

**BOARD OF
DIRECTORS**

report

Fiscal Year 072/073



KARJA SUCHANA KENDRA LIMITED

BOARD OF DIRECTORS



Mr. Sashin Joshi
Chairman



Ajay Shrestha
Director



Anukool Bhatnagar
Director



Jyoti Prakash Pandey
Director



Krishna Raj Lamichhane
Director

About Karja Suchana Kendra

Karja Suchana Kendra was established in 14 May, 1989 with the sole objective of improving the functionality of the country's financial system. With an alarming proportion of the Non Performing Assets (NPAs) in the economy, it became imperative to arrest accretion of the fresh NPAs in the banking sector through an efficient system of credit information on borrowers as a first step in controlling NPAs. In this context the requirement of an adequate, comprehensive and reliable information system on the borrowers through an efficient data base was felt by the Nepal Rastra Bank, Nepal Government, Credit Institutions and other players in the banking and financial sector of the country. The answer took shape when Karja Suchana Kendra was incorporated under Nepal Bankers Association in 1989 as a non-profit organization to provide vital credit information service to its member institutions, in order to allow them to make informed and objective credit decisions.

Kendra's operation was initially guided by the NRB directive which was insufficient. Many litigation cases followed against Kendra that challenged its very existence and its legality for blacklisting and disclosure of information. Legal challenges, poor compliance, and inadequate enforcement led to strengthen its regulatory framework. NRB came out with new amendments to consolidate the functioning of Kendra and gave a legal framework for its operation through Nepal Rastra Bank Act 2058, Clause 88. It was reorganized as a public company in order to strengthen its autonomy and increase its operational efficiency. It was renamed as Karja Suchana Kendra Limited and got registered as the Company in September, 2004 under the Company Act 2053 and started its operation as an independent and autonomous entity from March 2005.

ESTABLISHMENT

- ❑ Established in 14 May, 1989 as Karja Suchana Kendra 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 88, 2058 to give legal framework for Kendra's Operation.
- ❑ Registered as a Limited 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 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 88, 2058 and exercising the power granted under NRB Act 79 and Credit Information Bylaws 2059(7), NRB Directives No 12 was initially issued for the effective regulation of Karja Suchana Kendra 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 NRs1million 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 Kendra in prescribed formats within stipulated time for any credits of NRs1million or above facility.
- ☐ Mandates Kendra to inspect and supervise the member Banks & Financial institutions to check their credit reporting to Kendra.
- ☐ Maintain a list of borrowers referred to as the Blacklist. Kendra lists the borrowers in blacklist only upon the recommendation of Banks and Financial Institutions.
- ☐ Penalties for not reporting data or reporting false/inaccurate data.

OUR DREAM

... we nurture a dream of making this company a world class Bureau in terms of Products, Services and Standards.

OUR INSPIRATION

... the trust and confidence of Banks and Financial Institutions on us.

VISION

... to be a change agent and a major catalyst in the development of country's credit market and a vehicle to modify the culture and behavior of the credit borrowers of the country.

MISSION

- Enhance the functionality and stability of country's financial system by helping the member banks and financial institutions to make the informed, objective and faster credit decisions.
-
- Maintain a high quality data bank by adopting highest standards of technical infrastructure and security mechanisms thus measuring up to the international standard of excellence in credit information reporting.
- Enhance the credibility in operations by adopting a moral and ethical data handling standards and protecting every borrower's credit profiles.
- Consistently offer innovative solutions in credit information reporting by being responsive towards the market demands and changing customer needs.

OBJECTIVES

- build an information bank by collecting & collating trade, credit and financial information of borrowers of lending institutions and disseminating those information to them, upon request, to facilitate them on their lending decisions.
- Focus on information accuracy and integrity and implement best practices and standards in information sharing. Make the information delivery service fast, secured and error free
- Make the company 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 and encourage the culture of building "Reputation Collateral" among the existing and prospective borrowers.

ETHICAL PRINCIPLES

- Neutrality & Non discrimination to its Users
- Accuracy, Currency and Completeness of the Information
- Security and Confidentiality of the Data
- Reciprocity

KEY SUCCESS FACTORS

- Government & Central Bank support to enforce basic regulations for the 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



Sachin Joshi
Chairman

Message from Chairman

Karja Suchana Kendra Limited (Credit Information Bureau Limited/CIBL) has been contributing immensely to the growth of the credit market in the country and making significant indirect impact on deepening financial inclusion and economic growth. By addressing information asymmetries in the financial sector, CIBL has been helping lenders to make better lending decisions, facilitating risk-based pricing, assessing credit risk, assisting in recovery and reducing fraud.

The effectiveness of CIBL and its contribution to the financial sector is amply demonstrated by the fact that the request for credit reports and the number of borrower records on its data base have grown annually by an average of 25% and 35%, respectively. This clearly indicates that banks and financial institutions are putting more confidence on CIBL's service and placing more reliance on credit reports in assessing credit risk and managing their lending portfolios while expanding their business to new market segments. This shows the tremendous impact CIBL has managed to create in encouraging member institutions to rely on information-based lending and promoting a sound credit culture and credit discipline.

While there have been significant improvements on turnaround time in processing loans and the quality of credit reports submitted, there is now also an expectation among member institutions for innovation to cater to their needs of new products and services that add value

in their lending decisions. There is a desire to deepen the richness of credit reports by not only making it more comprehensive encompassing a borrower's complete credit profile and history of transactions in the financial sector but also by capturing credit transactions in other sectors of the economy. A need has also been expressed for integrating CIBL's system with member institutions' internal systems with a view to enhancing the credit report delivery mechanism through live data streaming. Whilst, currently, CIBL only provides negative credit information, it is our intention that, over the longer term, we will also start capturing and disseminating positive credit information making it a truly full-fledged credit bureau.

In this regard, initiatives have already been taken by procuring a new state-of-the-art commercial bureau system called SilverBlade to enable CIBL to meet the growing demand of member institutions whilst making it possible to expand services to a wider customer base including SMEs, insurance providers, retailers and trade creditors in the future. Similarly, CIBL has also procured a Microfinance Bureau system in order to cater to the need of microfinance institutions and help them in developing robust risk management system and practices which in turn will go a long way in mitigating the risk of an increasing prevalence of multiple borrowing and loan defaults in this sector. CIBL is also now fully geared to launch the long-awaited Secured Transaction Registry which will enable creditors to register a valid security charge over movable assets and further help expand and deepen the credit market.

Both the SilverBlade and the Microfinance Bureau systems are currently under test phase with data collection and training in progress and will be launched within the current year after system stabilization is ensured. It is, however, imperative that member institutions fully comply with the data format guidelines and data submission deadline to enable CIBL to launch the new systems. I'm afraid members who fail to comply may be left behind and would not be able to take benefit of the new system. Furthermore, such members may also be in breach of regulatory compliance. Similarly, the Secured Transaction Registry (STR) will be launched immediately upon approval of the amended STR Regulation which is currently under consideration at the Ministry of Finance.

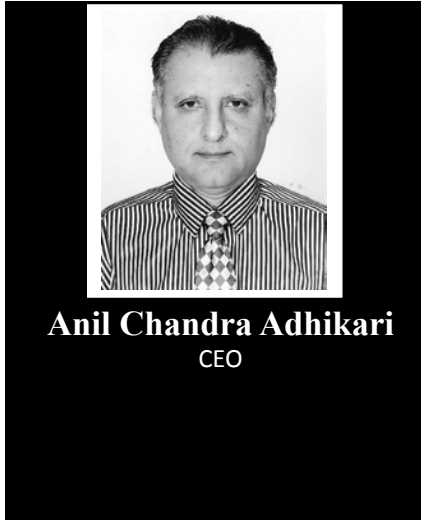
We are committed to developing CIBL as a world-class credit bureau in terms of products, services and standards; and establishing it as a change agent and major catalyst in the growth of the country's credit market. After the operation of all three systems, CIBL will be an apex institution in the country with the largest repository of credit data enabling it to be a one-window credit information provider. With the volume of data under its management, many more value added products and services can be introduced, helping drive the growth of the credit market further.

With regard to financial performance, I am pleased to inform that, despite a significant increase in operating cost due to the Annual Maintenance Contract cost on account of the procurement of hardware and software for the new systems, CIBL managed to increase Net Profit by 7.4% to Rs.124.1 million in FY 2015-16 (072/073) compared with Rs.115.6 million in the previous year. With a view to strengthening the capital base of the company enabling it to make future capital investments in line with its plan to evolve into a fully IT-enabled full-fledged apex credit bureau of an international standard and also acquire its own premises in the long term, I am pleased to announce that the Board has proposed issuance of bonus shares of 50% (1 share for every 2 shares held) in addition to a cash dividend of Rs.25 per share (25%) for FY 2015-16 (072/073).

Meanwhile, I would like to thank all our member institutions, Nepal Rastra Bank, Ministry of Finance and other government agencies for their continued support, without which, we could not have reached the position we are in today. I would also like to take this opportunity to thank the outgoing Board members who have given their valuable time despite their busy schedules in providing necessary guidance to CIBL during their tenor. On behalf of the Board, I would also like to thank the Management and staff members of the company for their dedication, perseverance and hard work that has helped this company to grow further each year.

Lastly, I look forward to your continued feedback, cooperation, guidance and support in making CIBL a truly professionally run world-class institution in the long run.

Sachin Joshi
Chairman



Message from CEO

The year 072/073 also ended on a good note.

The major activity of the year revolved around the launch of the three ongoing projects. The new commercial bureau though installed and commissioned, could not be put into service because of the lack of readiness of some banks and financial institutions to submit their data through the new Silverblade system. Many state owned banks are still struggling hard to upgrade their MIS system and interface with the new system. In spite of repeated follow ups, there seems to be little progress in this regard and the problems still persist. Unless all the banks are ready to submit the data through the new system, it becomes very difficult to launch the service.

The Bureau (Credit Information Bureau Limited) is having the similar problems with the microfinance institutions. Though installed and commissioned, the Bureau is still in the data collection stage. The data collection process has become very cumbersome and time consuming because of the lack of proper MIS system, skilled IT staffs and quality data with the microfinance institutions. The data is subjected to various layers of iteration cycles in order to purify it before it is sent to the data base. If the quality of data is poor, the number of iteration cycles increase thus increasing the time for its final entry into the database. Since most of the lower rung MF

institutions have very poor data quality, the Bureau has focused on few top tier microfinance institutions in initial phase for data collection in order to start the microfinance bureau soon. The system will be started once all the data are collected and the data reaches the maturity stage.

Secured Transaction Registry system is expected to be launched very soon. The system has been developed as per the STR Act and best international practices in registry operations. It will be put into live operation once the Regulation is promulgated by the Ministry of Finance. It is expected that banks and financial institutions will be the early users of the service before it is widely used by other potential users. As the awareness grows, the service will pick up its momentum among other potential users. In order to generate the awareness, the Bureau plans to conduct various levels of awareness programs to educate the potential users about the service and its benefits.

Thus the launches of all three projects are delayed because of the external factors which the Bureau has least control over. Though the Bureau is doing all its possible to co-ordinate with the data providers to expedite the data collection process, it is consuming plenty of time and resources for the company. Nonetheless, the Bureau expects to complete the data collection process in 073/074 and launch the service soon thereafter. Similarly, the Bureau is coordinating with Ministry of Finance to expedite for the approval STR Regulation so as to launch the registry service soon.

Our operational and financial performance remained quite satisfactory this year as well. The company achieved a growth of 21% in operating revenue and 7.4% growth in operating profit as compared to previous year. The operating expense (including depreciation) was very high this year and increased by nearly 140% because of the annual maintenance cost which occupied nearly 55% of the total operating expense. The operating profit grew to Rs.182.4million where as net profit increased by 7.4% to Rs124million.

On the operation side, the company delivered a highly secured and reliable service to the member institutions during the period. Since security and confidentiality of data is regarded as vitally important ingredients in the company's core values, the security measures were reviewed on a regular basis to ensure its applicability and enforceability across all its activities. The system availability was hundred percent and there were no any reported cases of system inaccessibility, security and confidentiality breaches, data inaccuracies, wrong identifications and credit report errors during the period. The internal control system was highly effective in identifying risks, detecting and preventing frauds and protecting the company's resources both physical and intangible. The issue of credit reports increased by 28% where as the borrowers' records increased by 30% as compared to previous year figures. The number of credit reports generated during the period totaled to 742,302 reports where as borrowers' records totaled to 360,017 records.

As the previous years, the company focused equally well on imparting necessary trainings to the users of the service on the new systems to enhance their skills and knowledge and make them familiar with the new systems. The company organized and conducted series of training sessions on three projects on a regular basis during the period.

The successful implementation of MF bureau service and the Registry service is a huge uphill task which requires a lot of efforts by the company to bring all the potential users of the service in its service umbrella. Though MF bureau has strong support from the microfinance sector, many microfinance institutions suffer from the lack of readiness to join the Bureau. They need to be guided by the Bureau to build their system interface, improve their data quality and train their IT staffs. Segmenting the readiness level of different tiers of microfinance institutions, the Bureau needs to develop the required strategies to penetrate the market and extend its coverage. In case of Secured Transaction Registry, apart from banks and financial institutions, many potential users are still unaware about the registry and its benefits. The company needs to conduct series of awareness programs all across the country on a regular basis to make potential users aware about the service and its benefits. Though the challenges exist, the company is fully prepared to run all three systems in parallel at the same time and has developed the necessary plans of actions and strategies for the same.

At the end, I would like to thank to all the member banks and financial institutions for their continued support to the company and for their regular suggestions and feedbacks on our services. This always helps us to improve further on our services and provide better quality services to them. I also extend my deep appreciation to the company's Board of Director for their guidance and support to us all the time. At the end, I would like to thank all my colleagues of this company who supported me all the way to take this company to new heights.

Karja Suchana Kendra Limited a.k.a Credit Information Bureau Limited in English is referred further in this document as the "Bureau" & "Company" interchangeably.



REPORT OF THE BOARD OF DIRECTORS

PRESENTED BY THE CHAIRMAN
AT 12th ANNUAL GENERAL
MEETING

Dear Shareholders,

On behalf of the Board of Directors of the company, I would like to welcome you all to this 12th Annual General Meeting of Karja Suchana Kendra Limited (Credit Information Bureau 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 072/073, its operational activities, accomplishments, status of the on going projects and various other issues related with the delivery of credit information services to the member banks and financial institutions of the country.

The Balance Sheet, Profit & Loss Account and Cash Flow Statement for the Fiscal Year 072/073 and report of the Board of Directors are hereby presented to you for the required discussions and approval.

REVIEW OF LAST YEAR OPERATION OPERATIONAL PERFORMANCE REVIEW

During the period under review, the Credit Information Bureau Limited (Bureau/company) was primarily focused in launching all three new systems (commercial & microfinance bureau and secured transaction registry system) and providing high quality data services to the users. Apart from this, the Bureau was equally focused in maintaining the existing system at its best level and providing uninterrupted, secured and best quality service to the users.

