings held during the year 068/069. Six Board Meetings were held under Chairmanship of Ashoke Rana (Outgoing Board) and two meeting under the Chairmanship of Mr. Siddhant Raj Pandey (Incoming Board).

Name	Total Meetings Held	Total Meetings Attended
Outgoing Board (Shrawan to 15 Baisakh 068/069)		
Ashoke Rana (Chairman)	6	6
Siddhant Raj Pandey	6	6
Anurag Misra/Gopi Bhandari	6	5
Nirmal Dahal	6	6
Ram Santa Shrestha	6	5
Dr. Min Bahadur Shrestha	6	2
Amrit Charan Shrestha/Neena Thapa	6	5
Incoming Board (16 Baisakh to Ashad end 068/069)		
Siddhant Raj Pandey (Chairman)	2	2
Ajay Shrestha	2	2
Jyoti Prakash Pandey	2	2
Dr. Min Bahadur Shrestha	2	1
Kamal Prasad Gnawali	2	2
Rajendra Man Shakya	2	2

AUDIT COMMITTEE

Since the term of previous Audit Committee also expired on 15 Baisakh 2068, the new Audit Committee was formed by the Board (64th Board Meeting, 20th June 2012) with the appointment of two Board Members to represent in the Audit Committee.

Mr. Rajendra Man Shakya

Chairman

Mr. Ram Bahadur Khadka

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 five (5) Audit Committee Meetings conducted and four Internal Audit Reports submitted in the year 068/069. All members were present in all the meetings.

Name	Total Meetings Held	Total Meetings Attended
Outgoing Audit Committee (Sawan to 15 Baisakh 068/069)		
Ram Santa Shrestha (Chairman)	3	3
Anurag Mishra/Gopi Bhandari	3	3
Incoming Audit Committee (16 Baisakh to Asar end 068/069)		
Rajendra Man Shakya	2	2
Ram Bahadur Khadka	2	2

RECRUITMENT COMMITTEE

Board decided to form a three member Recruitment Committee under the Chairmanship of a member of Board of Directors. Board decided to appointment Mr. Ajay Shrestha as its Chairman.

Mr. Ajay Shrestha	Chairman
CEO	Member
HR/Admin Officer	Member

Since no new recruitments, appointments and promotions of Permanent Staffs were made in the company during the period, no meetings were held of the Recruitment Committee.

EXPENSES INCURRED ON COMMITTEES

Committees	Number of Meetings	Expenses on Committees (NRs.)		
		Meeting Allowances	Other Expenses	Total
Board of Directors Meetings	8	96,000	14,545	110,545
Audit Committee Meetings	5	16,000	4,000	20,000

MANAGEMENT

CEO is the highest ranking corporate officer in charge of total management of the company. In the context of this authority, CEO is in charge of the Company's departments, directs their operations, makes the necessary decisions in the framework set out by the applicable legislation, the Articles of Association, the regulations governing the Company's function, the approved projects and budgets, as well as Board decisions. CEO has the responsibilities as the communicator, decision maker, leader, manager and executor. 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.

HUMAN RESOURCE

We firmly believe that effective human capital is critical to an organization's success and human resource management a critical component of organizational development. Our strategic focus lies in maximizing the productivity of our company by optimizing the effectiveness of its employees while simultaneously improving work life of employees and treating them as valuable resources. We aim at creating an environment where staffs can grow and develop their professional skills, deliver their best and are always motivated to work harder. We aim at hiring good people, train them, compensate them and motivate them to give their best in the company.

We have been sending our staffs regularly for the trainings overseas to have them more exposure and expertise

in Credit Bureau Operations and Management. Few IT & Operations Staffs made a visit to Credit Information Bureau India Limited (CIBIL) and learnt about CIBIL's system and their operations. They discussed with the system developers, users and management about the issues and problems in bureau operations in India. One team also visited the Credit Bureau Research Center of Dun & Bradstreet Company located in Chennai, India and got familiar with the new developments being made in credit bureau system design & applications. Our company is the regular participant of annual credit bureau trainings organized by IFC/WB in collaboration with Bank Negara, Malaysia in Malaysia.

ISSUES & PROBLEMS AFFECTING THE SERVICE OF THE BUREAU

Most of the Issues and Problems affecting the Credit Bureau Operations were the same as before and there seemed to be no or marginal improvements made in this area. These problems can only be sorted out if Banks and Financial Institutions realize the gravity of the problems and be serious enough to help KSKL to address these problems.

i) Reporting & Updates

The lending agencies regularly fail to submit the quarterly updates (ka.su.fa. 2) of the borrowers on schedule. This leads to degradation in the quality of credit reports and dilute its credibility. In spite of the repeated alerts, Banks and Financial Institutions seem to be less responsive in this matter and fail to realize the importance of sending the correct and timely information to Kendra. It is also observed that the lending agencies sometimes deliberately ignore to send the initial borrower record (ka.su.fa. 1) to the Bureau.

ii) Quality of Data

Many Banks and Financial Institutions fail to keep and maintain the correct data about the customers and their credit profiles. The customers' information are recorded and maintained in poor form and are not complete, correct & consistent. These kinds of inaccurate and incomplete information when sent to Bureau may lead to severe degradation in the quality of the Bureau's database and the credit information report generated loses its significance and usefulness.

iii) Credit Reporting Limits

Credit Reporting Limit has not been brought down yet. Thus all the loans of lower than Rs. 2.5 million made by the Banks and Financial Institutions in the economy get unreported to the Bureau prohibiting the Bureau from being more inclusive. Lack

of information about small loans extended in the economy in turn inhibits the growth of credit market in the country. SME market which is the backbone of country's economy can not flourish and will suffer from the lack of access to finance. Small borrowers and SMEs can not build their reputation collateral and ask for better terms and conditions for the loan from the lending agencies.

iv) IT Compatibility of the Member Institutions

Many branches of Banks and Financial Institutions still fail to upload the data electronically to the Bureau. They seem to have the difficulty in properly connecting to Bureau's System and sending the data in a format and frequency as required by the Bureau. They also 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) Blacklist & De-list Provisions

There is the need to rework on some Blacklist & De-list provisions of the NRB Directive so as to bring the clarity in the understanding and interpretations of those provisions. Many provisions in the Directive contradict with each other and with the provisions of the BAFIA (Act). This delays the timely processing of the requests of Banks and Financial Institutions regarding Blacklist and De-list activities. This issue has to be addressed and sorted out soon in order to bring the uniformity in the interpretations of Blacklist provisions.

vi) Regulation

All the Banks and Financial Institutions must be made to comply with the NRB Directives to report the complete, correct, current and consistent information about the borrowers to

the Bureau on the periodic basis as stipulated in the Directive. This has to be monitored effectively by the Regulator in order to ensure that all are abiding by the Directive.