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1. Summary of the operational activities

To put in an encapsulated form, the major operational highlights of the year 072/73 were as follows:

- During the year, the Bureau put all its efforts in collecting and cleansing the data received from the Banks and Financial institutions (BFIs). The data collection and cleansing process is still in progress and not yet completed. Some leading banks with the large number of borrowers' records are still struggling hard to send their data to the Bureau because of the incompatibility of their systems with the Bureau's new system. They are still in a process of making the required changes and upgrades in their systems. This has seriously hampered the timely completion of data collection and data maturity process. Apart from this, the poor data quality of some BFIs has increased the iterations cycles of validation engine consuming more time for processing the data.
- Similar is the case with the launching of the Microfinance bureau. Many microfinance institutions in general have been suffering from poor data quality, poor IT system, unskilled IT staffs which is making the data collection process very cumbersome and difficult. Though many microfinance institutions are joining the Bureau and sharing the data with it, the system is taking longer time to process their data because of their poor data quality. This has delayed the implementation of the microfinance bureau.
- The Secured Transaction Registry System is already installed and ready to go "on live". However the launching of the service has been postponed for some time because of some issues raised by banks and financial institutions on some provisions of the Act. The issues have been addressed and incorporated in the Regulation draft which is in a process of approval from the Ministry of Finance. The system will be launched immediately after the Regulation is approved by MOF.
- During the period, the Bureau was equally focused on providing the regular trainings to the users about the new systems so as to make them familiar with the systems and their functionalities. The trainings were conducted on a weekly basis so that all the banks and financial institutions were covered for the trainings.
- Apart from the focus on the new systems, the Bureau strived hard to maintain the existing system at its best level. The service was provided uninterrupted through out the year. Both the Primary and DR sites were continuously monitored and supervised to ensure that all the hardware and software installed were operating perfectly to give the desired operating performances. There were no service breakdowns reported in the Primary Site during the period and system availability was 100 percent. The disaster recovery site (DR Site) was put on a warm standby mode to prevent any breakdown in service in case of any system failure in the primary site.
- the security of the data being the prime concern, the Bureau implemented very stringent security measures to cocoon the data from the external threats. The security measures were reviewed on a regular basis to ensure that they were up to date and effective. The whole system was properly updated and all the security applications deployed were only as good as their most recent update. Because of this, no cases of security breaches in data access, transmission and storage were reported during the period. The physical security of the Data Center was also given the highest priority and was monitored constantly to prevent any unauthorized access to the Data Center. Data Center was put in round the clock surveillance mode. Apart from this, it was ensured that the failover systems were functional all the time and the data were mirrored in DR site on real mode.
- the system operations was effectively supervised and monitored through system logs. Any change in events such as configuration updates, system crashes, security profile changes and any/all security related events were monitored through audit logs generated by the system. Every activity performed by a user was logged into the database. Whenever a user was logged to the application, all the users' operations within the system including changes in the database, transactions and configuration details were logged in the database.
- During the period, the Bureau put its consistent efforts to ensure that data quality was maintained at its highest level. Very effective system mechanisms were deployed to effectively monitor the incoming data which was later subjected to various layers of validation cycles to check its sanity. Apart from this, the Match and Merge engines were also made to work perfectly delivering the correct merging of the individuals' records without any defaults.
- the Bureau ensured that there were no problems encountered by users while uploading their data through both off line and online system. The Bureau continuously monitored the volume of data collected through both online and off line (FTP) system. The data transmission through FTP server was found to be easy, convenient and most secured and no problems were reported by the users during the period.
- the Bureau maintained the response cycle time of 4secs during the period and ensured that searching logic was not only fast but also correct in identifying the searched subjects. No instances of delayed response

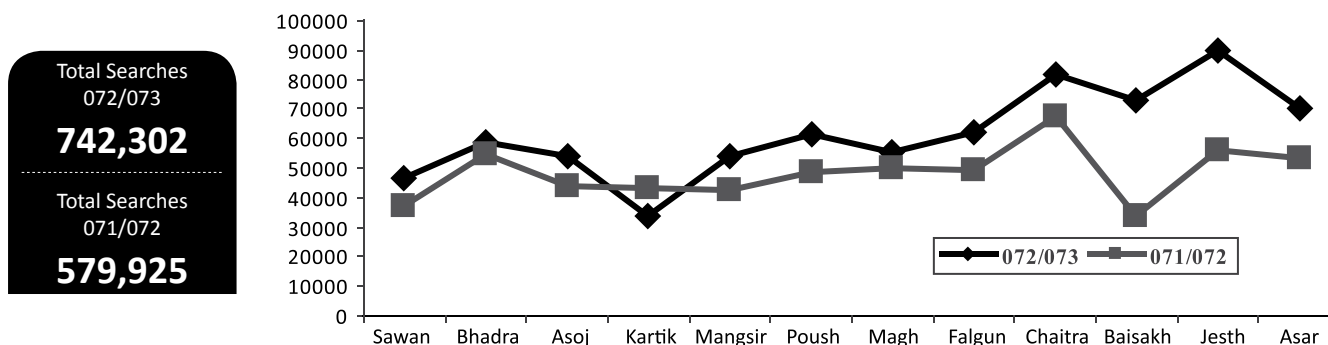
- or incorrect identification were reported during the period.
- the Bureau's Help Desk remained very efficient and effective during the period in attending to and addressing the various concerns raised by the users on the quality of service rendered by the Bureau. All the users' concerns and issues were timely addressed and closed on time. The Bureau took regular feedbacks from the users about the quality of service and improved on it as per the suggestions received.
- Help desk service was further strengthened by effective messaging and emailing component which brought huge efficiency in communicating and disseminating the information to the banks and financial institutions.
- the Bureau further improved on the Graphical User Interface and made it more accessible and user friendly to manage entire Bureau configurations and settings related to data processing.
- further improvements were made on the billing and accounting systems that brought more efficiency in invoice generation and bills collection. Because of this, bill collection days and account receivables reduced further during the period.
- the capacity of the system was increased further to allow additional users into the system. Many banks and financial institutions were granted additional "Users" to access the system.

2. Statistics of the Credit Reports

In spite of increased mergers of banks and financial institutions, the number of credit reports (information searches/Hits) generated by banks and financial institutions increased by nearly 28% this year. The increase could be attributed to improving real state growth, increasing business investments, increasing access to finance and effective supervision and regulatory provisions. Apart from this, the other factors such as the improved access to Bureau's service, quality of credit reports, affordable tariffs with various discount incentives and increasing awareness about the benefits of information sharing have also led to increase in number of "Hits". The month wise generation of the credit report is not uniform and shows uneven patterns.

The table below shows the month wise generation of the credit report by the member institutions during the period.

Total "Hits"	Sawan	Bhadra	Asoj	Kartik	Mngsir	Poush	Magh	Falgun	Chaitra	Baisakh	Jesth	Asar
072/073	46622	58843	53908	33984	54264	61763	55284	62324	82012	72819	90159	70320
071/072	37155	54899	43619	43436	42643	48590	49945	48988	67704	33931	55914	53101

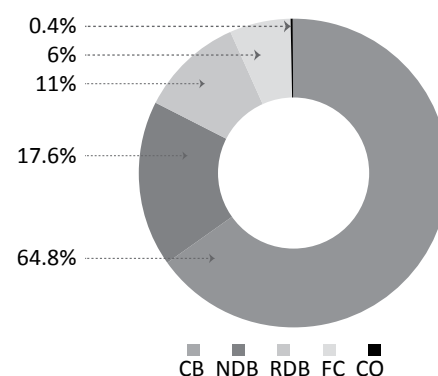


In the month of Jestha, the number of searches increased sharply where as in the months of Kartik and Asadh it dropped down considerably. Apart from the month of Kartik, the month wise generation of credit reports in 072/073 shows similar trend as that of year 071/072 where the "peak & dip" pattern of both the curves remains similar. The sharp "dip" in Baisakh 071/072 resulted in large gap between the curves leading to heavy difference in number of Hits. The "dip" was because of major earthquake that struck Nepal during the month that badly affected the banking business and brought down the lending volumes of the banks.

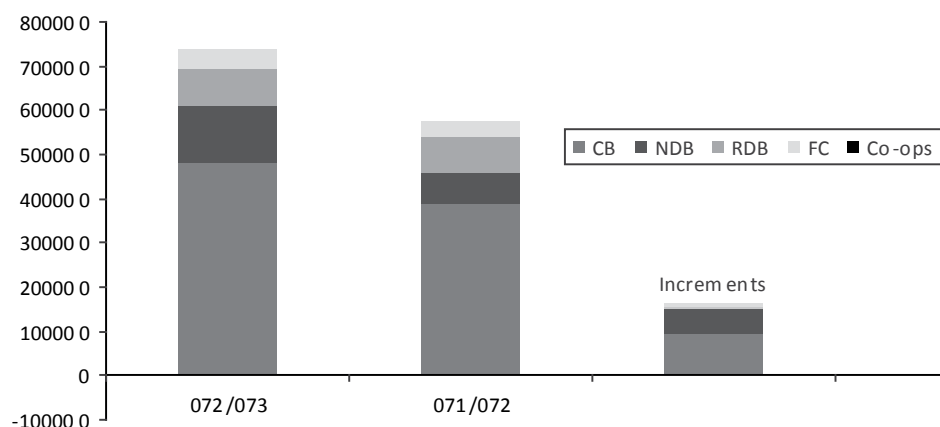
The average monthly credit reports generated increased from 48,327 reports in 071/072 to 61,858 reports in 072/073 leading to the month wise increment of 13,531 reports.

As the previous years, Commercial Banks generated highest number of credit reports followed by National Development Banks, Regional Development Banks and Finance Companies. Co-operatives and others were the lowest users of the service. The Commercial Banks generated nearly 65% of the total Credit Reports where as National Development Banks, Regional Development Banks and Finance Companies generated 17.6%, 11% and 6% respectively. Co-operatives and others generated only 0.38% of the total.

Categories of lending institutions	Credit Reports 072/073	Percentage of the Total
Commercial Banks (CB)	481,512	64.8%
Development Banks/National (NDB)	130,400	17.6%
Development Banks/Regional (RDB)	81,586	11%
Finance Companies (FC)	45,979	6.2%
Co-operatives and others (CO)	2,825	0.38%
Total Searches	742,302	100%

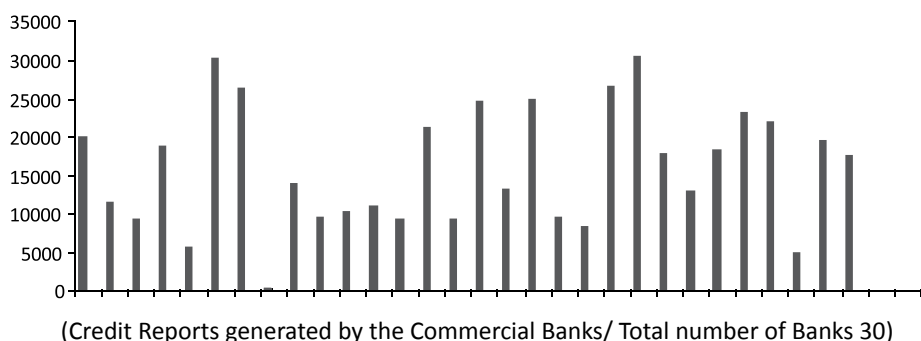


Categories of lending institutions	Number of Credit Reports		Increments	% Increments	% of the Total Increments
	072/073	071/072			
Commercial Banks (CB)	481,512	388,218	93,294	24%	57.5%
Development Banks/National (NDB)	130,400	73,259	57,141	78%	35.2%
Development Banks/Regional (RDB)	81,586	77,035	4,551	5.9%	2.8%
Finance Companies (FC)	45,979	38,454	7,525	19.6%	4.6%
Co-operatives and others (CO)	2,825	2,959	(134)	(4.5%)	-.08%
Total Credit Reports	742,302	579,925	162,377	28%	100%

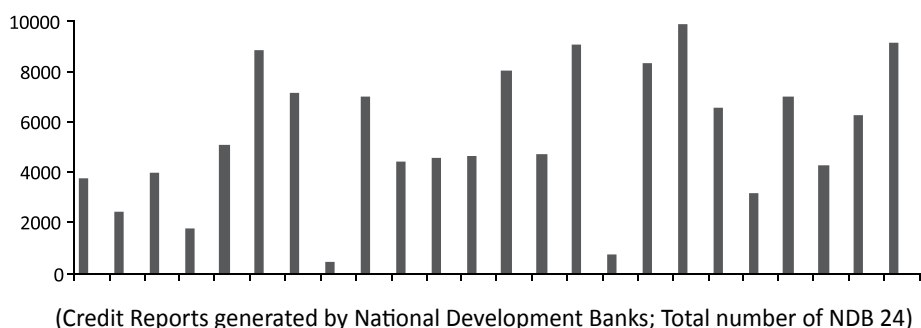


As the previous years, the commercial banks had the largest increments in the number of credit reports generated (+93,294) followed by National Development Banks (+57,141), Finance Companies (+7,525) and Regional Development Banks (+4,551). The incremental change in Co-operatives has been decreased this year (-134). Percentage wise, NDBs had the largest increment (+78%) followed by CBs (+24%), FCs (19.6%) and RDBs (5.9%).

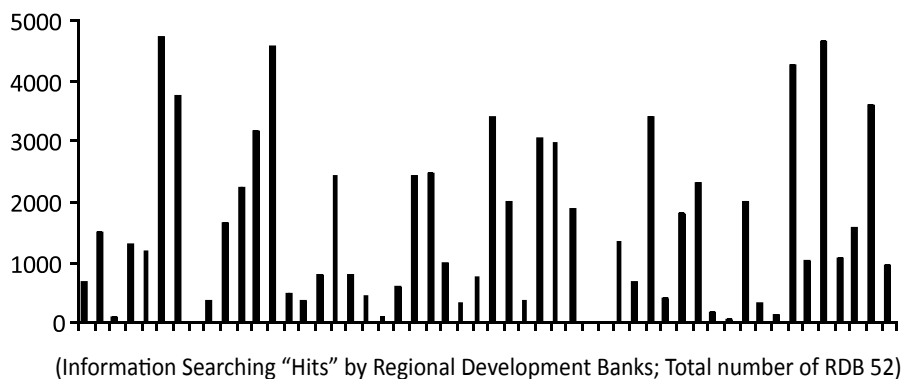
It was observed that credit reports generated by different types of lending institutions varied quite widely. Some CBs performed quite badly in comparison to other categories of financial institutions such as DBs and FCs where as some FCs performed quite well in comparison to some CBs, NDBs and RDBs. The Hits of all types of lending institutions were examined and plotted. If “Hits” patterns are any indication of the lending volumes of the financial institutions, it shows very interesting patterns as shown and discussed below.



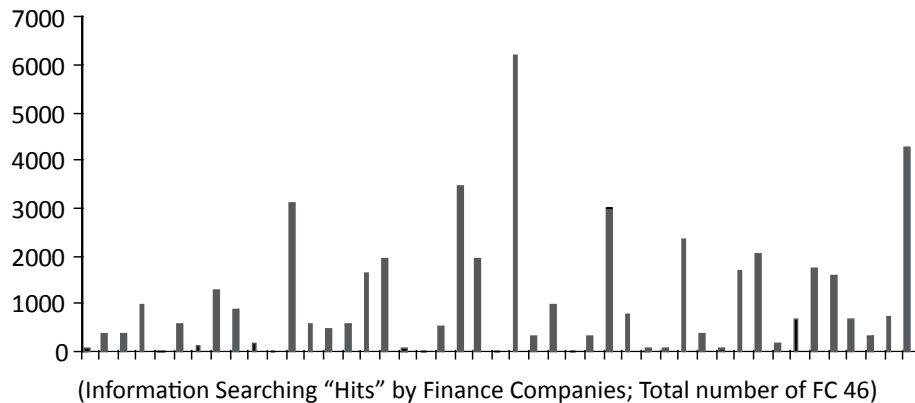
The graph shows that the number of Hits generated by the commercial banks varied quite widely between five thousand Hits to thirty thousand Hits. One bank that went into merger with large bank in the beginning of the fiscal year generated less than five hundred Hits. There were twenty one banks that crossed over ten thousand Hits where as four banks crossed over twenty five thousands Hits. The average Hits generated by CBs in the year was sixteen thousands and fifty Hits only.



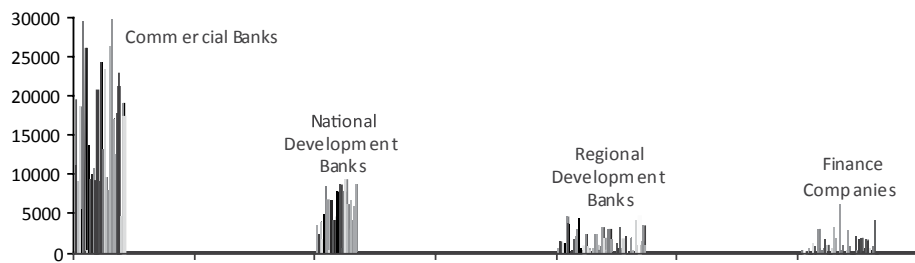
There was also the wide variation in the number of Hits generated by the NDBs. Some NDBs generated as low as five hundred Hits where as some generated nearly ten thousand Hits. Six NDBs crossed over eight thousand Hits. The average Hits for NDBs was nearly five thousands five hundred Hits. It can be seen that some NDBs did better and generated more Hits than some commercial banks.



The trend was similar in the case of RDBs as well. Some generated more than four thousand Hits where as some could not reach even two figure mark. Twenty seven RDBs generated more than one thousands Hits out of which seventeen crossed over two thousands and four crossed over four thousand Hits. Twenty five RDBs made less than one thousand Hits. The average Hits for RDBs was around one thousand and six hundred Hits.



Some Finance Companies generated as high as six thousand Hits where as some could not cross over even two digits. Sixteen FCs had more than one thousand Hits out of which seven FCs crossed over two thousands. All remaining thirty FCs had Hits below one thousand. The average Hits for FCs was approximately one thousand Hits.

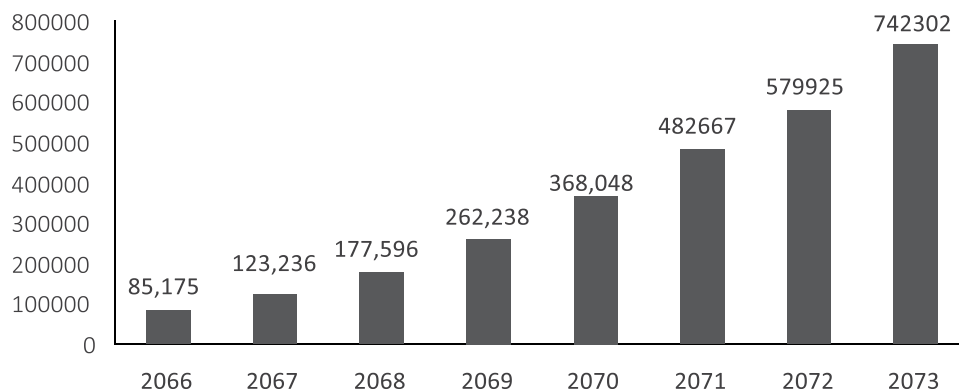


The graph below encapsulates all the above graphs and compares the credit reports generated by all four categories of banks and financial institutions.

The graph shows that there is wide variation in credit report generation among the same as well as different categories of financial institutions. But in average, higher tier of financial institutions have better report average than lower class institutions.

There has been steady growth in credit report generation since the last couple of years. The graph below shows the yearly statistics of the increments.

	072/073	071/072	070/071	069/070	068/069	067/068	066/067	065/066
Total Queries/ "Hits"	742,302	579,925	482,667	368,048	262,238	177,596	123,236	85,175
Yearly Increments	162,377	97,258	114,619	105,810	84,642	54,360	38,061	23,347



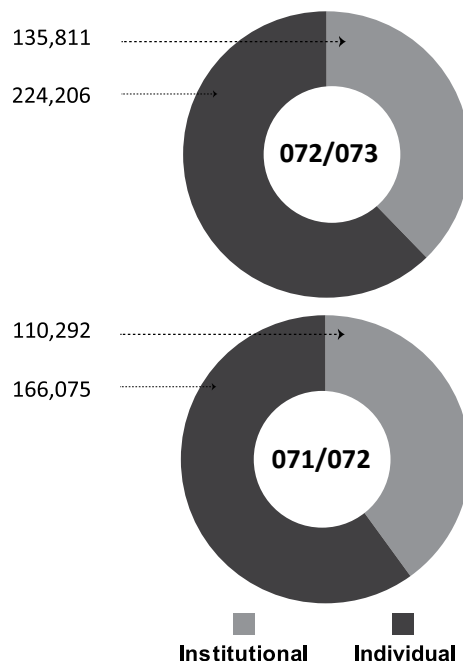
(Annual increment of the Credit Report Generation)

3. Statistics of the Borrowers' Records

The borrowers' records which indicate the total number of records of the borrowers who were extended the loans of Rs.1million and above facilities by the banks and financial institutions increased by 30.3% from 276,367 records in year 071/072 to 360,017 records in year 072/073. As in the outgoing year, this year also saw the substantial increase in the borrowers' records. There are few reasons for this increase; the first was the increased lending of the member institutions and the second was the collection of all the pending records that were not yet sent to the Bureau. Since last few years, the bureau has been making consisting efforts to collect all the pending

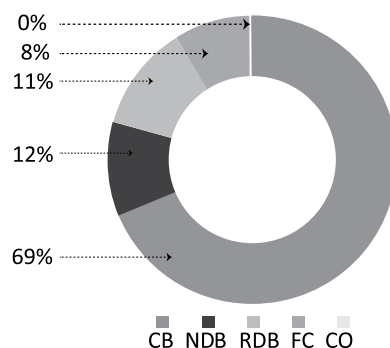
records available with the banks and financial institutions. This has led to considerable surge in the borrowers' records.

Total borrower records include both individual as well as institutional records. Till the year 071/072, the total numbers of individual and institutional records registered in bureau were 166,075 records and 110,292 records respectively which increased to 224,206 records and 135,811 records in the year 072/073. Thus there was the increment of 35% in individual records and nearly 23% in the institutional records leading to the total increment of 30.3% in the total borrowers' records.



Borrowers' records distribution shows similar pattern as that of credit reports generation. As per the statistics available with the Kendra till the year end, Commercial banks have registered largest number of borrowers' records in the bureau followed by NDBs, RDBs and FCs.

Categories of lending institutions	Number of Records	Percentage of the Total
Commercial Banks (CB)	248,936	69%
Development Banks/National (NDB)	42,476	12%
Development Banks/Regional (RDB)	39,841	11%
Finance Companies (FC)	28,548	8%
Co-operatives and others (CO)	216	0%
Total Searches	360,017	100%

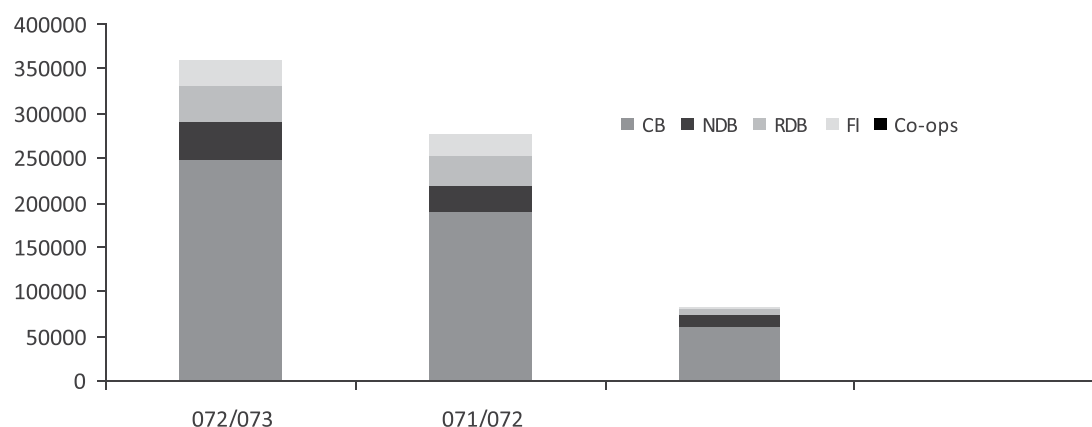


Commercial Banks have 69% of the total records where as National Development Banks, Regional Development Banks and Finance Companies have 11.8%, 11% and 7.9% of the total records respectively. The Co-operative and others have the lowest number of records (0.06%).

Commercial Banks had the largest increments of records (+59,451) in the year followed by National Development Banks (+13,301), Regional Development Banks (+7,009) and Finance companies (+3,870). The incremental change in Co-operatives has been quiet small (+19).

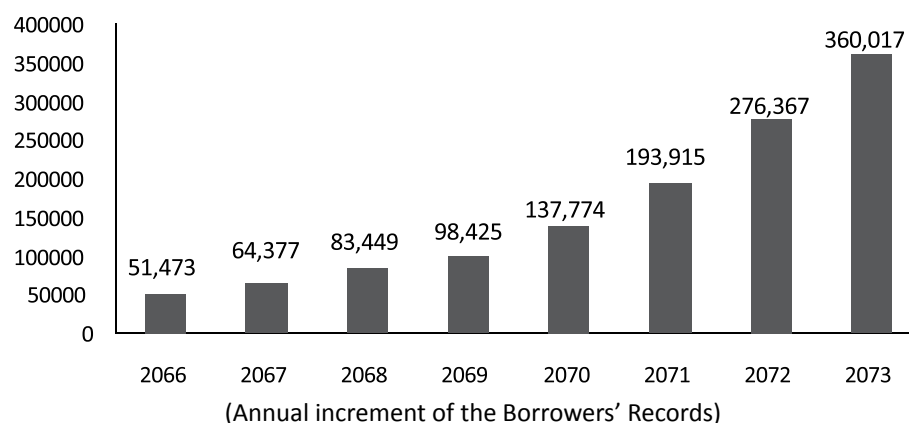
Out of the total increments, CBs occupied 71% of the total increments where as National Development Banks, Regional Development Banks and Finance companies occupied 15.9%, 8.4% and 4.6% respectively of the total increments.

Categories of lending institutions	Number of Records		Total Increments	% Increment	% of total Increments
	072/073	071/072			
Commercial Banks (CB)	248,936	189,485	59,451	31.4%	71%
Development Banks/National (NDB)	42,476	29,175	13,301	45.6%	15.9%
Development Banks/Regional (RDB)	39,841	32,832	7,009	21.3%	8.4%
Finance Companies (FC)	28,548	24,678	3,870	15.7%	4.6%
Co-operatives and others (CO)	216	197	19	9.6%	.023%
Total Borrowers Records	360,017	276,367	83,650	30.3%	100%



There has been steady growth of borrowers' records in bureau's database since the last couple of years. The graph below shows the yearly statistics of the records.

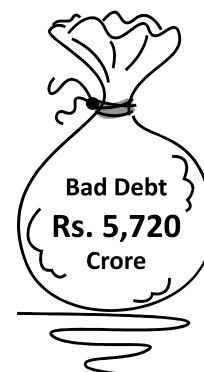
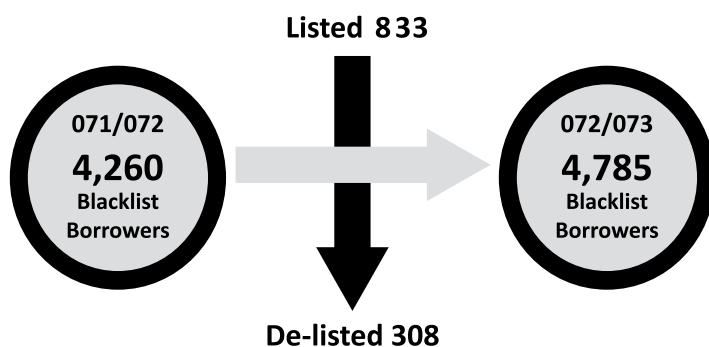
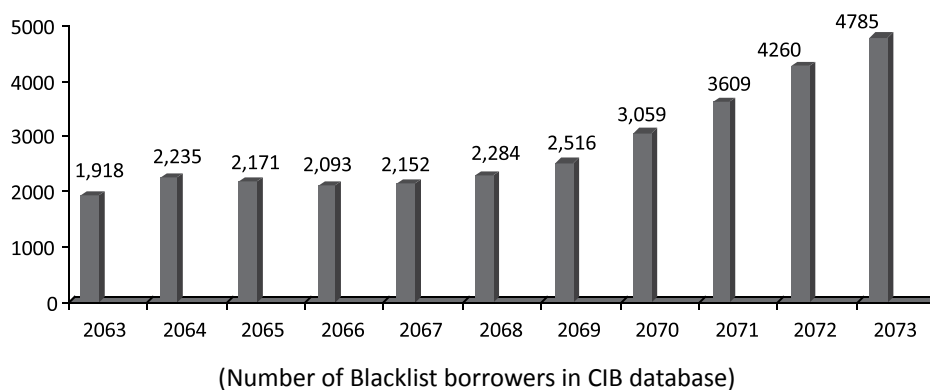
Year	072/073	071/072	070/071	069/070	068/069	067/068	066/067	065/066
Total borrowers	360,017	276,367	193,915	137,774	98,425	83,449	64,377	51,473
Yearly increments	83,650	82,452	56,141	39,349	14,976	19,072	12,904	7,616



4. Statistics of the Blacklisted Borrowers

The year saw the increase of only 525 borrowers in the blacklist. Total of 833 borrowers were listed into where as 308 borrowers were de-listed from the blacklist giving rise to the total of 4785 borrowers in the blacklist.

Statistics of the Blacklisted Borrowers								
	Till 065/066	066/067	067/068	068/069	069/070	070/071	071/072	072/073
Added in Blacklist	3,476	171	263	353	690	738	930	833
Removed from Blacklist	1,383	112	131	121	147	188	279	308
Total borrowers in Blacklist at the end of fiscal year	2093	2,152	2,284	2,516	3,059	3,609	4260	4785



The increase of 525 borrowers into the Blacklist increased the bad debt amount by Rs.558 crore from Rs.5,162 crore in 071/072 to Rs.5,720 crore in 072/073.

5. Corporate Governance

The company is committed to good corporate governance, which promotes the long term interests of the shareholders, strengthens Board and management accountability and help build stakeholders' trust in the company. The Governing body of the company, the Board of Directors, is typically central to the corporate governance. The Board is elected by the shareholders to oversee their interest in the long term health and overall success of the business and its financial strength. The Board has the ultimate decision making authority and is

empowered to set the policy, objectives and overall direction of the company. The Board possesses the dual mandate of advisory and oversight.

Board appoints CEO for the management of the company and for implementing policies, guidelines, strategies as approved by the Board. The CEO is supported by the various committees formed by the Board and chaired by its non executive directors.

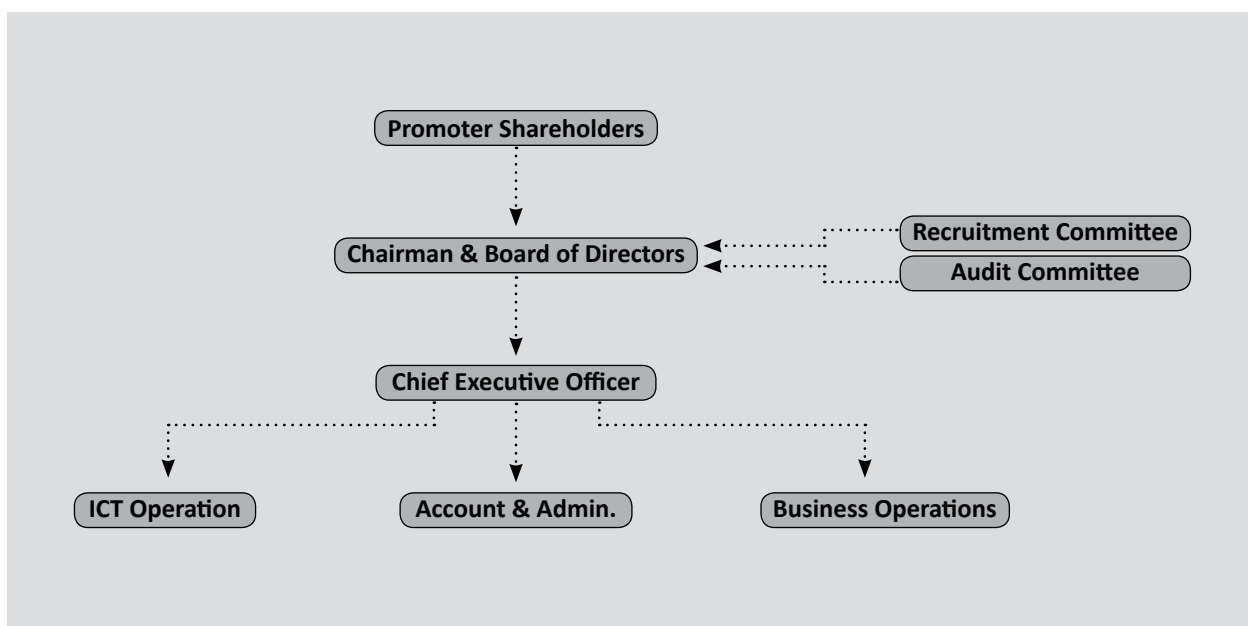
Board appoints Audit Committee, Recruitment Committee and the

Internal Auditor. The Statutory Auditor is appointed by the decision of the shareholders through the Annual General Meeting of the company.

The company is subject to and fully complies with, all but not limited to, the Company's Act 2063, Company's Articles of Association, regulatory requirements of Banks and Financial Institutions Act 2063, Directives and Circulars issued by Nepal Rastra Bank and various guidelines issued by the Government of Nepal related with the credit bureau.

6. Organization Structure

The company being small has a very simple and flat organization structure with fewer management levels with each level controlling the broader area of activities. Fewer layers means fewer approvals in decision making, so decisions can be made faster and the company can respond more quickly to new ideas. It leads to better and more frequent communication among all the employees resulting in better understanding of company's operational goals and issues.



Employees are empowered and are expected to take responsibility for a range of decisions in their daily routines. We offer more opportunities for employees to excel while promoting the larger business vision. Since more employees are on a level playing field, more responsibility is placed on each individual creating a situation where innovative and collaborative culture thrives. By giving every one in the company an equal voice in submitting new ideas and feedback on operational processes, we tend to discover new ideas that lead to competitive success.

7. Management

CEO is appointed by the Board and is entrusted with the responsibility of managing day to day operations of the company and helping the Board to fulfill its governance functions. CEO oversees complete operation of the company, implements plans and strategies, manages financial

and physical resources and acts as an interface between the Board and the corporate operations.

The CEO is supported by the team of senior executives who meet regularly and discuss on the various issues related with the operations. Being a

small company with a flat organization structure, a collaborative culture thrives that brings synergy in work, increases innovation, creativity, productivity and helps build more engaged workforce. This leads to an environment where communication is direct and the decision making is transparent.

8. Human Resource & Work Culture

We believe that effective Human Resource Management enables employees to contribute effectively and productively to the overall accomplishment of the company's goals and objectives. We follow a more open, flexible and caring management style so that the staffs can be motivated to deliver their best to support company's objectives. We have established a very safe, healthy and happy workplace and have built a superior platform for the employees to deliver their best.

We believe in openness and transparency and communicate & discuss with employees in open manner. We ensure that employees are well informed on

matters concerning them and their job. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism. We recognize the employee's contributions and achievements and reward them accordingly based on their performances. We train the employees through various programs and motivate them to learn multiple skills.

All the staffs in the key positions are trained and have many years of experience in their respective fields. We have created a small but highly energetic team with smartest people. We believe in developing a small but

highly balanced workforce that matches with workloads. No redundancy in workforce is allowed. We are focused to invest in their continuous training and development, providing them with opportunities for both personal and professional enhancement.

The company's HR policy is guided by its "Karmachari Sewa Biniyamawali". The company's policy prohibits discrimination based on genders, caste, creed, religion etc in the recruitment, training and career development of its employees. The company keeps on making regular changes in Biniyamawali to incorporate the best practices in human resource management.