SUMMARY OF CORRECTIVE MEASURES TO BE IMPLEMENTED

- Banks & Financial Institutions must be made to abide by the NRB regulation and report the complete, correct and current credit profiles of the borrowers on the scheduled basis to the Bureau,
- In order to make the Credit Bureau more inclusive, the Banks and Financial Institutions should start sending the credit profiles of all borrowers irrespective of any threshold. Credit Reporting Limit need to be wiped out and all the borrowers' records irrespective of any threshold need to be reported to Kendra,
- All the branches of Banks and Financial Institutions must upgrade their IT System in order to electronically upload the data to the Bureau and communicate on line with the Bureau in a secured environment,
- Effective supervision and monitoring by the Central Bank can contribute immensely in making Banks and Financial Institutions comply with the Bureau's data requirements.

ACTION PLAN FOR THE YEAR 069/070

- KSKL will work together with Dun & Bradstreet to customize the Application Software both for Commercial Bureau and Microfinance Bureau. The customization will primarily focus on generating appropriate Input File Formats, Validation Rules, Unique Identifying Algorithms, Types of Credit Reports and others. The customization will follow only after the detail study of the types of the data available with the Banks and Financial Institutions and their qualities. Similar process will be followed for the customization of Application Software for MF Bureau as well,
- KSKL targets to collect all the borrowers' records irrespective of any threshold from Banks and Financial Institutions and transfer them to the new database directly after making them to go through various levels of validation rules to check the sanity of data. All the existing data in the old database will be migrated to the new database before the implementation of the new Credit Bureau System,
- KSKL will further upgrade its Primary Site and Warm DR Site with new infrastructures for the additional redundancy and will supplement both Sites by robust backup mechanisms. This upgrade will be as per the network design recommended by the Application Vendor for the new Credit Bureau System,
- KSKL will work with Ministry of Finance to get the approval for the implementation of Secured Transaction Registry Service. Regulations need to be drafted accordingly to allow KSKL to procure the system and implement the service,
- KSKL will request the Central Bank (NRB) to make necessary amendments on the NRB Directive related with the collection threshold and Blacklist Provisions,
- KSKL will increase the frequency of trainings to be given to the users. The trainings will be focused on new Credit Bureau Application System and its features. The trainings will be of different categories and will be provided to various levels of users. The trainings will be conducted both by Application Vendor and KSKL,
- KSKL will organize advanced training to the Banks' Professionals in the Credit Bureau Academy of the Application Vendor located in Chennai, India. This training will be focused on how the Bank's Data can be effectively used in developing various kinds of assessment models for Credit Risk Appraisals,
- Capacity Building and Institutional Development has always remained a major focus area of the company. The staffs in IT and Operations Department will be equipped with required skill sets and knowledge to operate the new Application System effectively. The exposure visits will be organized to gain domain expertise and know more about best international practices in Credit Bureau Operations. Staffs will be sent overseas for trainings, seminars and to attend conferences.

REVIEW OF FUTURE PROSPECTS & ROLE OF KARJA SUCHANA KENDRA

Access to credit is consistently rated by the government as one of the greatest barriers to the growth of the economy. The availability of credit to businesses as well as consumers is vital for an economy to grow. While lenders are looking for effective risk management tools to manage this growth, individuals are looking for fast and affordable credit to make use of opportunities created by the economic growth. Credit Information Bureau not only helps lenders and consumers in the process of credit transaction but aid credit penetration, thus helping to grow the economy of the country like Nepal.

Banks and Financial Institutions of the country can make better lending decisions, use risk-based pricing methods more effectively, manage credit lines, collect debt more successfully and reduce fraud. They can also benefit operationally through increased automation leading to lower costs and more consistent decisions. The lenders can make more reliable and confident decisions based on robust data and objective analytics at every stage of customer life cycle. This results in improved process efficiencies, faster

turn around times and more efficient risk management. Because of the overall level of consumer's indebtedness that can be calculated, it is easier to determine the probability of default and the potential loss, both aspects that helps in adherence with Basel II.

When a consumer applies for credit, lenders can use the Credit Information to make faster, more consistent decisions, thereby eliminating much of the risk of human error and subjectivity. This leads to cost efficiencies for Financial Institutions and faster access to credit for consumers. In addition to both speed and convenience, Credit Information also makes credit cycle more cost effective, which could eventually translate into borrowings at better terms for consumers. Without objective Credit Information, lenders set prices according to average risk levels or use subjective, less precise methods of evaluation. This results in products that are excessively expensive for low-risk consumers and unfairly inexpensive for high-risk consumers. By making the costs of extending credit

lower, Credit Information enables lenders to extend credit to many extra customers, and at overall lower costs. This means that millions of Nepali borrowers can now benefit with lenders increasingly adopting the credit information as a crucial parameter in their credit decision-making process.

Credit Information sharing not only creates a level playing ground for borrowers and lenders but in the longer run translates into evolving a sound credit culture and a robust economy. The core purpose of KSKL is to facilitate information sharing by building transparent, reliable and dynamic information network for the benefit of the credit industry. Optimal and logical use of this information network fuels business growth while boosting credit penetration and macro development of the country.

Thus KSKL has a huge potential to grow in the future and can revolutionize the growth of Credit Market in the country by helping Bank and Financial Institutions provide access to credit to millions of Nepali Borrowers.