9. The Board and the Committees

The members of the Board are elected from among the promoter shareholders from Annual General Meeting of the company in every four years. The Board is composed of seven members- four from Commercial Banks (CB) and one each from Finance Company (FC), Development Bank (DB) and Nepal Rastra Bank (NRB). The number of representations in the Board from each category is based on the distribution of shares among the categories. Commercial Banks holds

65% stake and has four representations, Development Banks holds 10% stake and has one representation, Finance Companies holds 15% stake and has one representation and Nepal Rastra Bank holds 10% stake and has one representation.

The current Board of Directors meet all the Qualification Criteria as mentioned in the Article 89 of the Company Act 2063 of the country. All of them possess needed skills, expertise and experience

to make required policy decisions and guide the company to make it more competitive and efficient. The tenure of the Board of Directors is for four years.

During the period, the Board acted in good faith and with due care and exercised their business judgment on an informed basis which they reasonably and honestly believed to be in the best interests of the company and its shareholders.

a) Changes in the Board of Directors

The new Board was elected from the 11th AGM of the company held on Poush 29, 2072. The new Board took over the helm of affairs of the company from Baisakh 2073 after the previous Board completed its four years of tenure on Chaitra end, 2073.

The two board members of the outgoing Board, Mr. Ajay Shrestha and Mr. Jyoti Pandey were re-elected from the 11th AGM in the incoming Board. Mr. Sashin Joshi was unanimously elected as the Chairman of the new Board for the tenure of four years.

b) Board Meetings

There were five Board meetings conducted by the outgoing Board where as three meetings were conducted by the new Board during the period. The numbers of the attendance of the Board members in the Board meetings were as follows:

Name	No. of meetings held during Tenure	Meetings attended	% of attendance
<i>Outgoing Board (till Chaitra end 2073)</i>			
1. Mr.Tulasi Ram Gautam, Chairman	5	5	100%
2. Mr. Nar Bahadur Thapa	5	5	100%
3. Mr. Ajay Shrestha	5	3	60%
4. Mr. Jyoti Prakash Pandey	5	5	100%
5. Mr. Rajendra Man Shakya	5	1	20%
<i>Incoming Board (From Baisakh 2073)</i>			
1. Mr. Sashin Joshi, Chairman	3	3	100%
2. Mr. Ajay Shrestha	3	3	100%
3. Mr. Min Bahadur Shrestha	3	0	0%
4. Mr. Jyoti Prakash Pandey	3	2	66%
5. Mr. Anukool Bhatnagar	3	3	100%
6. Mr. Krishna Raj Lamichhane	3	3	100%
7. Mr. Naresh Singh Bohra	3	2	66%

c) Board of Directors Disclosure**Mr. Sashin Joshi***Chairman*

Nabil Bank Limited

CEO

Mr. Min Bahadur Shrestha*Director*

Nepal Rastra Bank

Executive Director

Mr. Ajay Shrestha*Director*

Bank of Kathmandu Lumbini Ltd

CEO

Mr. Jyoti Prakash Pandey*Director*

Nepal Investment Bank Limited

CEO

Mr. Anukool Bhatnagar*Director*

Nepal SBI Bank Limited

CEO.

Mr. Krishna Raj Lamichhane*Director*

Kailash Bikas Bank Limited

CEO

Mr. Naresh Singh Bohra*Director*

Narayani National Finance Limited

CEO

d) Audit Committee

Board of Directors forms the Audit Committee and appoints its three members. The audit committee is chaired by a non-executive director of the Board. The Board ensures that all the members thus appointed have relevant experience and expertise in the field and have competency and capability to lead the committee.

The committee oversees, on behalf of the Board, the company's financial reporting process, audit process, the system of internal controls, risk management and compliance with laws and regulations. It also oversees, on behalf of the Board, the financial reporting controls implemented by the management and the integrity of the published financial information. It reviews and supervises the compliance of auditor towards standards, regulations etc. It also makes recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and approves the remuneration and terms of engagement of the auditor.

There were altogether four (4) audit committee meetings conducted during the period. Audit committee met each quarter to discuss on the audit reports submitted by the internal auditors. There were four internal audit reports submitted to the audit committee.

	Name	Number of meetings held during the tenure	Number of meetings attended	% of attendance
1.	Mr. Krishna Raj Lamichhane, Chairman	4	4	100%
2.	Mr. Naresh Singh Bohra, Member	4	4	100%
3.	Ms. Purna Chitra Pradhan, Member	4	4	100%

e) Expenses incurred on committees

	Committee	Number of meetings	Expenses on Committees		
			Meeting Allowance	Other Expenses	Total
1.	Board Meetings	8	72,000	13,985	85,985
2.	Audit Committee Meetings	4	16,000	1600	17,600

f) Disclosures

Adopting accepted best practices, the bureau discloses relevant information, both financial and non-financial, to its shareholders through the Annual Report. The Financial Statements have been prepared in accordance with Nepal Accounting Standards and the generally accepted accounting principles.

g) Compliance Report

The Directors to the best of their knowledge confirm that all taxes and duties payable by the bureau as well as contributions, levies and taxes payable on behalf of and in respect of the employees of the bureau and all other statutory dues, as were due as at the Balance Sheet Date, have been paid or provided for in the Financial Statements.

10. Risk Factor Disclosures

The risk factor disclosure is an important component of the Annual Report that is meant to inform investors about the various kinds of risks that the Bureau is exposed to in its operation and business. The disclosures can provide more understandings on the Bureau's risk susceptibility and its resilience to withstand them in case

of any eventualities in the future. The disclosures involve a discussion of circumstances, trends, or issues that may affect a company's business, prospects, operating results, and future financial performances. In the light of the changing technology, banking sector business and economic & financial landscape of the country, the

Bureau takes a careful look at its existing risk factor disclosures to determine whether they accurately reflect the current potential risks of the Bureau's business or any updates are needed on them to make them reflect the current potential risks

Technological Risk

Bureau views itself first and foremost as a technology company with the technology sitting at the center of its value chain and core operations. The fact that technology is at the heart of everything that the Bureau does, makes it all the more crucial for the company to understand the risks associated with IT – first their cause, and how they can be managed, mitigated and avoided. We focus on technology risk management not only for value protection, but also to drive competitive advantage. As the investments in the bureau system continue to rise, this has to be proportionally matched by investments in assessing, monitoring, managing and mitigating the associated risks.

Risk

Cyber Security

In today's world of constant connectivity, the cyber-security remains major concern of the Bureau. Several factors have driven the increased attention on the issue because of its severe impact on the reputation of the organization and potential loss of customers and business. The capabilities and techniques used by hackers are continuously growing and evolving, especially with regards to targeting specific information or individuals. They are moving quicker, cracking security measures more rapidly, and forcing the company to play catch up. New methods are constantly being developed by increasingly sophisticated hackers who can target companies not only through networks directly but through various other means.

The Bureau collects and stores millions of borrowers' data from banks and financial institutions. Any data breach or the consequences of lapses in security can be disastrous as an organization's bottom line and reputation are impacted. Apart from this, the bureau will subject to huge legal ramifications as the borrowers, banks and financial institutions and regulatory agency quickly react.

Risks Mitigation Strategies

The Bureau regularly performs top-down risk assessment around the Bureau's cyber security process using industry standards and carries out process improvements to prevent attacks posed by the constantly evolving cyber environment. In order to cocoon the system from cyber attacks, the Bureau has installed robust security infrastructure, security driven network architecture, advanced assessment tolls and security models, such as multilayered defenses, enhanced detection methods (intrusion detection and prevention systems), data validation and advanced data encryption methods.

Apart from data encryption, the Bureau has adopted tiered data security strategy that aligns multiple perimeter rings of defenses to counter applicable threats. Multiple rings can isolate and protect data should one of the defense perimeters be compromised from external and internal threats. The system has been secured by firewalls and running anti spy ware and virus detection programs on servers and network addressed storage systems. Security controls have been developed for each modular component of the data center- servers, storage, data and network- united by a common policy environment.

Application system is secured by having user authentication, pre-defined file formats, user session time out and audit logs facilities on admin and web application servers. Web security is enhanced by enabling SSL on all the websites hosted, enabling all transactions in encrypted form. New patches are installed on the software immediately after their release from the vendors. Filtering system has been deployed to prevent the honest release of sensitive data by mistake by the employees. All the login/out activities, user commands and the data analysis operations are logged and stored.

Risk**Data Center Protection (Physical Security)**

Though cyber security tends to be the attention grabbing element of IT risks, the large number of security issues involves the unintentional loss or exposure of data. Such kinds of loss arise from the failure of internal controls- checks which should be basic element in any security control system, technological or otherwise.

The physical security of Data Center is extremely important and must be given due consideration while designing it so that the data is saved from both unintentional losses or from internal and external espionage.

Risks Mitigation Strategies

The Bureau's Data Center uses multilayered physical security with biometrics, video surveillance, perimeter fencing and permanently manned security presence in the site. Entry of the facility is tightly controlled- with strict procedures in place to monitor and control visitor access into the data center. Extensive CCTV video camera surveillance is in place along with security breach alarms, biometric checks and controlled physical barriers. All the critical data center equipments are housed in dedicated and well designed inner protective zone that is inaccessible except to the authorized IT staffs. Most of the core equipments are separated from other infrastructures such as battery backups, UPS, Generator, power distribution unit etc and are housed in different zone.

In order to provide continuous operation under all foreseeable circumstances, such as power outages, equipment breakdown, internal fires, the system uses most modern techniques to enhance reliability. These include redundant systems and components, a stand by power generation system and UPS system, fire detection and suppression system, moisture detection systems, lightning protection, and central monitoring of major systems. Apart from this, the Bureau has a Disaster Recovery Site in National Information Technology Center in Singh Durbar to provide uninterrupted service in case of any system breakdowns in Primary Site.

Statistics reveals that large percentage of data center outage is associated with the human error and not technology. The bureau's data center is manned by highly competent IT professionals who have many years of experience and expertise in data center operation. They are regularly provided trainings on key security issues and policy fundamentals, compliance standards, access principles, security practices and procedures for reporting security incidents.

Risk**Intellectual Property Protection**

The Bureau system incorporates various kinds of proprietary technologies which have to be properly safeguarded failing which the Bureau is subject to claims and litigation from the solution providers. With intellectual property (IP) at the heart of bureau's core competency, identifying and protecting IP assets is a critical challenge for the bureau.

Risks Mitigation Strategies

In dealing with IP protection, the bureau has mapped appropriate controls to help protect the confidentiality and integrity of the data both within and outside the bureau's boundaries. In order to prevent potential exposures of the critical business data, a robust compliance standard are in place and appropriate processes and controls are implemented.

Risk**Technology Incompatibility**

Technology is changing very fast and Bureau always runs the risk of incompatibility of its IT system with the evolving industry standards and users' technology platforms. Any incompatibility may pose serious problems to the Bureau in disseminating its service to the end users.

Risks Mitigation Strategies

Bureau has established a very modular and flexible system which becomes easy for it to forward integrate with new technology without any major changes in its core platform. Bureau consistently applies upgrades where needed to be in line with the industry standards and to bridge the incompatibility gap with new systems.

Operational Risk**Risk****Search Identification**

Lack of any unique identification code of the subjects in the country has made the borrower identification process a challenge to the bureau. Bureau's core activity relies on the searching of the information and generation of credit report. Without correct identification, the bureau always runs the risk of incorrect subject matching leading to wrong loan profiles being included in the credit reports. This will have the serious impact on the quality of the credit report and on the credibility of the data contained in the report. Such incidents could lead to quick and dramatic effect on the number of visitors to the website leading to massive impact on its financials.

Risks Mitigation Strategies

The Bureau has developed an effective identification algorithm that is based on borrower's personal identification and three generation information. The Bureau keeps on improving the algorithm and applies best techniques in its design and development to minimally reduce chances of any wrong identification. Apart from this, Bureau also keeps improving its Match and Merge engines so as to reduce any identification duplications.

Risk**Quality of Data**

Data is collected from the banks and financial institutions; the accuracy of which, the bureau has no control over. This turns out to be substantial risk to the final outcome and on the credibility of the information contained therein the credit report.

Risks Mitigation Strategies

The Bureau regularly conducts training to the banks and financial institutions about the importance of maintaining the quality of data that they send to the bureau. Though the bureau has least control over correctness of the data, it ensures that the data meet the required quality standards all the time. Thus all the incoming data are subjected to the sanity checks and are passed through validation engines where it goes through many layers of data purification process. All the data that do not meet the required quality standards are rejected and sent to the financial institutions for the corrections and these cycles are repeated many times until all the data meet the required quality standards.

Risk**Confidentiality of the Data**

There is always the risk that the credit reports are used for ulterior purposes other than the specified leading to the leakage of borrowers' confidential data. Such leakages can be at the users' end where the reports are generated or at the bureau's end where the core IT staffs have the direct access of the database.

Risks Mitigation Strategies

NRB Directive (Regulation) addresses this problem of the misuse of data by the users. As per the Regulation, the banks and financial institutions are allowed to access the bureau's information strictly for permissible purposes only. The use of the information for any purpose other than allowed are considered to be a serious breach of secrecy and will be punishable by the Regulation.

As far as theft of data by the bureau's IT staffs are concerned, bureau has taken all the required measures to prevent such leakages of the information. The staffs of the bureau who are authorized to access the information are required to duly sign the "Declaration of Secrecy" before they are deputed on the assignments. The staffs are subjected to punishment in case of any leakage of data through them. Only those staffs "who need to know" are provided with access privileges which will be revoked in a timely manner when no longer warranted.

Risk**Retention of IT Talents**

Talented IT employees are limited in supply but very much in demand. Changing demographics of the IT work force in the country where IT talents are leaving the country in hordes have created the imbalance in demand and supply. Unless the companies allocate adequate resources and come out with attractive packages, it becomes very difficult to recruit the talented people and retain them. Being an IT driven company with majority of workforce in IT division, Bureau always runs the risk of losing the IT talents which are difficult to replace by. The cost of attrition can be staggering and can slow down the whole pace of project implementations.

Risks Mitigation Strategies

Bureau hires the right people and retains them by cultivating a positive corporate culture where the wellbeing and performance based on the principles of commitment, trust and achievement subsists. The employees are provided with the supportive environment where they can unleash their passions, challenge their intellects and engage their creativities. It recognizes their good works, gives praises, acknowledges contributions and compensates them accordingly. The management keeps its door open for direct communication with the staffs where they can share their ideas with the management without any fear and inhibitions. Apart from the competitive compensation, it provides opportunities for continued training, career development and growth.

Risk**Power System Outages**

Power cuts are becoming more and more frequent in the country. Long hour of power outages have increasingly become a realistic scenario. Some blackouts can last even for more than twelve hours. Against this backdrop, Bureau always runs the risk of losing the business if necessary provisions are not made to address the power issue and provide the uninterrupted service to the users.

Risks Mitigation Strategies

Bureau has taken all the measures possible to run the system without any service interruption. The system is equipped with redundant power supplies (UPS, Batteries, Generator) that are sufficient to withstand the current power requirements of the system during long power outages.

In case of any eventualities where all the redundancies fail to operate, Bureau can provide its service through Disaster Recovery Site housed in National Information Technology Center (NITC) located inside the premise of Ministry of Home, Singh Durbar. DR site is in warm-standby mode and can be put into service immediately. NITC is equipped with 24x7x365 uninterrupted power supply system provided through the dedicated power supply feeders of Nepal Electricity Authority.

Risk**Insurance Coverage**

The Bureau houses huge IT infrastructures in its Data Center. There is always the risk of loss or damage to the facility and equipment due to fire, earthquake or other reasons incurring huge financial losses to the bureau.

Risks Mitigation Strategies

All our Data Center equipments and infrastructures have been safeguarded with adequate insurance coverage.

Business Risk**Risk****Revenue Generation**

The business of the Bureau largely depends on the business of the banks and financial institutions. As the banking business grows and the lending increases, so grows the credit information enquiries made by the banks and financial institutions. The slump in the lending leads to reduced enquiries and reduced revenue. The economy or market down turns or poor state of the banking business adversely impacts the bureau's growth potential. Such uncertainties make it difficult for the bureau to forecast future levels of bureau's income and earning potentials.

Risks Mitigation Strategies

Bureau is in a process of diversifying its product portfolio in future. Apart from credit report, it plans to pull out various kinds of value added products and services such as credit bureau score, portfolio management, application processing and fraud control etc on a phase wise basis once the bureau's data gets matured. This additional range of products generates further revenue for the bureau which more than compensates for any slump in revenue from the poor credit report sales.

In order to avoid the business risk that emerges from the banking sector, bureau plans to diversify its business in other sectors as well. Bureau is also in the process of collecting the data from 3rd party sources (utilities, leasing companies etc.) and providing credit bureau services to them. This will be another source of revenue stream for the bureau. But before this could be done, legal provision has to be in place that empowers bureau to do so.

At the same time, the bureau is planning to embark into two new market segments very soon. The launch of microfinance bureau service and secured transaction registry service will generate additional revenues that will compensate for any slump in the revenue from the banking sector.