SUMMARY OF THE FINANCIAL PERFORMANCE

- There were only four new members registered in the Bureau this year. The revenue from the service charge, the core revenue generating activity of the company, increased by 29% where as the interest income from the investments increased by 65% thus increasing the total operating revenue by 35% as compared to previous year,
- Company implemented a very strong austerity measures and restrained the growth of Operating Expenses. The Operating Expenses increased only by 0.65% as compared to previous year. Operating Expenses including Depreciation increased by only 0.54%. The Operating Expenses were 87% of the budgeted amount. No Expense components exceeded the budgeted amount,
- The expenses on "Salary & Allowance" got decreased by 8.5% because of the reduction in workforce. This Salary & Allowance Expense constitutes 59% of the Total Expense,
- Non-Operating Expense decreased by 97% as Non-Operating Expenses of
- The Net Profit of the company increased by 70% to Rs. 56.3 million this year as compared to Rs. 33 million in 067/068,

previous year included VRS Expenses. No such Expenses were incurred this year. But there were some Expenses where the loans of retrenched staffs were waived off as per the decision of the Board,

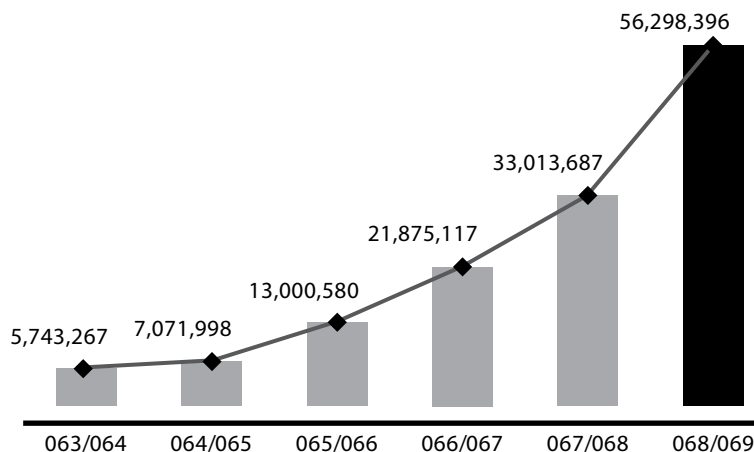
- Share Capital was increased as the Company issued 20% Bonus Share to its shareholders as per the decision reached by the 7th AGM of the company held on 08 Poush 2068,
- Investments increased by 29% mainly because of increment in Fixed Deposits in various Banks and Financial Institutions. The Balanced Portfolio of Short Term and Long Term Investments helped increase the Returns on Investments substantially with Average Rate of Return being 12.11%. The company also made some investments in ICRA (Indian Credit Rating Agency) Nepal Ltd. and holds 5% stake on it,
- There was remarkable improvement in Account Receivable which decreased from previous year's figure of 5.7% to 4.8% this year. This improvement was achieved through very tight credit policy and efficient bill collection

mechanisms. This increase in collection was instrumental in increasing the Investments and Revenue from Interest Incomes,

- Till the previous year 067/068, Depreciation was calculated as per the provisions of the Income Tax Act. This year, for the better presentation of the Financial Statements, the company decided to calculate Depreciation as per the Nepali Accounting Standard 06- Property Plant & Equipment. Because of the impracticality of retrospective application of the change, the change has been applied prospectively from the fiscal year 068/069,
- The Provision for Income Tax as per Income Tax Act 2058 for the year amounted to Rs. 18,980,230 which was adjusted against Advance Tax Deposit of Rs. 19,903,459 for the year,
- The Deferred Tax Asset amounted to Rs. 677,720 this year where as it was Rs. 866,101 last year. The decrease in Deferred Tax Asset by Rs. 188,382 was adjusted in the Balance Sheet and incorporated in the Income Statement,

Net Profit

Year	063/064	064/065	065/066	066/067	067/068	068/069
Total Revenue	17,034,176	22,656,438	32,502,767	47,029,263	73,757,579	99,573,369
Total Expenses	11,290,909	15,584,440	19,502,187	25,154,146	40,743,892	43,274,973
Net Profit	5,743,267	7,071,998	13,000,580	21,875,117	33,013,687	56,298,396



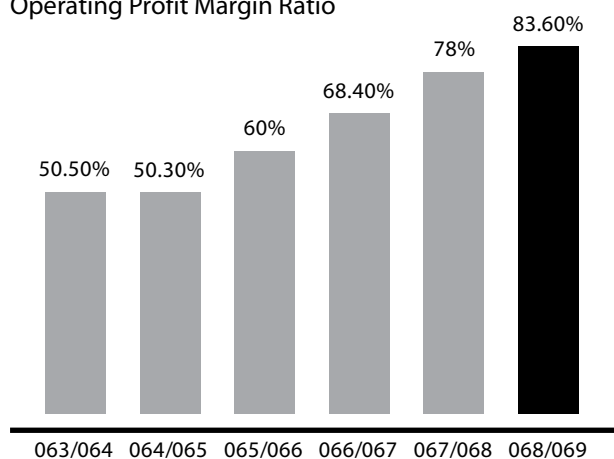
KEY FINANCIAL HIGHLIGHTS

Particulars	068/069	067/068	Increase	% Increase
Paid up Share Capital	86,172,600	71,810,100	14,362,500	20%
Reserve & Surplus	82,995,407	40,983,721	42,011,686	102.50%
Fixed Assets less Depreciation	7,882,744	9,887,879	-2,005,135	-20.30%
Total Assets	184,314,499	139,194,550	45,119,949	32.40%
Total Investments	147,117,786	114,090,804	33,026,982	29%
Operating Revenue	99,573,369	73,757,579	25,815,790	35%
Operating Expenses	13,580,873	13,496,156	84,717	0.63%
Operating Exp. + Depreciation	16,332,849	16,244,453	88,396	0.54%
Operating Profit	83,240,520	57,513,126	25,727,394	44.70%
Non Operating Expenses	226,612	9,072,273	-8,845,661	-97.50%
Profit before Bonus & Tax	83,013,709	48,440,853	34,572,856	71.40%
Net Profit	56,298,396	33,013,687	23,284,709	70.50%
Earning per Share (Rs.)	65	46	19	41.30%