Financial Risk

Risk	Risks Mitigation Strategies
Risks that arise because of financial liabilities of the company in terms of debt, trade and other payables.	The bureau has established itself in a very sound financial footing and all its financial indicators demonstrate the positive signs. Its revenue is growing, expenses are staying flat and cash balance demonstrates positive long term growth. The profitability ratio is in healthy side and the activity ratios are in-line. Its two projects Silverblade system and Secured Transaction Registry system are financed through internal resources where as Microfinance Bureau system is financed through ADB Grant. There are no outstanding debts or liabilities of any kinds that may put the company at financial risk. The company has grown manifold during the last few years and has earned enough capital to finance its any new projects in the future.
Interest Rate Risk that arises because the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Subsequently that future proceeds have to be reinvested at lower interest rates.	Interest rate risk may not pose serious problem to the Bureau since interest income is not the core income and has only marginal effect on Bureau's total income.
The credit risk that counterparties will not meet its obligations under a financial instrument or customer contract which will lead to financial losses.	The only credit risk that the bureau is exposed to is in terms of collecting its revenues (service charges) from the counterparties. Since the counterparties are all the banks and financial institutions, the bureau is least exposed to credit risk.

11. Issues and Problems affecting the service of the Bureau

Issues & Problems	Solution Strategies
<p>Data Quality</p> <p>The "quality data" is the life line of the Bureau without which it can not sustain for a long time. The credit report is as good as the data contained therein. The Bureau tends to lose its credibility and trust among its users if the credit report fails to deliver correct, current and complete information about the borrowers.</p> <p>The Bureau always puts its consistent efforts in maintaining the "quality data" in its repository and ensures that the data is maintained at the highest quality level all the time. But since data is collected from external sources where Bureau has no control over, collecting the quality data on time has become a challenge to the Bureau. In spite of all its good efforts, Bureau is still finding difficulties in meeting its desired level of data quality.</p>	<p>Bureau has implemented two pronged strategy to resolve the data quality issue.</p> <p>First, the Bureau has been conducting regular trainings and awareness programs to educate the data providers about the importance of the correct and current data and how it is going to affect the quality of the credit report and other services that bureau plans to bring out in future. At the end, it is the data providers who are the beneficiary of the quality data.</p> <p>Second, the Bureau employs a very effective data validation methodology that checks and cross checks the incoming data based on certain predefined business rules developed by the bureau. The data sanity checks goes through many iteration cycles until it meets the required quality standards. The Bureau also employs very effective Match and Merge techniques to correctly identify the borrower and merge the information.</p>

Issues & Problems

Credit Report Threshold

At present, as per the NRB regulations, the Bureau is entitled to collect the borrowers' records of only Rs.1million and above facilities extended by the banks and financial institutions. This has restricted the bureau from collecting the information of small borrowers (less than Rs.1million facility) which is the major market segment of the lending institutions. This has prevented the bureau from making its information more inclusive and informative.

Thus wiping out this collection threshold is extremely important and necessary at present. Such practice and policy will enhance the growth of credit market, decreases the probability of multiple lending, makes the credit report more inclusive and is in conformity with the best international practices in credit bureau operation. Apart from this, this practice shortens the data maturity process and expedites the process of the development of value added products and services.

Solution Strategies

Bureau has submitted its request to Central Bank to make the amendments on the existing NRB Directive to make it mandatory for all the financial institutions to send their borrowers' records to the bureau irrespective of any threshold. The Central Bank is seriously working on the request and is in a process of amending the Directive to eliminate the threshold provisions.

Apart from this, Bureau has been making requests and consistent follow ups with the member institutions to collect all their borrowers' records available with them.

Issues & Problems

Regulatory Provisions

The existing regulatory provisions fail to address various issues related with the effective operation of the bureau. The Clause 88 of NRB Act and the Karja Suchana Biniyamali 2059 does not incorporate required provisions in the areas of the regulatory oversight, obligations of the bureau and data providers, data confidentiality, data security and integrity, data processing rules, data exchange rules, information dispute and rectification process, consumer rights etc. Unless these issues are addressed, the bureau can not function effectively and deliver the desired outputs.

Legal provisions should also empower bureau to collect the information from wide number of other sources such as non banking financial institutions, leasing companies and utilities. Data collection should not be limited to one sector only. Legal provision should also allow the collection of information of the defaulters from the various public sources such as courts, tax departments, bankruptcy filing offices etc. This will make the credit report highly inclusive, informative and useful to the lenders.

Solution Strategies

There is the immediate need to have a Credit Bureau Act that will empower and regulate the bureau and provide comprehensive legal and regulatory framework for its functioning.

The Bureau has taken the initiative in this regard and has prepared the preliminary draft of Credit Bureau Act and submitted to the concerned offices for their review and further actions.

Challenges in the implementation of new systems

Challenges	Solution Strategies
<p>Microfinance Bureau</p> <p>Many microfinance institutions suffer from inaccurate & incomplete data, poor IT capability, unskilled staffs and lack of awareness about the bureau which may make the operation of the MF Bureau very difficult. Their lack of readiness to join the bureau may pose a serious challenge in implementing the service.</p> <p>The bureau may face further challenges in its operation because of the lack of effective legal and regulatory framework that enforces the MF institutions to join the bureau, be its member and share their data with it.</p> <p>Challenge also exists in setting up a reasonable tariff that is not only affordable to the MFIs but also makes the bureau sustainable.</p>	<p>Bureau has been conducting various levels of trainings to microfinance institutions to educate them about the Bureau, its benefits and how it is going to help them in making better lending decisions and reducing their non performing loans. The trainings will be conducted on a regular basis in the coming years as well.</p> <p>Service delivery will be based on the Principle of Reciprocity. That is, only those institutions that share the data with the Bureau will be entitled to have the access of the credit bureau services.</p> <p>The system will be put into Pilot run initially. The Bureau will study the “Hit Patterns” of the service during the Pilot Run period to determine the tariff structure. A committee comprising the members from the Bureau, MF Associations, Ministry of Finance and Central Bank will be formed to reach to a consensus on the tariff.</p> <p>The Bureau intends to focus first on all the “D” class financial institutions regulated by the Nepal Rastra Bank (Microfinance Development Banks & Financial Intermediaries) in the initial phase of its operation (Phase I/ Year 1). This will be followed by the penetration of services in Kathmandu Valley in Phase II/Year 2, Regional Centers & Towns in Phase III/Year3 and all across the country in Phase IV/Year 4&5.</p>
Challenges	Solution Strategies
<p>Secured Transaction Registry (STR)</p> <p>The successful implementation of Secured Transaction Registry service poses another challenge to the Bureau. Since users are still unaware about the STR service, its wide spread use may take years before it starts making serious impact on the economy. The target groups extend beyond the banking sector to the business and consumers who may make use of the law to gain access to the credit that had been unavailable to them.</p> <p>Unless the service reaches to its target group, its success can not be guaranteed. While the initial round of training to the major target group (banks and financial institutions) is the most critical to getting the registry started, there must be continuing plans to train other target groups and new participants in the system.</p>	<p>The Bureau has been conducting regular trainings to BFIs and other potential users about the Registry, STR Act and the STR system. Bureau will keep on conducting such trainings in Kathmandu and other parts of the country to generate awareness about the Registry and its benefits. The Bureau will use print and broadcast media or use media mix to tailor to the various target groups with different delivery methods and times.</p> <p>One of the major factors in contributing to the success of the system is its accessibility and easiness to use. The Bureau has developed a very simple yet user friendly system that can be used by any one with simple computer skills and can fill up the information without any difficulties. Since STR website is a public website where any one can access the system from any place and search information, the system displays only the limited information about the secured party, debtor and collateral as dictated in the Act.</p>

Challenges

New Commercial Bureau System

The complete switchover of service from existing system to new system will pose challenge to the Bureau since many leading banks are still finding difficulties in submitting their data through the new Silverblade system. Some are still to upgrade their MIS system to link with the bureau's new system. Unless all the data providers are ready with their systems to link with Silverblade and transfer the data through new systems, the users will have difficulties in accessing the complete loan profiles of the borrowers from the new system.

Solution Strategies

Bureau plans to set the cutoff date by which all the data providers have to be ready with their MIS system and be capable of transferring data through it. At the same time, Bureau will complete the migration of the existing data to the new system before the cut off date thus making the new system fully equipped with both new and old data in its database.

Major Action Plans for the Year 073/074

- 1) The major function of the Bureau will be to launch the STR service as soon as possible in the incoming fiscal year. The Bureau will work closely with the Ministry of Finance to release the STR Regulation and implement the service.
- 2) The Bureau will be conducting series of trainings related with the STR to its potential clients during the year. The training locations will be in Kathmandu and other parts of the country. The focus will remain in bringing all the potential users of the service under its umbrella as soon as possible.
- 3) In spite of the fact that Bureau is facing serious problems in collecting the data from the microfinance institutions, the Bureau aims to put the Microfinance Credit Bureau service into Pilot Run by the end of fiscal year 073/074. The Bureau aims to focus only on few selected MFIs (15) for the purpose of Pilot Run. The Pilot Run period will be for six months during which hit rates will be analyzed, tariff will be set, the system performance will be monitored and training on the live streams will be given.
- 4) Along with the MF bureau, the Bureau aims to launch the new commercial bureau system by the end of fiscal year 073/074. The existing credit bureau system will be replaced by new system and the service will be provided through it. The Bureau assumes that all the BFIs will be ready with their systems by that time to interface with Silverblade.
- 5) The Bureau has planned to increase the frequency of the interaction programs with the MFIs and BFIs in the year 073/074. The objective remains to discuss more on the salient features of the new systems and address all the queries raised by users about the system.
- 6) The Bureau will re-work on the Charter Act to incorporate any new legal and regulatory provisions that is required to address existing issues related with the operation of the bureau.
- 7) The focus of the Bureau always remains to empower the staffs with all the knowledge and expertise to address various operational challenges that may emerge in the future. The Bureau plans to organize various levels of system based trainings to the staffs during the period. The general trainings will be provided locally by the technical experts of the vendor whereas some staffs may be flown to vendor's Training Academy in Chennai for the advanced level trainings on the systems.

Long Term Business Focus and Action Plans

- Organize the Business and its Processes around a strong technology platform. Use Technology all across the operations to increase efficiency in service delivery, reduce costs of operations, provide internal support system and manage changes fast etc.
- Collect all the borrowers' records available with the banks and financial institutions irrespective of any threshold. Mature all the data thus collected and make the searching available for any amount of lending.
- Enhance the scope of operation by collecting information from 3rd Party sources such as utilities, leasing companies, insurance companies, investment funds and other lending institutions. Enrich the quality of the credit report by making it more inclusive and informative.
- Bring out various kinds of value added products and service on a phase wise basis. This includes the simple products like credit scoring, check return and identification verification in the initial years followed by more complex products such as Fraud Prevention, Marketing Services, Basel II models and Behavioral Statistics in later years.
- Expand the service of microfinance bureau to reach to all the microfinance institutions all across the country within five years of the implementation of the service.
- Bring all the potential users of Secured Transaction Registry service within its umbrella within three years of its implementation of service. Implement highly effective and focused awareness programs to reach to the potential target groups.
- Work closely with all the government agencies to have a dedicated Charter Act for the bureau.
- Establish the Bureau at par with other credit bureau operators of the region in terms of the quality of service, scale and scope of operations.

Growth Potential and Future Prospects of the Credit Information Bureau in the Country

- Access to finance is an essential component to economic development and job creation. Despite the tremendous need, a large proportion of the Nepal's population does not have access to credit. It is largely hindered by the lack of sufficient information on the ability of a potential borrower to repay his or her debt and the lack of supporting financial infrastructure to make such information available.
- It is recognized globally that a matured and developed financial sector must have efficient and effective financial systems to manage credit risks in order to sustain the financial needs of the government, industry and consumers. The increased competition in finance and banking sector usually leads to a number of unforeseen difficulties along with increased problems of borrowers over-indebtedness, reduced loan repayment incentives and growing arrears of financial institutions. Weakening performance of lending institutions in a competitive market is due in part to the absence of information sharing in these markets because growing numbers of financial institutions increase the level of asymmetric information among them. The goal of the credit information bureau is to ease this fundamental problem of asymmetric information among lenders.
- The Credit information bureau plays a crucial role toward improving credit market performance and acts as the information brokers that increase the transparency of credit markets. The practical consequence is a better risk management, which enables banks and other financial institutions to increase their lending volume and extend credit to underserved segments of the population. The core purpose of the bureau 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.
- With the help of information sharing, banks and financial Institutions 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. More reliable and confident decisions can be made 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.

- Credit information 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 Bureau will also play an important role in supporting the prudential supervision and risk monitoring function of Central Bank. Data from credit bureaus that would be useful for prudential supervision, include but is not be limited to: borrower type and identification data, credit information data, current risk classifications and collateral and

guarantee information, all of which would enable supervisors to model the probability of default of different borrowers and calculate and monitor potential loss given defaults of the various creditors.

- As discussed above briefly, the impacts of the credit information bureau are immense and multidimensional. Given the country's poor standing related with the access to finance, low credit penetration, high default rates, the credit bureau can contribute immensely to address the above problems. Against this backdrop, it has a huge potential to grow in the future and can revolutionize the growth of credit market in the country by providing access to credit to millions of Nepali borrowers.

Growth Potential and Future Prospects of Secured Transaction Registry in the Country

In the country like Nepal, the people and private parties are unable to get low cost, long term loans from the lenders to finance their businesses. Constrained access to finance has so far remained one of the major reasons for the slow growth the SMEs in the country. Removing barriers to a wide range of financial services can unleash private enterprise productivity and help reduce the size of the informal sector. One of the ways to increase Access to Credit lies in establishing the legal framework through which movable assets can be effectively used as collateral for the lending. A sound legal and institutional infrastructure is critical to maximize the economic potential of movable assets so that they can be used as collateral.

In order to address this issue, Government of Nepal enacted the Secured Transaction Act in 2006. The Act provides a more secure lending environment in Nepal and allows

lenders to establish perfection and priority in movable goods when those goods are sold as collateral. The Act also provides for immediate recourse by the lender at the time of default. The lenders can seize the goods and sell them without first having to go through the courts. Thus the operation of Secured Transactions Registry service shall contribute to the growth of private sector development by increasing the level of credit and decreasing the cost of credit in the economy. It enables borrowers to more easily pledge "movable property" as security for loans.

Many economic analysis suggest that small and medium-sized businesses in countries that have stronger secured transactions laws and registries have greater access to credit, better ratings of financial system stability, lower rates of non-performing loans, and a lower cost of credit. This conclusion

is also supported by empirical studies conducted by the World Bank on the various emerging markets of the world on the impacts of Secured Transaction Registry on the growth of their credit markets.

Against this backdrop, the role of Secured Transaction Registry to avail of quality information in the borrowers' movable assets and to assign secured interests therein becomes significantly important in the country like Nepal where SMEs are the mainstay of the economy. Establishment of well-functioning Registry can have a strong positive impact on SME finance, by building greater transparency in the financial system, enhancing the rights of creditors and debtors and providing for certainty in the priority scheme against 3rd parties, hence giving financial institutions greater confidence to lend against movable assets of SMEs.

Impacts of International trend in Credit Bureau Development in Nepal

- Last two decades saw tremendous growth of credit bureaus in Asia, Africa and other parts of the world. Between 1990 and 2011, the number of credit bureaus in the world almost tripled. In Asia many markets turned toward private sector reporting after the financial crisis in the late 1990s. The financial crisis led to an urgent call for credit information sharing among financial institutions in many countries in the Asia-Pacific region. After the crisis, several local and foreign-based credit bureaus were created, with the countries' central banks being the key drivers.
- New developments in credit reporting are underway in Central Asia, especially in Azerbaijan, the Kyrgyz republic, Tajikistan, Uzbekistan and Mongolia. Over the last decade, the Eastern Europe, Middle East and North African regions has been growing interest in credit reporting, with credit bureaus established in Morocco and Egypt, and new developments taking place in North African countries. There are also many new developments in Sub-Saharan Africa, with the launch of the credit bureaus in Ghana, Uganda, Kenya, Rwanda, Botswana and other countries. Many reform oriented governments are supporting the development of credit reporting services in conjunction with broader reforms for greater access to finance and the promotion of responsible lending practices. According to World Bank's Doing Business 2015, approximately 176 countries out of 189 countries surveyed had either a credit bureau or a credit registry at the end of 2015. The credit reporting industry has experienced unprecedented growth since 2000 especially in emerging markets.
- The reasons for this unprecedented growth can be attributed to high growth of retail credit in emerging markets, move towards more responsible lending following various consumer loan crises, increased awareness of credit reporting, falling start up costs for credit bureaus with decreasing costs of database management software and growing competition in banking and finance sector. The recent 2007–2008 financial crisis, has given greater impetus for broad reform efforts at the national level as authorities in developed and emerging markets realize the need for strengthening and improving financial infrastructure, including credit reporting systems.
- In our SAARC region, the countries like India, Pakistan, Sri Lanka, Maldives, Bhutan and Bangladesh have established highly advanced credit bureau systems and been providing the services to their users since last many years. The bureaus in these countries have been strongly supported by their respective governments who have helped by enacting strong legal and regulatory framework for the bureaus to operate effectively. Some governments have empowered their bureaus with the Statutory Act making them stronger, functional and responsible in delivering their services.
- The establishment of new commercial bureau and microfinance bureau will put Nepal in a same league as that of other SAARC countries in terms of quality of system and service. But we still lag behind in having a strong legal and regulatory framework for the effective operation of the bureau. However, there is the growing realization among all the stakeholders about the need of an appropriate regulatory framework for the bureau.
- Since the discussions to set up the SAARC Credit Bureau is still going on, the new Silverblade system will enable our Bureau to have smooth integration with the SAARC Central Credit Bureau System. The SAARC bureau is planned to be designed in spoke & wheel architecture and will be located in one of the SAARC countries.