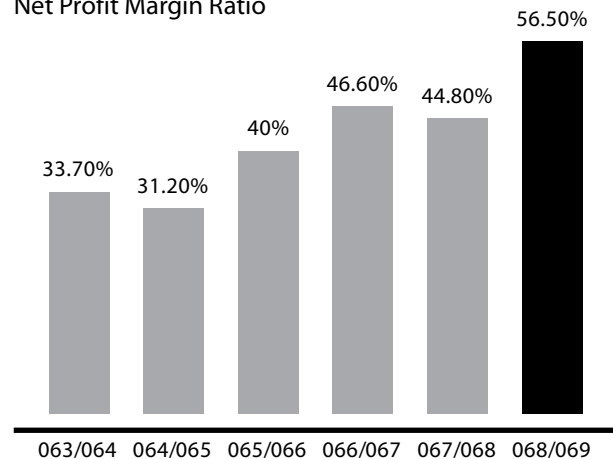
SOME IMPORTANT RATIOS

PROFITABILITY RATIOS

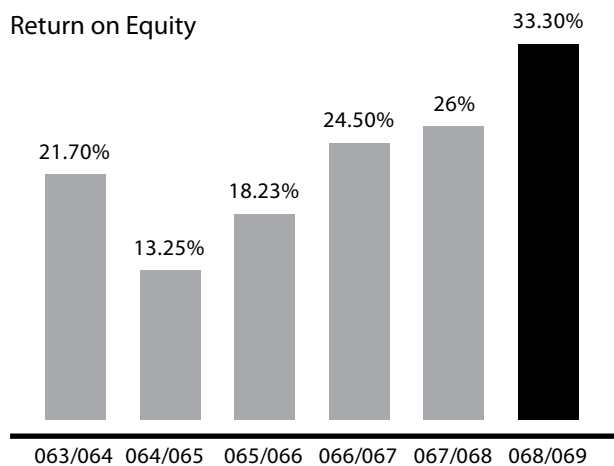
Operating Profit Margin Ratio



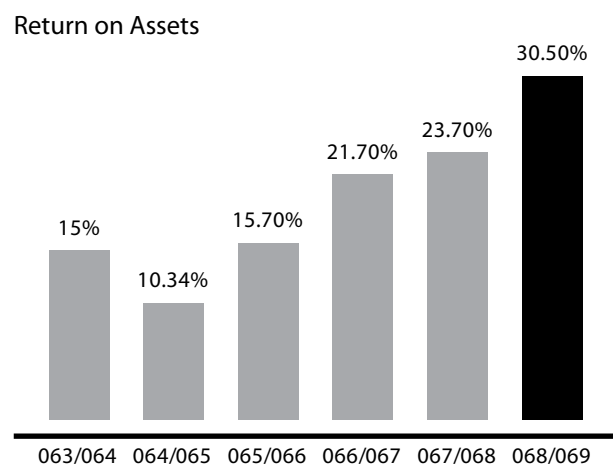
Net Profit Margin Ratio



Return on Equity

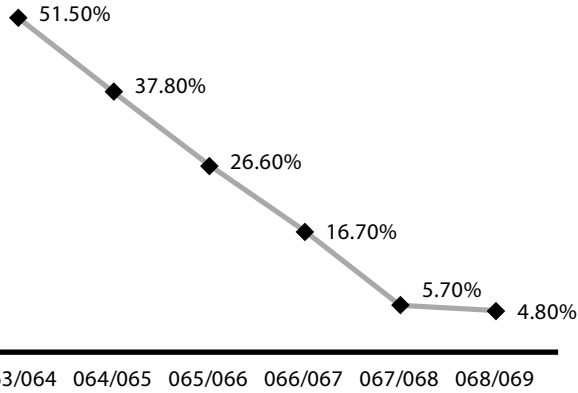


Return on Assets

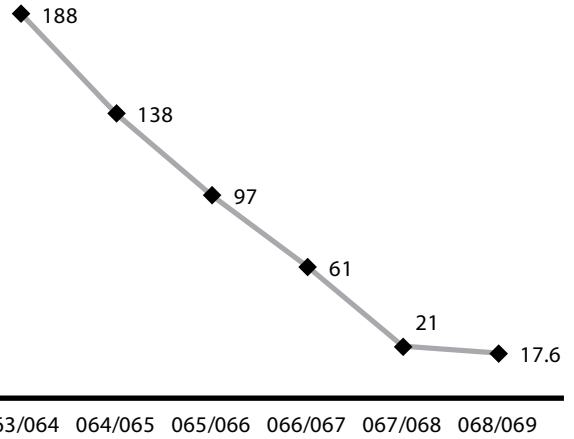


ACTIVITY RATIO

Receivable Turnover Ratio

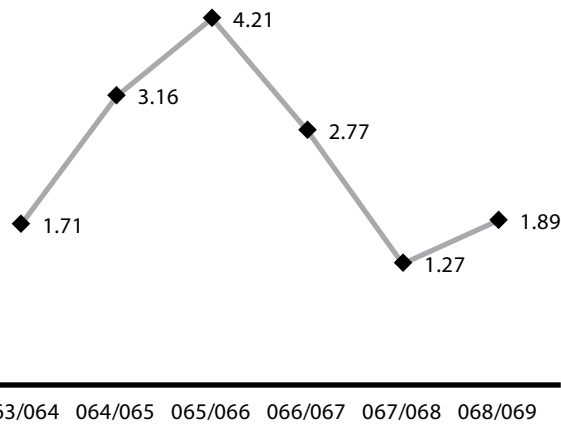


Average Collection Period



LIQUIDITY RATIO

Current Ratio



- As per the decision made by the 66th Board Meeting of the Company, Board decided to disburse 10% Cash Dividend and issue 20% Bonus Share to its shareholders from the earnings of 068/069 subject to the approval from the 8th General Meeting of the Company. Though the Company's Net Profit growth was higher this year as compared to previous year, the Board decided to disburse only 10% Cash Dividend as compared to 20% last year because of the expected heavy cash outlay for the procurement of Application Software and other infrastructures in the year 069/070.

Cash Dividend amounting to Rs. 8,617,260 has been adjusted in the Provision Account of the Financial Statement. Proposed Cash Dividend and Bonus Share issue has the effect of reducing the Reserve & Surplus Account by Rs. 8,617,260 from pre-issue figure of Rs. 82,995,407 to post issue figure of Rs. 74,378,147. This has been balanced by the corresponding increase in the provision account in the Balance Sheet.

INTERNAL CONTROL SYSTEM

Kendra has very sound internal control mechanisms in place where all the operational and financial performances of the company are monitored on the regular basis. Any deviations from the budget, forecast or policies are immediately addressed with. The company's periodic Internal Audit is done on a quarterly basis by renowned Chartered Accounting firm BRS Neupane & Co., an independent correspondent firm to Deloitte Touche Tohmatsu, having its principle office in

Kumari Marg, Naxal. The Annual Audit at the end of fiscal year is done by the company's statutory auditor M/s CSC and Co. which is one of the largest firms of accounting and consulting in Nepal and is associated with internationally renowned firm "Price Waterhouse Coopers".

The Audit Committee comprises of highly competent team of professionals who have many years of experience in Banking and Finance Sector of the country. The members of the Audit

Committee regularly have formal and informal discussions with Internal Auditors in connection with the results of the various areas of reviews undertaken by them. The Audit Report gets reviewed by Audit Committee who may seek clarification from the auditors on any areas of reviews made by them. The members of the Internal Audit have direct access to management and the Audit Committee and may bring any pertinent issues or problems for the discussions.

SEPARATE REPORT OF THE AUDIT COMMITTEE

During the fiscal year 068/069, the Audit Committee fulfilled its duties and responsibilities generally outlined in Company Act of the country. The Kendra had five 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.

Audit Committee thus recommends for the submission of the Consolidated Financial Statement to Board of Directors for its approval and for its filing to the Inland Revenue Department of the Ministry of Finance for the Tax purposes and the copies sent 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 the Audit Committee, Board of Directors approved the Consolidated Financial Statement and its submission to various agencies as required. Board also approved for its inclusion in the Annual Report 068/069 to be presented to the shareholders in forthcoming 8th

Annual General Meeting of the company. 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 made by the Audit Committee, Board agreed on the names of BRS Neupane & Co. and M/s CSC and Co. to be appointed as the Internal Auditor and Statutory Auditor of the company respectively for the fiscal year 069/070. Board will recommend their names in the AGM for its ratification.

STATEMENT OF THE VALUE ADDED AND ITS DISTRIBUTION

- Contribution to the National Exchequer and to the economy**
The company paid Rs. 18,980,230 as the Corporate Tax to the Government of Nepal in the year 068/069. Kendra also helped to collect Rs. 188 crores 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**
In the fiscal year 067/068, Company disbursed 20% Cash Dividend and 20% Bonus Share to its shareholders. This year also Board proposes to disburse 10% Cash Dividend and 20% Bonus

Share to its shareholders from the earnings of fiscal year 068/069.

- Employees Salary**
The Total Expense incurred by the company in the form of Salary, Allowance and Other Facilities to the staffs amounted to Rs. 8,029,813. CEO was paid the Total Remuneration package of Rs. 3,150,000 and the remaining staffs were paid Rs. 4,879,813. CEO is also provided with vehicle and all its operating costs.
- Employees Bonus**
Company has allocated Rs. 7,546,701 as the Provision for Bonus for the year

068/069 to be distributed to its staffs. Bonus will 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. 55,298,396 to its Accumulated Profit Account from the earnings of the fiscal year 068/069.

ADDITIONAL DETAILS

NUMBER OF REGISTERED MEMBERS

Categories of Financial Institutions	Registered Members till 068/069	Registered Members till 067/068
Commercial Banks	32	31
National Development Banks	19	14
Regional Development Banks	70	82
Finance Companies	66	82
Others (Rural Development Banks, Microfinance Institutions)	4	3
Total Registered Numbers	191	212

The number of Registered Members decreased quite substantially this year because of the mergers & liquidations of various Financial Institutions. Apart from

this, few institutions who were registered as members earlier (Employee Provident Fund, Citizens Investment Trust, SEBON, FNCCI) were deleted from the list since

they did not come under the purview of NRB regulation and were not entitled to have the credit information service as per the NRB Directive.

LITIGATION CASES

Out of the 5 Court Cases carried forward from the year 067/068, 3 new Cases were registered and 4 Cases were settled by the court during the period. Thus there were only four Cases pending at the end of fiscal year 068/069 which will be carried forward in the year 069/070.

Shares this year from its earning of the fiscal year 068/069. This will incur the total cash out flow of Rs. 8,617,260 from the company reserves.

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.

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 the management of the company.

SPECIAL PROPOSAL FOR THE ISSUE OF CASH DIVIDEND AND BONUS SHARE

As per the decision reached by the 66th meeting of the Board of Directors of the Company, Board decides to disburse 10% Cash Dividend and issue 20% Bonus

GRATITUDE

Finally, I would like to express my sincere gratitude to all the promoter shareholders of Kendra for their unflinching support and unquestioning

LIST OF PROMOTER SHAREHOLDERS AND THEIR SHARES

S.N.	Name of Banks and Financial Institutions	Total Shares
1	Nepal Rastra Bank	86,400
Commercial Banks		
1	Nepal Bank Limited	11,437
2	Rastriya Banijya Bank	11,437
3	Nabil Bank	30,499
4	Nepal Investment Bank	35,006
5	Standard Chartered Bank Nepal	30,499
6	Himalayan Bank	32,753
7	Nepal SBI Bank	30,499
8	Nepal Bangladesh Bank	33,707
9	Everest Bank	30,499
10	Bank of Kathmandu	47,012
11	Nepal Credit & Commerce Bank	30,499
12	NIC Bank	35,011
13	Lumbini Bank	11,437
14	Machhapuchhre Bank	32,832
15	Kumari Bank	30,499
16	Laxmi Bank	43,200
17	Siddhartha Bank	34,920
18	Agriculture Development Bank	25,920
19	Grand Bank Nepal	30,427
20	NMB Bank	2,333
21	Kist Bank	6,840
Total Commercial Banks		577,266

S.N.	Name of Banks and Financial Institutions	Total Share
Development Banks		
1	N.I.D.C. Development Bank	9,720
2	Nepal Development Bank	9,720
3	Manakamana Development Bank	24,725
4	Ace Development Bank	26,333
5	Kailash Bikas Bank	2,333
6	Business Universal Development Bank	6,772
Total Development Banks		79,603
Finance Companies		
1	Nepal Aawas Finance	2,333
2	NIDC Capital Market	875
3	Narayani National Finance	4,666
4	Nepal Share Markets & Finance	2,333
5	Peoples Finance	2,333
6	Himalaya Finance	875
7	United Finance	2,333
8	Union Finance	2,333
9	Srijana Finance	3,791
10	Kathmandu Finance	6,653
11	Gorakha Finance	2,333
12	Nepal Housing & Merchant Finance	875
13	Paschimanchal Finance Company	2,333
14	Samjhana Finance	2,333
15	Goodwill Finance	5,112
16	Shree Investment & Finance	7,430
17	Siddhartha Finance	10,973