Bureau's Relations with its Stakeholders

- The Bureau has always maintained good relations with its stakeholders and aims to improve its relations with them all the time. The Bureau holds a regular forum to brief the member banks and financial institutions on operations of the bureau and holds briefing sessions to update them about the new developments and state of the business. It regularly imparts training on the credit bureau technology and service to make them capable of using the service more efficiently and effectively.
- The Bureau maintains an effective communication with its shareholders which enables them to understand the bureau's business, financial condition, and operating performance and trends. Apart from our annual reports and accounts, we maintain a rich website (with suggestion boxes) that provides information on wide range of issues for all stakeholders. The Bureau is closely associated with Nepal Bankers Association, Nepal Development Banks Association, Nepal Finance Companies Association, Microfinance Development Banks Association, Ministry of Finance and other government agencies and has maintained good relations with all of them.

Financial Statements

Balance Sheet	071/072	072/073
Capital & Liabilities		
Share Capital	103,408,000	103,408,000
Reserve & Surplus	308,468,999	417,073,718
Loan /Funds	231,369,813	231,369,813
Trade & Other Payables	9,276,768	8,938,813
Provisions	15,442,623	16,554,116
Total Liabilities	667,966,203	777,344,460
Assets		
Cash & Bank Balance	4,187,265	35,463,046
Investments	366,080,089	419,342,058
Prepaid, Advances, Loans and Deposits	11,805,237	35,915,063
Trade & Other Receivables	10,139,222	9,872,303
Fixed Assets	274,752,174	275,663,181
Deferred Tax Assets	1,002,215	1,088,808
Total Assets	667,966,203	777,344,460

Income Statement	071/072	072/073
Income		
Service Charge	169,862,348	207,384,390
Interest	18,713,968	21,458,854
Registration Charge	2,000	2,000
Other Income	600,300	
Total	189,178,614	228,845,244
Expenditure		
Operating Expenses	18,076,852	44,120,305
Non Operating Expenses		354,420
Depreciation	1,232,907	2,275,248
Provision for Bonus	15,442,623	16,554,116
Profit before Tax (PBT)	154,426,233	165,541,155
Provision For Taxation	38,783,388	41,425,236
a. Current Tax Expenses	38,779,599	41,511,830
b. Deferred Tax Expenses	3,789	(86,593)
Net Profit Transferred to Accumulated Profit	115,642,845	124,115,919

Income Statement Ratios & Indicators

Amount in Rs.'000

S.N.	Particulars	C/Y	% of total operating income	L/Y	% of total operating income	Change%
1	Service Charge	207,384	90.62%	169,862	89.79%	22.09%
2	Interest	21,459	9.38%	18,714	9.89%	14.67%
3	Registration Charge	2	0.00%	2	0.00%	0.00%
4	Other Income	-	0.00%	600	0.32%	-100.00%
5	Total Operating Income (1+2+3+4)	228,845	100.00%	189,178	100.00%	20.97%
6	Operating Expenses	44,120	19.28%	18,077	9.56%	144.07%
7	Depreciation on Fixed Assets	2,275	0.99%	1,233	0.65%	84.51%
8	Operating profits (5-6-7)	182,450	79.73%	169,868	89.79%	7.41%
9	Non-Operating Expenses	354	0.15%	-	0.00%	
10	Profit from Regular activities (8-9)	182,096	79.57%	169,868	89.79%	7.20%
11	Profit/loss from extra ordinary activities	-	0.00%	-	0.00%	
12	Profit before Bonus & taxes (10-11)	182,096	79.57%	169,868	89.79%	7.20%
13	Staff bonus provision	16,554	7.23%	15,442	8.16%	7.20%
14	Profit before taxes (12-13)	165,542	72.34%	154,426	81.63%	7.20%
15	Provision for tax	41,512	18.13%	38,780	20.50%	7.02%
16	Deferred tax expenses/(income)	(86.6)	-0.063%	4	0.00%	3725.00%
	Net Profit/Loss(14-15-16)	124,116	54.27%	115,642	61.13%	7.39%

C/Y = Current Year 072/073

L/Y = Last Year 071/072

Balance Sheet Ratios and Indicators

Amount in Rs.'000

S.N.	Particulars	C/Y	% of total liabilities/ assets	L/Y	% of total liabilities/ assets	Change%
1	<i>Shareholder's Equity</i>	520,482	66.96%	411,876	61.66%	26.37%
	a. Ordinary Share	103,408	13.30%	103,408	15.48%	0.00%
	b. Retained earning	298,220	38.36%	214,525	32.12%	39.0%
	a. Up to last year	199,014	25.60%	122,007	18.27%	63.12%
	b. Current Year	99,206	12.76%	92,518	13.85%	7.23%
	c. General reserve	110,466	14.21%	85,642	12.82%	29.00%
	d. Deferred tax reserve	1089	0.15%	1,002	0.15%	8.68%
	e. Capital Reserve	7,299	0.94%	7,299	1.09%	0.00%
2	Grant from ADB	231,370	29.76%	231,370	34.64%	0.00%
3	<i>Current liabilities & provisions</i>	25,493	3.28%	24,719	3.70%	3.13%
	a. Trade & other payable	8,939	1.15%	9,276	1.39%	-3.63%
	b. Provisions	16,554	2.13%	15,442	2.31%	7.20%
	Total Liabilities & Capital (1+2+3)	777,345	100.00%	667,965	100.00%	16.38%
4	<i>Current Assets</i>	81,250	10.45%	26,131	3.91%	210.93%
	c. Cash & Bank Balance	35,463	4.56%	4,187	0.63%	746.98%
	a. Prepaid, advance, loans & Deposit	35,915	4.62%	11,805	1.77%	204.24%
	b. Trade & other receivable	9,872	1.27%	10,139	1.52%	-2.63%
5	Investments	419,342	53.94%	366,080	54.81%	14.55%
6	Fixed Assets	12,018	1.55%	7,535	1.13%	59.50%
	Fixed Assets (Hardware & Third Party Software)	261,295	33.61%	261,295	39.12%	0.00%
8	STR Project	2,351	0.30%	5,922	0.89%	-60.30%
9	Deferred Tax Assets	1,089	0.15%	1,002	0.15%	8.68%
	Total Assets (4+5+6+7+8+9)	777,345	100.00%	667,965	100.00%	16.38%

C/Y = Current Year 072/073

L/Y = Last Year 071/072

- The shareholders' equity of the company increased by 26.4% to Rs520.5million because of the increase in Reserve and Surplus by Rs.108.6million. The major components of the Reserve and Surplus that comprises of General Reserve, Accumulated Profit and Deferred Tax Reserve increased by 29%, 39% and 8.6% respectively from last year's figure where as the Capital Reserve remained the same. Since there was no issue of Right Share or Bonus Share during the period, "Paid Up" capital remained the same. The "Loans/Funds" which was received in the form of Grant from Asian Development Bank in 070/071 for the implementation of Microfinance Bureau System also remained the same. Since the company has recognized the Grant as the source of funds to acquire Hardware and Software for the MF bureau system, it has been presented as the Funds in the liability and corresponding value as assets (tangible as well as intangible) in the balance sheet. Moreover, since the system is still not in operation and the depreciation expenses are not accounted for, it has not affected the "Loans/Funds" account this year.

Particulars	072/073	071/072	Increase (Rs)
Capital & Liabilities			
Paid up Share Capital	103,408,000	103,408,000	0
Reserve & Surplus	417,073,718	308,468,999	108,604,719
Shareholder's Equity	520,481,718	411,876,999	108,604,719
Loans/Funds	231,369,813	231,369,813	0
Total	751,851,531	643,246,812	108,604,719

Particulars	072/073	071/072	Increase (Rs)
Reserve & Surplus			
Capital Reserve	7,299,257	7,299,257	0
General Reserve	110,465,815	85,642,631	24,823,184
Accumulated Profit	298,219,838	214,524,896	83,694,942
Deferred Tax Reserve	1,088,808	1,002,215	86,593
Total	417,073,718	308,468,999	108,604,719

- The fixed assets (regular) increased because of the purchase of the vehicle, servers and some office equipments for the operation of the existing commercial bureau. Since the new commercial bureau, microfinance bureau, and secured transaction registry systems are still not in operation, the hardware and software purchased under the projects are yet to be capitalized and accounted for depreciation for the period. Some fixed assets such as a vehicle and server which was previously included under STR project pending capitalization has currently been transferred to company's fixed assets within the respective pools. These assets are currently in use for day to day official purpose.

Particulars	072/073	071/072	Increase
Fixed Assets less Depreciation			
Fixed Assets less (Regular)	12,017,582	7,535,047	4,482,535
Fixed Assets (Infrastructures for MF Bureau)	261,294,825	261,294,825	0
Fixed Assets (Secured Transaction Registry)	2,350,774	5,922,302	(3,571,528)
Total	275,663,181	274,752,174	911,007

- The investments made as the short and long term deposits in various banks and financial institutions increased by 14.5% (Rs.53million) this year. All the earnings after deducting the essentials were invested in various categories of financial institutions based on the criteria set forth by the Board. Apart from the investments in deposit accounts, the investment of Rs1million was made in ICRA Nepal (Indian Credit Rating Agency) in 068/069. Bureau holds 5% stake in ICRA Nepal and has one representation in its Board of Directors. Investment was made looking at its potential to grow in the future as the leading credit rating agency of the country. Gratuity fund of the employees which has been deposited in Citizens Investment Trust increased by 16.6% because of the annual additions in the fund.

Particulars	072/073	071/072	Increase
Investments			
Fixed Deposits at different Banks and Financial Institutions	415,800,000	362,900,000	52,900,000
Citizens Investment Trust	2,542,058	2,180,089	361,969
ICRA Nepal	1,000,000	1,000,000	0
Total	419,342,058	366,080,089	53,261,969

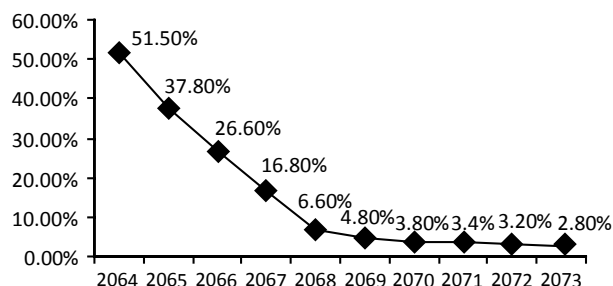
- Trade and Other Receivables which include the service charge receivable and Interest Accrued has been decreased by 2.6% as compared to previous year.

Particulars	072/073	071/072	Increase (Rs.)
Trade & Account Receivables			
Service Charge	5,958,679	5,500,152	458,527
Interest Accrued	3,913,624	4,639,070	(725,446)
	9,872,303	10,139,222	(266,919)

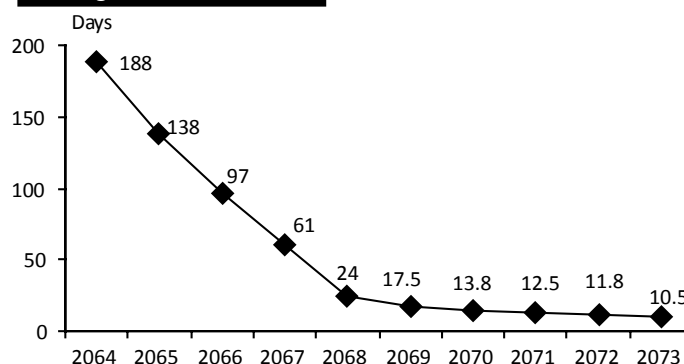
The service charge receivable against the total invoice bills decreased from 3.2% in 071/072 to 2.8% this year. The company has been making remarkable progress in service charge receivable which has been decreasing each year since last many years. The reasons for this decrease can be attributed to the very tight credit policy, efficient and effective invoice generation and bills collection mechanisms, appropriate technology platform and very focused and dedicated team for bills collection. Average collection period of invoice bills has been reduced from 11.8 days to 10.5days.

	065/066	066/067	067/068	068/69	069/070	070/071	071/072	072/073
Total Invoice	29,554,400	42,167,870	64,378,968	8,2933,858	112,271,008	140,550,540	169,862,348	207,384,390
Service Charge Receivable	7,850,600	7,083,868	4,265,269	4,003,328	4,250,910	4,810,153	5,500,152	5,958,679
% Receivable	26.6%	16.8%	6.6%	4.8%	3.8%	3.4%	3.2%	2.8%

Account Receivable



Average Collection Period

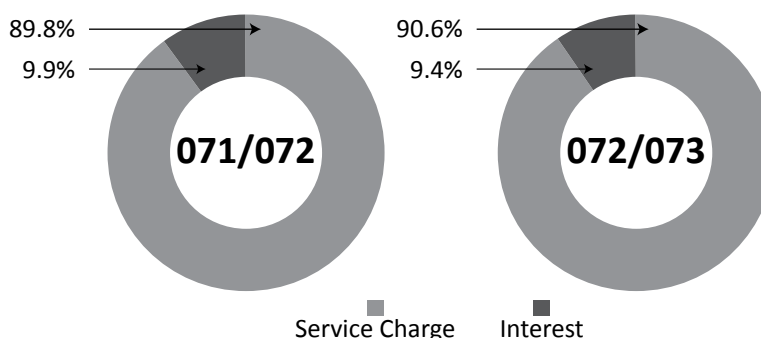


- Cash and Bank Balance increased sharply this year because of the delayed receipt of the payments of the invoice bills of the last billing cycle of the month of Asadh just few days before the year end. This late collection delayed the transfer of the cash from the operating accounts to deposit accounts thus increasing the Cash and Bank Balance substantially. However, the company always maintains a policy of maintaining right balance between its “cash in hand” and “investment”. It ensures not to hold too much of idle cash on hand and miss out on investment opportunities to generate earnings All the revenues after deducting the essentials are immediately invested in the deposit accounts of the various banks to earn income.
- Prepaid, Advances, Loans and Deposits increased sharply this year because of the payments made to the application vendor for the development of application software both for commercial bureau and microfinance bureau. The payment has been made as per the contract signed between both the parties during the initial phase of the projects. This payment to the vendor constituted nearly 80% of the total Prepaid and Advances where as Advance Tax constituted nearly 16% of the total. The Advance Tax was higher this year and increased by nearly Rs.4.4million where as Staff loan decreased marginally by Rs.0.1million. The TDS deposited by clients was higher this year leading to increase in advance tax.
- Trade and Other Payables decreased by 3.6% this year. The major components of the Trade payables were Gratuity, Leave Fund and “Other Payables”. Gratuity increased by 16.6% where as “Other Payables” decreased by nearly 19% from previous year’s figure. There was no increment in Leave Fund which remained the same. The major component of “Other Payables” included the payable to Hardware vendor that remained outstanding because of the pending supply of some logistics and hardware items for the Data Center. The payable to the hardware vendor constituted nearly 67% of “Other Payables”.
- The increase in operating profit has led to the increase in Provisions for Bonus by 7.2% to the total of Rs.16.5million this year.

Particulars	072/073	071/072	Increase
Prepaid, Advances, Loans & Deposits	35,915,053	11,805,237	24,109,816
Trade & Other Payables	8,938,813	9,276,768	(337,955)
Provisions for Bonus	16,554,116	15,442,623	1,111,493

- The Service Charge, the core revenue generating activity of the company, increased by 22% to Rs207million where as the income from Interest increased by 14.6% to Rs21.4million this year. The service charge has been increasing at the average rate of 25% since last five years where as the income from the interest has been very inconsistent because of the fluctuating rates of interest on the deposit accounts of the banks and the financial institutions. The interest income which showed very poor growth in the previous two years 070/071 (0.86%) and 071/072 (0.96%) increased substantially in 072/073 by 14.6%. There were only two financial institutions registered as members during the period generating the revenue of two thousands rupees. The revenue from Operation thus increased by approximately 21% this year to reach to the total of Rs.228.8million.

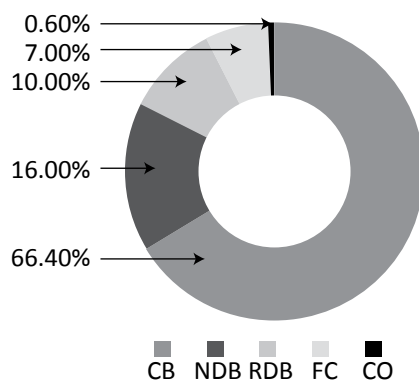
No.	Particulars	072/073	071/072	Changes
	Income			
1	Service Charge	207,384,390	169,862,348	37,522,042 22%
2	Interest	21,458,854	18,713,967	2,744,887 14.6%
3	Registration Charge	2,000	2,000	0
4	Other Income	-----	600,300	(600,300)
	Total	228,845,244	189,178,614	39,666,629 21%



The revenue from the service charge and interest income contributed nearly 91% and 9% respectively to the total operating revenue. The increase in credit report generation by 28% led to increase in service charge revenue by 22% where as the increase in investment by Rs53million led to increase in interest income by 14.6%.