S.N.	Name of Banks and Financial Institutions	Total Share
18	International Leasing & Finance Company	2,992
19	Mahalaxmi Finance	2,333
20	Progressive Finance	2,333
21	Bhajuratna Finance & Savings	875
22	General Finance	2,333
23	Alpic Everest Finance	7,430
24	Nava Durga Finance	2,333
25	Central Finance	2,333
26	Premier Finance	2,333
27	Multipurpose Finance	2,333
28	Butwal Finance	2,333
29	Om Finance	875
30	CMB Finance	7,430
31	World Merchant Banking & Finance	2,333
32	Capital Merchant Banking & Finance	875
33	Crystal Finance	2,333
34	Royal Merchant Banking & Finance	2,333
35	Ghuweshwori Merchant Banking & Finance	2,333
36	Patan Finance	875
37	Lalitpur Finance	2,333
38	Nepal Finance	3,654
49	Lumbini Finance & Leasing	875
40	Yeti Finance	2,333
Total Finance Companies		118,457

CSC & Co

Chartered Accountants

Mahamati Bhawan
175, Gairidhara Marg, Gairidhara
PO Box : 4861, Kathmandu, Nepal
Tel: +977-1-4004580, 4004581, 4004582
Fax: +977-1-4004578
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 15, 2012 (Ashadh 31, 2069) and the income statement, statement of changes in equity and cash flow statement for the year then ended and 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 15, 2012 (Ashadh 31, 2069), and its financial performance and cash flows for the year then ended in accordance with Nepal Accounting Standards and Company Act 2063.

Date: 14 Kartik, 2069

Place: Kathmandu



LD Mahat
Partner
CSC & Co.
Chartered Accountants



KARJA SUCHANA KENDRA LTD.**Balance Sheet**

As on Ashad 31, 2069 (Corresponding to July 15, 2012)

Particulars	Schedule	Current Year (NRs.)	Previous Year (NRs.)
CAPITAL AND LIABILITIES			
Share Capital			
Paid up Share Capital	1	86,172,600	71,810,100
Reserve and Surplus			
Reserve Fund and Accumulated Profit	2	74,378,147	40,983,721
Loan Funds			
Secured Loans	3	-	-
Total		160,550,747	112,793,821
ASSETS			
Fixed Assets less Depreciation	4	7,882,744	9,887,878
Investments	5	147,117,786	114,090,804
Current Assets (A)			
Trade and Other Receivable	6	7,920,713	7,438,867
Cash and Bank Balances	7	18,654,419	4,026,289
Pre-paid, Advances, Loans and Deposits	8	2,061,117	2,884,611
Total (A)		28,636,249	14,349,767
Current Liabilities and Provisions (B)			
Trade and Other Payables	9	7,599,791	6,879,099
Provisions	10	16,163,961	19,521,630
Total (B)		23,763,752	26,400,729
Net Current Assets (A - B)		4,872,497	(12,050,961)
Deferred Tax Assets		677,720	866,101
Total		160,550,747	112,793,821

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**Siddhant Raj Pandey**
Chairman**Ajay Shrestha**
Director**L. D. Mahat**
Partner
CSC & Co.
Chartered Accountants**Jyoti Prakash Pandey**
Director**Kamal Prasad Gnawali**
Director**Ram Bahadur Khadka**
Director**Rajendra Man Shakya**
Director**Dr. Min Bahadur Shrestha**
Director

Date: 2069/07/14

Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD**Income Statement**

For the Period from Shrawan 01, 2068 to Ashad 31, 2069
(Corresponding Period from July 17, 2011 to July 15, 2012)

Particulars	Schedule	Current Year (NRs.)	Previous Year (NRs.)
A. Income:			
1. Service Charge		82,933,858	64,378,968
2. Interest		15,444,374	9,349,311
3. Registration Charge		4,000	18,000
4. Other Income		1,191,137	11,300
Total		99,573,369	73,757,579
B. Expenditure:			
1. Operating Expenses	11	13,580,873	13,496,156
2. Non Operating Expenses	12	226,812	9,072,273
3. Depreciation on Fixed Assets	4	2,751,976	2,748,297
4. Provision for Bonus		7,546,701	4,403,714
Profit before Tax (PBT)		75,467,008	44,037,139
5. Provision for Taxation (with Deferred Tax)		19,168,612	11,023,452
5.1 Current Tax Expenses		18,980,230	10,714,452
5.2 Deferred Tax Expense		188,382	309,000
6. Net Profit Transferred to Accumulated Profit		56,298,396	33,013,687
Total		99,573,369	73,757,579

All Schedules form an integral parts of this Financial Statements.

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer

Siddhant Raj Pandey
Chairman

Ajay Shrestha
Director

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

Jyoti Prakash Pandey
Director

Kamal Prasad Gnawali
Director

Ram Bahadur Khadka
Director

Rajendra Man Shakya
Director

Dr. Min Bahadur Shrestha
Director

Date: 2069/07/14

Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD**Profit and Loss Appropriation Account**For the Period from Shrawan 01, 2068 to Ashad 31, 2069
(Corresponding Period from July 17, 2011 to July 15, 2012)

Particulars	Current Year (NRs.)	Previous Year (NRs.)
Income:		
1 Accumulated Profit up to the Last Year	1,624,155	4,384,141
Add: Cash Dividend	75,310	
2 Current Year's Profit	56,298,396	33,013,687
Total	57,997,860	37,397,828
Expenses:		
1 Accumulated Loss up to the Last Year	-	-
2 Current Year's Loss	-	-
3 General Reserve	11,259,679	6,602,737
4 Provision for Previous Year Taxation	-	-
5 Capital Reserve	-	-
6 Dividend		
6 Proposed Cash Dividend	8,617,260	15,117,916
7 Bonus Share	-	-
8 Deferred Tax	(188,382)	(309,000)
9 Proposed Bonus Share	17,235,400	14,362,020
Total	36,923,957	35,773,673
Accumulated Profit/(Loss)	21,073,903	1,624,155

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer**Siddhant Raj Pandey**
Chairman**Ajay Shrestha**
Director**L. D. Mahat**
Partner
CSC & Co.
Chartered Accountants**Jyoti Prakash Pandey**
Director**Kamal Prasad Gnawali**
Director**Ram Bahadur Khadka**
Director**Rajendra Man Shakya**
Director**Dr. Min Bahadur Shrestha**
Director

Date: 2069/07/14

Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD.**Cash Flow Statement**For the Period from Shrawan 01, 2068 to Ashad 31, 2069
(Corresponding Period from July 17, 2011 to July 15, 2012)

Particulars	Current Year (NRs.)	Previous Year (NRs.)
A. Cash Flow From Operating Activities		
Net Profit as per P&L A/C	56,298,396	33,013,687
Adjustments:		
Interest Income	(15,444,374)	(9,349,311)
Depreciation	2,751,976	2,748,297
Operating Profit before Working Capital Changes	43,605,998	26,412,673
Change in Working Capital		
Increase/(Decrease) in Provision	(3,169,288)	15,747,925
Increase/(Decrease) in Trade and Other Payables	720,692	(905,771)
(Increase)/Decrease in Advances, Loans & Deposits	(481,846)	4,645,978
(Increase)/Decrease in Trade & Other Receivables	823,494	1,002,560
Total (A)	41,499,051	46,903,365
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(746,842)	(5,565,129)
Investments	(33,026,982)	(54,275,076)
Interest Income	15,444,374	9,349,311
Total (B)	(18,329,450)	(50,490,895)
C. Cash Flow from Financing Activities		
Issue of Share Capital (Except Bonus Share)	480	5,779,800
Secured Loans against Fixed Deposit	-	-
Proposed Dividend	(8,541,950)	(15,117,916)
Total (C)	(8,541,470)	(9,338,116)
Net Cash Increase/Decrease (A+B+C)	14,628,130	(12,925,646)
Add: Opening Cash & Bank Balance	4,026,288	16,951,935
Closing Cash & Bank Balance	18,654,419	4,026,289

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer**Siddhant Raj Pandey**
Chairman**Ajay Shrestha**
Director**L. D. Mahat**
Partner
CSC & Co.
Chartered Accountants**Jyoti Prakash Pandey**
Director**Kamal Prasad Gnawali**
Director**Ram Bahadur Khadka**
Director**Rajendra Man Shakya**
Director**Dr. Min Bahadur Shrestha**
Director

Date: 2069/07/14

Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD.**Statement of Changes in Equity**

For the Period from Shrawan 01, 2068 to Ashad 31, 2069
(Corresponding Period from July 17, 2011 to July 15, 2012)

Particulars	(Amount in NRs.)						
	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Reserve	Deferred Tax Reserve	Proposed Bonus Share	Total Amount
Opening Balance	71,810,100	1,624,155	16,832,188	7,299,257	866,101	14,362,500	112,794,301
Add: Cash Dividend		75,310					75,310
Adjustments							
Current Year's Net Profit	-	56,298,396	-	-	-	-	56,298,396
General Reserve	-	(11,259,679)	11,259,679	-	-	-	-
Right Share	-	-	-	-	-	-	-
Issue of Bonus Share	14,362,500	-	-	-	-	(14,362,500)	-
Proposed Cash Dividend		(8,617,260)					(8,617,260)
Deferred Tax Income	-	188,382	-	-	(188,382)	-	-
Issue of Undistributed Share							
Proposed Bonus Share	-	(17,235,400)	-	-	-	17,235,400	-
Closing Balance	86,172,600	21,073,903	28,091,867	7,299,257	677,720	17,235,400	160,550,747

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer

Siddhant Raj Pandey
Chairman

Ajay Shrestha
Director

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

Jyoti Prakash Pandey
Director

Kamal Prasad Gnawali
Director

Ram Bahadur Khadka
Director

Rajendra Man Shakya
Director

Dr. Min Bahadur Shrestha
Director

Date: 2069/07/14

Place: Kathmandu, Nepal

KARJA SUCHANA KENDRA LTD.
Schedules to Balance Sheet As at Ashad 31, 2069

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			
7,18,101 Ordinary Shares of Rs.100 each	71,810,100	71,810,100	
1,43,625 Bonus Shares of Rs. 100 each	14,362,500	-	
Total Paid-up Capital	86,172,600	71,810,100	

Reserve & Surplus		Schedule - 2	
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Capital Reserve	7,299,257	7,299,257	
General Reserve	28,091,867	16,832,188	
Accumulated Profit	21,073,903	1,624,155	
Deferred Tax Reserve	677,720	866,101	
Proposed Bonus Share	17,235,400	14,362,020	
Total	74,378,147	40,983,722	

Secured Loans		Schedule - 3	
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Loan from Banks	-	-	

KARJA SUCHANA KENDRA LTD.**Fixed Assets and Depreciation**

For the Period from Shrawan 01, 2068 to Ashad 31, 2069

Pool	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.)	Adjustment	Sales	Balances (NRs.)	Current Year (NRs.)
A	Building, Structures and Similar Works of Permanent Nature	5%	949,428	-	-	949,428	43,075	45,318	-	88,392	861,036	906,353
B	Computers, Furniture & Fixtures and Office Equipment	25%	9,008,881	548,592	-	9,557,474	3,718,733	1,467,456	-	5,186,188	3,156,706	4,075,567
C	Vehicle	20%	5,021,229	-	-	5,021,229	1,833,159	635,637	-	2,468,795	2,542,547	3,178,183
D	Plant and Machinery	15%	1,263,080	-	-	1,263,080	296,824	144,938	-	441,762	821,318	966,256
E	Other Intangible Assets		3,452,124	198,250	-	3,650,374	3,915,073	458,627	-	4,373,701	501,142	761,519
Balance of Current Year			19,694,742	746,842	-	20,441,584	9,806,863	2,751,976	-	12,558,839	7,882,744	9,887,879

KARJA SUCHANA KENDRA LTD.
Schedules to Balance Sheet As at Ashad 31, 2069

Investments		Schedule - 5	
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Fixed Deposits at Different Bank and Financial Institutions	145,100,000	111,600,000	
Citizen Investment Trust	1,017,786	1,941,602	
Flexible Deposit	-	549,202	
Investment in Shares of ICRA Nepal	1,000,000	-	
Total	147,117,786	114,090,804	