- As previous years, the Commercial Banks were the largest contributor of the service charge revenue followed by National Development Banks, Regional Development Banks and Finance Companies. The revenue from the Co-operatives and Others were minimal. Service Charge from the “Others” included the revenue from the official Blacklist Report that bureau generated for the borrowers upon their request.

S. No.	Names	Revenue Generated	% of the total
1.	Commercial Banks (CB)	137,731,925	66.4%
2.	National Development Banks	33,249,150	16%
3.	Regional Development Banks	20,969,765	10%
4.	Finance Companies	14,335,750	7%
5.	Co-operatives & Others	1,097,800	0.6%
	Total	207,384,390	100%



- The operating expense increased sharply by 144% to Rs.44million this year. The staff related expenses (primarily the salary expenses) increased by 23% to Rs.13million where as administrative expenses increased by 318% to 31million. The heavy increment was because of the annual maintenance fees charged by the service provider for the repair and maintenance of all Hardware and Software items installed in the Data Center. The company had signed an Annual Maintenance Contract with the Service Provider that covers not only the repair and maintenance of the equipment but also the renewal of all the annual licenses of the software installed in the system. The AMC cost alone amounted to 79% of the total administrative expenses and 55% of the total operating expenses. The other major administrative expenses were office rent, web charges, electricity expenses and training expenses. All the expense items were within the approved limit of the budgeted figure. The budget utilization was 82.5% of the total approved budget (Rs.53.5million).

S. No.	Particulars	072/073	071/072	Changes	
Expenditure					
1	Operating Expenses	44,120,305	18,076,852	26,043,453	144%
1a.	Salary, Allowance and other Staff related expenses	13,122,757	10,667,795	2,454,962	23%
1b.	Administrative Expenses	30,997,548	7,409,057	23,588,491	318%

- The sale of old generator and write off of account receivable of a financial institution that has already been closed incurred the non operating expenses of .35million to the company during the period.

S. No	Particulars	Amount
2.	Loss on Sale of Assets	227,770
	Write off Account Receivable	126,650
	Total	354,420

- The new assets worth Rs.3.7million were added into the system during the period. The total value of the assets of the existing system at the cost price amounted to Rs.294.3million where as the total depreciation of the assets till the end of the period amounted to Rs.18.6million leading to the written down value of Rs275.7million. The depreciation expenses increased by nearly 84.5% to Rs.2.3million because of the addition of new assets.

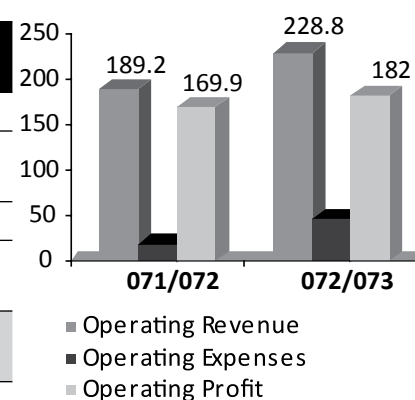
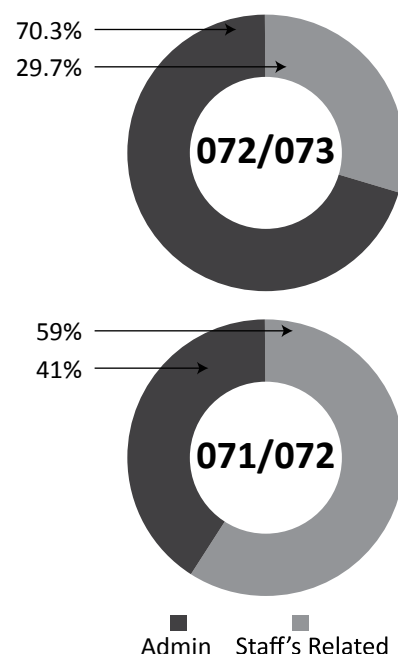
The depreciation expenses of newly acquired fixed assets for Microfinance Bureau and Secured Transaction Registry system worth Rs.261.3million and Rs.2.3million respectively were not accounted for this year because of the delay in their commercial operations. Depreciation will be accounted from the day the system is put into commercial use.

S. No.	Particulars	072/073	071/072	Changes	
.....Expenditure					
3.	Depreciation on Fixed Assets	2,275,248	1,232,906	1,042,342	84.5%

- The company earned the operating profit of Rs.182.4million as compared to previous year's earning of Rs.169.9million thus increasing the operating profit by Rs.12.6million (7.4%). After deducting the non operating expenses, the operating profit from the regular activities amounted to Rs.182million.

Particulars	072/073	071/072	Changes	
Operating Revenue	228,845,244	189,178,615	39,666,629	21%
Operating Expenses including Depreciation	46,395,553	19,309,758	27,085,795	140%
Operating Profit	182,449,691	169,868,857	12,580,834	7.4%
Non Operating Expenses	354,420	0	354,420	
Profit from RegularActivities	182,095,271	169,868,857	12,226,414	7.2%

Operating Expenses



- As per the increase in Operating profit, the provision for bonus also increased accordingly by 7.2% as compared to previous year. Staff Bonus is provided as per Bonus Act, 1974. The Bonus Act requires provision at the rate of 10% on the amount of net profit before tax.

S. No.	Particulars	072/073	071/072	Changes
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.....Expenditure

4.	Provision for Bonus	16,554,116	15,442,623	1,111,493	7.2%
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- The company made the pretax profit of Rs.165.5million this year. The provision for Income Tax as per Income Tax Act 2058 for the year amounted to Rs41.4million which was adjusted against the total tax deposit of Rs.47million during the period. Thus the excess tax deposit of Rs.5.6million was shown as the Advance Tax in financial statements.

S. No.	Particulars	072/073	071/072	Changes
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.... Expenditure

	Profit Before Tax	165,541,155	154,426,234	11,114,921	7.2%
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5.	Provision for Taxation (with deferred tax)	41,425,236	38,783,389	2,641,847	6.8%
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5a.	Current tax expenses	41,511,830	38,779,600	2,732,230	7.0%
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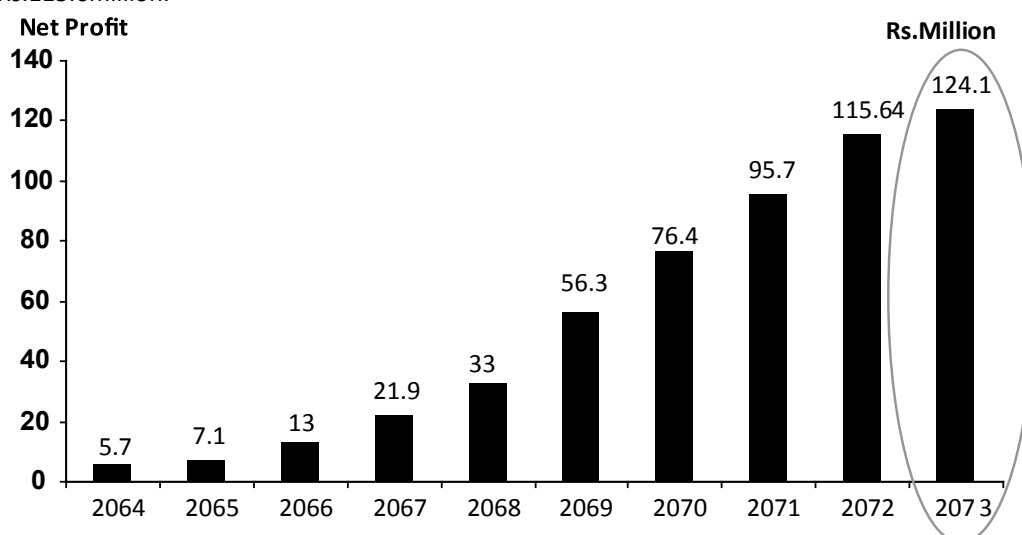
5b.	Deferred tax expenses	(86,593)	3,789	(90,382)	
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6.	Net Profit	12,4,115,919	115,642,845	8,473,074	7.3%
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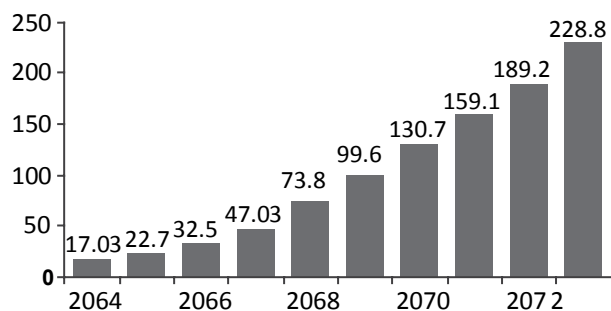
- The Deferred Tax Assets arising due to temporary difference amounted to Rs.1.09million this year where as it was Rs.1million last year. The decrease in deferred tax assets of Rs.09million during the year has been adjusted in the Balance Sheet and incorporated in the Income Statement accordingly. As of Asar end 2073, the items attributable to deferred tax assets and liabilities and their movements are as follows:

	Books of Account	Income Tax	Deductible Temporary Difference	Taxable Temporary Difference	Deferred Tax
Fixed Assets	12,017,582	11,921,702	(95,880)	(95,880)	(23,970)
Retirement Fund (CIT)	2,542,058		2,542,058	2,542,058	635,515
Leave Fund	1,909,055		1,909,055	1,909,055	477,264
Deferred Tax this year			4,355,233	4,355,233	1,088,809
Previous Year Deferred Tax					1,002,215
Deferred Tax Changes					(86,593)

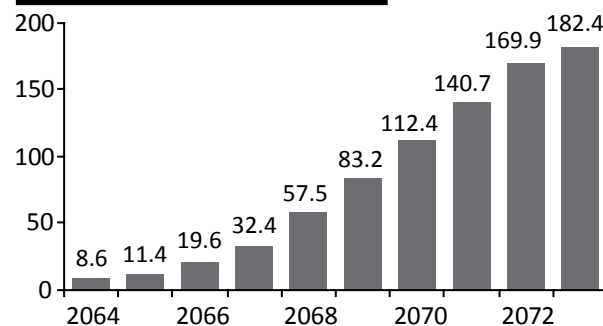
- The company made the net profit of Rs.124.1million this year which is an increment of 7.3% from the previous year's figure of Rs.115.6million.



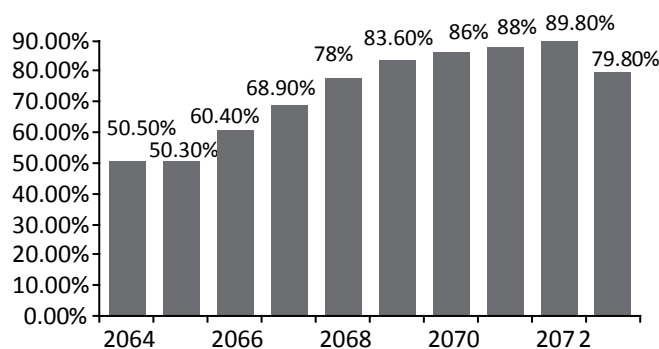
Operating Revenue



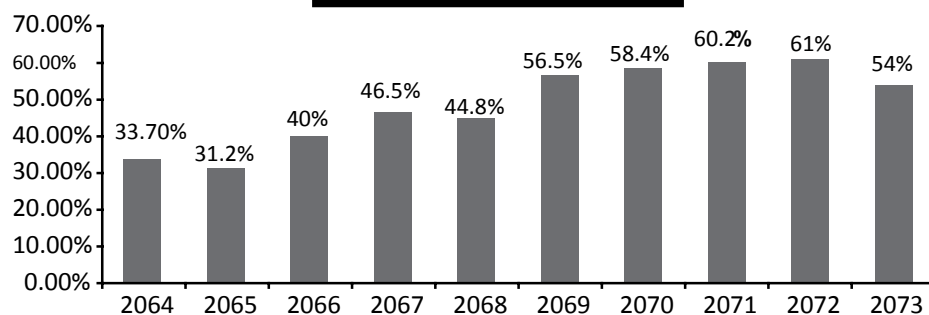
Operating Profit



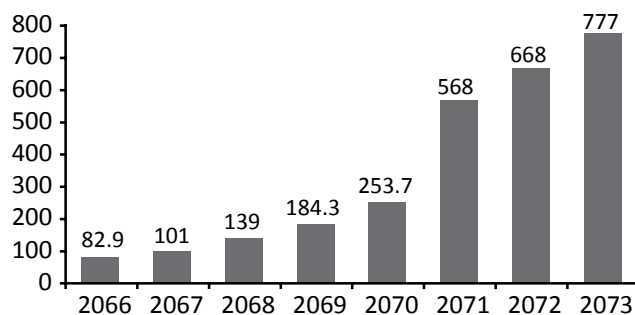
Operating Profit Margin

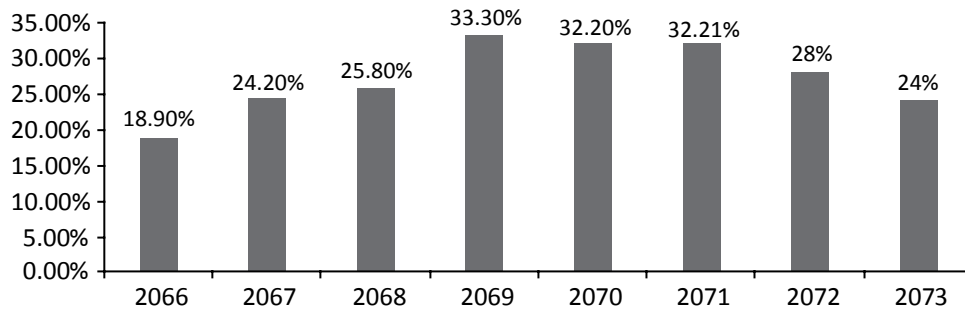
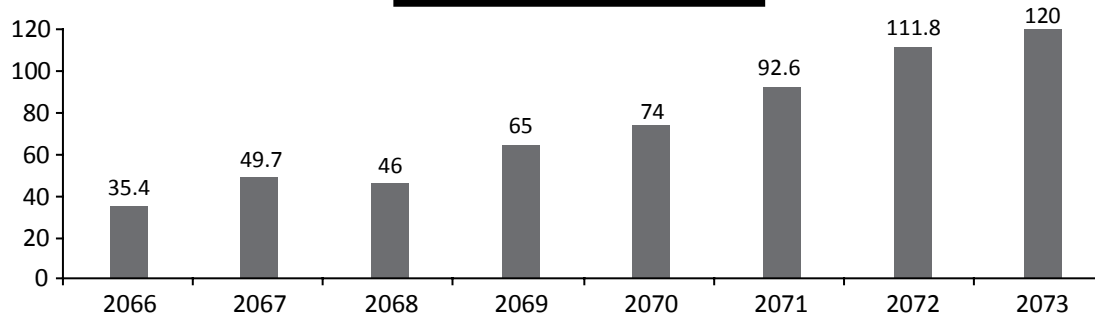


Net Profit Margin Ratio



Total Assets



Return on Equity**Earning Per Share**

Internal Control System

- The company's internal control system is very effective and is aimed at achieving goals that brings transparency in operation, deters corruption and fraudulent activities, safeguards company's assets, ensures reliability and integrity of financial information, ensures compliance, promotes efficient and effective operation and meets goals and objectives of the company. Internal Controls are an integral part of company's business process. It covers the entire range of procedures, methods and controls established by the company for the purpose of ensuring proper functioning of its business operations.
- The company's framework for internal control system consists of the following elements:

Control environment: this includes focus on integrity and ethical behavior, a commitment to investigating discrepancies, commitment to competence, and diligence in designing systems and assigning responsibilities.

Control Activities: this includes the focus on policies and procedures, security, application change management and Back ups.

Risk assessment: this involves identifying the areas in which

- In order to strengthen the internal control system in accounting and finance, the Board relies on the audit committee and the internal audit reports. The company's periodic internal audit is done on a quarterly basis by the firm SYDREC having its principle office in Kalikasthan, Dillibazar where as the annual audit is done by the firm "M.B Shrestha & Co., Chartered Accountants" having its principle office in Sankhamul Road, New Baneshwor.

the greatest threat or risk of inaccuracies or loss exist. Greatest risks receive the greatest amount of effort and level of control.

Monitoring: system of internal control is periodically reviewed by the management. By performing a periodic assessment, management assures that internal control activities have not become obsolete or lost due to turnover or other factors. They are improved to remain sufficient for the current state of risks.

Information & communication: this includes the focus on effective channels for the dissemination of quality information within the company.

- The company employs both preventive and detective control activities. The preventive control activities prevent undesirable activities from happening where as detective control activities detect errors and irregularities after the fact. The company regularly communicates the updates of policies and procedures to staffs through emails, staff meetings and other methods. It periodically assesses risks and level of internal control required to protect company's assets related to those risks.
- Audit Committee mandates internal auditors to review and report on the quarterly basis the effectiveness of the existing controls and procedures adopted by the company. The internal and external auditors are allowed to perform independently and without any external pressure. At the same time they are expected to perform proficiently and with impartiality and due professional care.