Trade and Other Receivable		Schedule - 6	
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Service Charge	4,003,328	4,265,269	
Accrued Interest	3,917,385	3,173,599	
Total	7,920,713	7,438,867	

Cash and Bank Balance		Schedule - 7	
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Cash in Hand	10	1,434	
Nepal Rastra Bank - CIBL	30,108	1,320,370	
Nabil Bank Ltd. - 0201017500811 (Current)	5,017,545	574,986	
Nabil Bank Ltd. Call A/C	42,413	1,165,488	
Bank of Kathmandu	13,334,404	-	
Civil Bank Ltd.	229,939	132,430	
Manakamana Development Bank	-	831,581	
Total	18,654,419	4,026,289	

Pre-paid, Advances, Loans and Deposits		Schedule - 8	
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Deposit			
Nepal Telecommunication	23,060	23,060	
Staff Loan and Advances	770,689	959,375	
Advance Tax	923,229	1,199,229	
Others	344,138	702,947	
Total	2,061,117	2,884,611	

KARJA SUCHANA KENDRA LTD.
Schedules to Balance Sheet As at Ashad 31, 2069

Trade and Other Payables		Schedule - 9	
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Deposit of Bid Bond	3,651,648	-	
Auditors Fee	160,426	156,100	
Telephone Charge (Payable)	9,589	14,000	
Others Payable	919,297	1,838,607	
Advance Received of Service Charges	35,636	73,781	
Gratuity Fund/Retirement Fund (CIT)	1,017,786	1,941,602	
Leave Fund	1,601,043	1,761,580	
TDS Payable	-	10,702	
IFC Intervation Expenses Payable	-	1,000,000	
Dividend Payable	153,900	-	
NLG Insurance Payable	-	15,598	
Bonus Payable	50,466	67,130	
Total	7,599,791	6,879,098	

Provisions		Schedule - 10	
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Provision for Income Tax	-	-	
Provision for Bonus	7,546,701	4,403,714	
Provision for Cash Dividend	8,617,260	15,117,916	
Total	16,163,961	19,521,630	

KARJA SUCHANA KENDRA LTD.

Schedules to Income Statement for the Period from Shrawan 01, 2068 to Ashad 31, 2069

Operating Expenses		Schedule - 11	
A. Staff Related Expenses			
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Salary & Allowances	8,029,813	8,774,667	
Uniform Expenses	84,080	64,733	
Sub - Total A	8,113,893	8,839,400	

B. Administrative Expenses			
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Printing and Stationery Expenses	149,860	125,205	
Fuel Expenses	155,739	100,912	
Postal Charge	2,649	40,600	
Repair and Maintenance:			
a) Repair Expenses	168,459	65,090	
b) Maintenance Expenses - Annual Charges (Software)	236,896	150,864	
Meeting Expenses	134,970	146,238	
Telephone Charge	119,545	152,021	
Training Expenses	143,755	8,641	
Travelling Expenses	659,061	285,458	
Insurance Expenses	89,841	52,166	
Auditor Expenses	221,778	168,581	
Books and Periodicals	6,845	-	
Electricity, Drinking Water and Others	433,112	356,221	
Legal Expenses	144,170	224,714	
Web Charge	408,890	406,800	
Paper & Publication	146,492	81,511	
Office Rent	1,540,300	1,708,000	
Miscellaneous Expenses	149,526	143,926	
AGM Expenses	378,517	360,347	
Furniture and Equipment Expenses	39,500	17,428	
Business Expenses for CEO	100,000	-	
Festival and Ceremony Expenses	37,076	-	
Entertainment Expenses		62,033	
Sub - Total B	5,466,980	4,656,756	
Total A + B	13,580,873	13,496,156	

Non Operating Expense		Schedule - 12	
Particulars	Current Year (NRs.)	Previous Year (NRs.)	
Waive Off Loan and Advances	226,812	-	
VRS Expenses	-	9,072,273	
Total	226,812	9,072,273	

KARJA SUCHANA KENDRA LTD.
Significant Accounting Policies and Notes to Account
for the Period ended on 31 Ashad 2069

Schedule 13

1. General

Incorporation and Legal form of the Company:

The company is incorporated as a Public Limited Company under the Company Act 2063.

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

The fixed Assets of the company are stated at cost less Accumulated Depreciation. Depreciation is charged to the Profit & Loss Account using the following rates and methods:

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

Till FY 067/068, Depreciation has been calculated as per the provisions of the Income Tax Act.

For better presentation of Financial Statements, from FY 068/069 the company has decided to calculate Depreciation as per Nepal Accounting Standard 06 - Property, Plant and Equipment.

Because of impracticality of retrospective application of the change, the change has been applied prospectively from FY 068/069.

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. 18,980,230. 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 064/065. The details of Deferred Tax Assets and Liabilities for the year 068/069 are as follows:

Particulars	Deductible Temporary Differences (NRs.)	Taxable Temporary Differences (NRs.)	Net (NRs.)
Fixed Assets		92,049	920,49
Retirement Fund (CIT)	1,017,786		1,017,786
Leave Fund	1,601,043		1,601,043
Total Temporary Difference	2,618,829	92,049	2,710,878
Deferred Tax Assets (Liability)	654,708	23,012	677,720

The Deferred Tax Asset arising due to the temporary difference amounts to NRs. 677,720 this year whereas it was NRs. 866,101 in previous year. The decrease in Deferred Tax Assets by NRs. 188,382 during the year has been deducted from the previous years' balance of the Deferred Tax Assets in the Balance Sheet and incorporated as the Deferred Tax Income 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. 11,259,679 has been transferred to General Reserve.

10. Investments

Investments have been 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 66th Board Meeting dated 2069.07.14 to disburse 10% Cash Dividend and issue 20% Bonus Share to its existing shareholders subject to the approval from the forthcoming 8th Annual General Meeting of the Company. Cash Dividend amounting to NRs. 8,617,260 has been adjusted in the provision account of the Financial Statements.

13.Rounding-Off/Previous Year Figures

Figures are Rounded Off to the nearest Rupee. Previous year figures has been regrouped or rearranged wherever necessary.



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