Reports of the Audit Committee

- The Audit Committee, currently consisting of three members, assists the Board of Directors in fulfilling its supervisory responsibilities for the integrity of the company's financial statements, the financial reporting process, the system of internal business controls and risk management, the internal and external audit process, the internal and external auditor's findings and recommendations, independence and performance, as well as the Company's process for monitoring compliance with laws and regulations and the general business principles.
- The audit committee met four times during the year to discharge its duties and responsibilities. During the period, the Audit Committee periodically reviewed matters relating to accounting policies, financial risks and compliance with accounting standards. The Committee focused on ensuring that the company's systems and controls are operating effectively, are responsive to the challenges of the external environment and evolving in line with the company's growth. The company's high risk areas were also regularly reviewed by the Committee to avoid/minimize business risks.

Specially, the committee among other actions:

- reviewed the company's quarterly earnings, consolidated financial statements and other financial reports as submitted by the internal auditor at each quarter. It also assessed in its quarterly meetings the adequacy and appropriateness of internal control policies and internal audit programs and their findings.
- reviewed the final annual audit report submitted by the external auditor, including non financial information, prior to publication thereof. The audit committee discussed the report in which the external auditor set forth its findings and attention points and management's responses to those attention points.
- reviewed compliance with statutory and legal requirements and regulations, particularly in the financial domain. Important findings, identified risks and follow up actions

were examined thoroughly in order to allow appropriate measures to be taken.

- inquired about significant risks, reviewed company's policy for risks assessment and risk management, and assessed the steps management has taken to control these risks.
- met in periodic executive session with each of the external auditor, management and internal auditor.
- Assessed the performance of the internal and external auditor.

After the review of the financial statements for the year ended Asar 31, 2073, the Audit Committee hereby states as follows:

- the scope and planning of the audit were adequate in committee's opinion;
- the accounting and reporting policies of the company confirmed with the statutory requirements and agreed ethical practices;
- the Internal Control and Internal Audit Functions were operating effectively; and
- the external auditor's findings as stated in the audit report were being dealt by the management satisfactorily.
- the company's internal controls and business risks management frameworks are delivering the desired outputs and working effectively. The committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the financial position of the Bureau is well monitored and assets are safeguarded.

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

The Board reviewed the operational and financial performance of the company and took assessment of the company's risks and internal control framework & its effectiveness as presented in the Audit Report submitted by the Audit Committee. Board also went through the Final Audit Report of the company for the year 072/073 as audited by M.B Shrestha & Co., and submitted by the Audit Committee to the Board.

Based on the review of the Report, Board concluded that the Committee has presented a balanced report and given a fair assessment of the company's risks, performance, its position and prospects. Board thus approved the consolidated financial statement of the company and gave its approval to be presented to the shareholders in the forthcoming 12th Annual General Meeting of the company.

Board at the same time 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 name of S.R Pandey & Company Chartered Accountants as the Statutory Auditor of the company for the fiscal year 073/74. Board will propose the name of Statutory Auditor in the 12th Annual General Meeting of the company for its ratification.

Statement of the Value Added and its Distribution

CONTRIBUTION TO THE NATIONAL EXCHEQUER AND TO THE ECONOMY

The company paid Rs.41.4million as the corporate tax to the Government of Nepal in the year 072/073. The company also helped to collect Rs.326.2crores (Rs.3263million) from the serious defaulters (blacklist borrowers) in the year thus helping the banks and financial institutions reduce their non performing loans.

EMPLOYEES SALARY

The total expense incurred by the company in the form of salary, allowance and other facilities to the staffs amounted to Rs.12.9million. CEO was paid the total remuneration package of Rs3.8million and the remaining staffs were paid Rs.9.1million. CEO is also provided with vehicle and all its operating expenses.

EMPLOYEES BONUS

Company has allocated Rs.16.5million as the provision for bonus for the year 072/073 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.124.1million to its Accumulated Profit account from the earnings of the fiscal year 072/073.

Additional Details

LITIGATION CASES

Out of the eleven “Blacklist” court cases carried forward from the year 071/072, two new cases were registered and six cases were settled by the court during the period. Thus there were only seven cases pending at the end of fiscal year 072/073 which will be carried forward in the year 072/073.

NUMBER OF REGISTERED MEMBERS

The year 072/073 saw large drop in the number of financial institutions from 165 to 143 institutions. Two commercial banks merged with another two banks reducing the number of CBs to twenty eight; five RDBs were upgraded to NDBs and three NDBs were de-listed from the list thus increasing the number to twenty two; sixteen RDBs merged with either CBs or NDBs reducing the number of RDBs to forty five.

Similarly two FCs merged with commercial banks and another five FCs merged with NDBs thus bringing the total number of FCs to forty two.

Categories of Financial Institutions	Registered Members Till 072/073	Registered Members Till 071/072
Commercial Banks	28	30
National Development Banks	22	20
Regional Development Banks	45	61
Finance Companies	42	49
Others (Rural Development Banks, Microfinance Institutions)	6	05
Total Registered Numbers	143	165

Proposal for the issue of Cash Dividend

As per the decision reached by the 99th meeting of the Board of Directors of the company, Board decides to issue 50% Bonus share (1share for every two shares held) and 25% Cash Dividend (Rs.25 per share) to its shareholders for the year 072/073. This will reduce the total retained earnings of the company from Rs.298.2million pre issue to Rs.220.6million post issue.

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

Gratitude

On behalf of the entire Board of Directors and the management team, I offer my sincere thanks to all the promoter shareholders for their continued support to this company. It is through your support that this company is able to grow every year and consolidate its position as the provider of high quality credit bureau services to its users. I also would like to express my sincere gratitude to our Board of Directors for offering steadfast direction and guidance over the last year. I would like to thank all our member banks and financial institutions for being with us and supporting us all the time. Your regular comments on our services have always kept us on toes and made us to be alert on our service deliveries. We are grateful to Nepal Rastra Bank, our regulator, and all other concerned agencies for guiding us and supporting us in our endeavor to move forward. At the end, our success would not have been possible without the efforts of our staffs who have always given their best to this company.

List of Promoter Shareholders and their Shares

S.NO	Name of Banks and Financial Institutions	Total Shares
1	Nepal Rastra Bank	103,680
Commercial Banks		
1	Nepal Bank Limited	13,724
2	Rastriya Banijya Bank	13,724
3	Nabil Bank	36,599
4	Nepal Investment Bank	42,007
5	Standard Chartered Bank Nepal	36,599
6	Himalayan Bank	39,304
7	Nepal SBI Bank	36,599
8	Nepal Bangladesh Bank	40,448
9	Everest Bank	36,599
10	Bank of Kathmandu	56,414
11	Nepal Credit & Commerce Bank	36,599
12	NIC Asia Bank	42,013
13	Lumbini Bank	16,524
14	Machhapuchhre Bank	39,399
15	Kumari Bank	36,599
16	Laxmi Bank	51,840
17	Siddhartha Bank	41,904
18	Agriculture Development Bank	31,104
19	NMB Bank	5,600
20	Prabhu Bank	56,384
21	Citizens Bank International Ltd	3,850
Total Commercial Bank		713,833

S.NO	Name of Banks and Financial Institutions	Total Share
Development Banks		
1	N.I.D.C. Development Bank	11,664
2	Yeti Development Bank	32,470
3	Ace Development Bank	31,600
4	Kailash Bikas Bank	2,800
5	Business Universal Development Bank	8,126
6	Vibhor Bikas Bank	1,050
7	Apex Bikas Bank	2,800
Total Development Banks		90,510
Finance Companies		
1	Nepal Aawas Finance	2,800
2	NIDC Capital Market	1,050
3	Narayani National Finance	5,599
4	Nepal Share Markets & Finance	2,800
5	Himalaya Finance & Savings	1,050
6	United Finance	2,800
7	Union Finance	2,800
8	Srijana Finance	4,549
9	Kathmandu Finance	7,984
10	Paschimanchal Finance Company	2,800
11	Samjhana Finance	2,800
12	Goodwill Finance	6,134
13	Shree Investment & Finance	8,916
14	Siddhartha Finance	13,168
15	International Leasing & Finance Company	3,590
16	Mahalaxmi Finance	2,800
17	Progressive Finance	2,800
18	General Finance	2,800
19	Central Finance	2,800
20	Premier Finance	2,800
21	Multipurpose Finance	2,800
22	Synergy Finance	20,632
23	Om Finance	1,050
24	World Merchant Banking & Finance	2,800
25	Capital Merchant Banking & Finance	1,050
26	Crystal Finance	2,800
27	Ghuweshwori Merchant Banking & Finance	2,800
28	Sagarmatha Finance	1,050
29	Lalitpur Finance	2,800
30	Nepal Finance	4,385
31	Lumbini Finance & Leasing	1,050
Total Finance Companies		126,057
Grand Total		1,034,080

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KARJA SUCHANA KENDRA LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of M/S Karja Suchana Kendra Limited, which comprise the Balance Sheet as at Ashadh 31, 2073 corresponding to July 15, 2016 and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and notes to accounts.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the presentation of these financial statements in accordance with Nepal Accounting Standards in so far as applicable in compliance with prevailing legislations, and for such internal control as management determines necessary to enable the preparation of the financial statements that are free from material mis-statement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Nepal Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statement.

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

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



Report on Requirement of Company Act

On examination of the financial statements as aforesaid, we report that

- a) We have obtained informations and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by the company law have been kept by the company, in so far as appears from our examination of those books of account and the financial statements dealt with by this report, are in agreement with the book of accounts.
- c) During the audit, we have not come across the cases, where the Board of Directors or any member thereof or any employee of the company has acted deliberately in contravention to the provisions of the law relating to accounts or mis-appropriated funds of the company or damage to the company, nor have we been informed of any such case by the management.

Opinion on the Financial Statements

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements referred to above, read together with the notes attached thereto give a true and fair view of the financial position of the company as of Ashadh 31, 2073 (July 15, 2016), and of the results of its financial performances and its cash flows for the year then ended in accordance with Nepal Accounting Standards in so far as applicable in compliance with the prevailing legislations.



Maheswarendra Bdr. Shrestha, FCA

M.B.Shrestha & Co.

Chartered Accountants

Date: September 22, 2016(Asoj 06, 2073)



Balance Sheet

As on Ashad 31, 2073 (Corresponding to July 15, 2016)

Particulars	Schedule	Current Year (NRs)	Previous Year (NRs.)
CAPITAL AND LIABILITIES			
Share Capital			
Paid up Share Capital	1	103,408,000	103,408,000
Reserve and Surplus			
Reserve Fund and Accumulated Profit	2	417,073,718	308,468,999
Loan/ Funds			
Grant/Fund from Asian Development Bank	3	231,369,813	231,369,813
Total		751,851,531	643,246,812
ASSETS			
Fixed Assets less Depreciation	4	275,663,181	274,752,174
Investments	5	419,342,058	366,080,089
Current Assets (A)			
Trade and Other Receivable	6	9,872,303	10,139,222
Cash and Bank Balances	7	35,463,046	4,187,265
Pre-paid, Advances, Loans and Deposits	8	35,915,063	11,805,238
Total (A)		81,250,412	26,131,725
Current Liabilities and Provisions (B)			
Trade and Other Payables	9	8,938,813	9,276,768
Provisions	10	16,554,116	15,442,623
Total (B)		25,492,929	24,719,391
Net Current Assets (A - B)		55,757,484	1,412,334
Deferred Tax Assets		1,088,808	1,002,215
Total		751,851,531	643,246,812

All Schedules form an integral parts of this Financial Statements.

As per our report of even date

Anil Chandra Adhikari
Chief Executive OfficerSashin Joshi
ChairmanAnukool Bhatnagar
DirectorC.A, Maheswarendra B. Shrestha
M.B Shrestha & Co.
Chartered AccountantsAjay Shrestha
DirectorJyoti Prakash Pandey
DirectorDr. Min Bahadur Shrestha
DirectorKrishna Raj Lamichhane
Director

Date : September 14, 2016

Place : Kathmandu, Nepal

Income Statement

For the period from Shrawan 01, 2072 to Ashad 31, 2073

(Corresponding period from July 17, 2015 to July 15, 2016)

Particulars	Schedule	Current Year (NRs)	Previous Year (NRs.)
A. Income :			
1. Service Charge		207,384,390	169,862,348
2. Interest		21,458,854	18,713,967
3. Registration Charge		2,000	2,000
4. Other Income		-	600,300
Total		228,845,244	189,178,615
B. Expenditure :			
1. Operating Expenses	11	44,120,305	18,076,852
2. Non Operating Expenses	12	354,420	-
3. Depreciation on Fixed Assets	4	2,275,248	1,232,906
4. Provision for bonus		16,554,116	15,442,623
Profit before Tax (PBT)		165,541,155	154,426,234
5. Provision for Taxation (with deferred tax)		41,425,236	38,783,389
5.1 Current tax expenses		41,511,830	38,779,600
5.2 Deferred tax expenses		(86,593)	3,789
6. Net Profit Transferred to Accumulated Profit		124,115,919	115,642,845
Total		228,845,244	189,178,615

All Schedules form an integral parts of this Financial Statements.

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer

Sashin Joshi
Chairman

Anukool Bhatnagar
Director

C.A, Maheswarendra B. Shrestha
M.B Shrestha & Co.
Chartered Accountants

Ajay Shrestha
Director

Jyoti Prakash Pandey
Director

Dr. Min Bahadur Shrestha
Director

Krishna Raj Lamichhane
Director

Date : September 14, 2016

Place : Kathmandu, Nepal

Cash Flow Statement

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

Particulars	Current Year (NRs)	Previous Year (NRs)
A. Cash Flow From Operating Activities		
Net Profit as per P&L A/C	124,115,919	115,642,845
Adjustments:		
Interest income	(21,458,854)	(18,713,967)
Depreciation	2,275,248	1,232,906
Prior Period Adjustment	-	-
Loss on sale of Fixed Assets	227,770	-
Operating profit before working capital changes	105,160,083	98,161,784
Change in working capital		
Increase/ (Decrease) in Provision	1,111,493	2,647,894
Increase/ (Decrease) in trade and other payables	(337,955)	2,494,684
(Increase)/Decrease in Advances, Loans & Deposits	(24,109,825)	6,864,160
(Increase)/Decrease in trade & other receivables	180,325	(92)
Total (A)	82,004,120	110,168,430
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(3,690,524)	(7,593,007)
Sale of Fixed Assets	276,500	-
Investments	(53,261,969)	(100,336,812)
Interest income	21,458,854	18,713,967
Total (B)	(35,217,139)	(89,215,852)
C. Cash Flow from Financing Activities		
Issue of Share Capital (except bonus share)		-
Dividend Paid	(15,511,200)	(20,681,600)
Total (C)	(15,511,200)	(20,681,600)
Net Cash increase/decrease (A+B+C)	31,275,781	270,978
Add:- Opening Cash & Bank Balance	4,187,265	3,916,287
Closing Cash & Bank Balance	35,463,046	4,187,265

All Schedules form an integral parts of this Financial Statements.

As per our report of even date

Anil Chandra Adhikari
Chief Executive Officer

Sashin Joshi
Chairman

Anukool Bhatnagar
Director

C.A, Maheswarendra B. Shrestha
M.B Shrestha & Co.
Chartered Accountants

Ajay Shrestha
Director

Jyoti Prakash Pandey
Director

Dr. Min Bahadur Shrestha
Director

Krishna Raj Lamichhane
Director

Date : September 14, 2016
Place : Kathmandu, Nepal

Statement of Changes in Equity

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

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Reserve	Deferred tax reserve	Proposed Cash Dividend	Proposed Bonus Share	Total Amount
Opening Balance	103,408,000	199,013,696	85,642,631	7,299,257	1,002,215	-	-	396,365,799
Adjustments								
Current Year's Net Profit	-	124,115,919	-	-	-	-	-	124,115,919
General Reserve	-	(24,823,184)	24,823,184	-	-	-	-	-
Right Share	-	-	-	-	-	-	-	-
Issue of Cash Dividend	-	-	-	-	-	-	-	-
Proposed Cash Dividend	-	(25,852,000)	-	-	-	25,852,000	-	-
Deferred Tax Income/Expenses	-	(86,593)	-	-	86,593	-	-	-
Issue of Undistributed Share	-	-	-	-	-	-	-	-
Proposed Bonus Share	-	(51,740,000)	-	-	-	-	51,740,000	-
Prior period adjustment	-	-	-	-	-	-	-	-
Closing Balance	103,408,000	220,627,838	110,465,815	7,299,257	1,088,808	25,852,000	51,740,000	520,481,718

All Schedules form an integral parts of this Financial Statements.

As per our report of even date

Anil Chandra Adhikari Chief Executive Officer	Sashin Joshi Chairman	Anukool Bhatnagar Director	C.A, Maheswarendra B. Shrestha M.B Shrestha & Co. Chartered Accountants
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Ajay Shrestha Director	Jyoti Prakash Pandey Director	Dr. Min Bahadur Shrestha Director	Krishna Raj Lamichhane Director
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Date : September 14, 2016
Place : Kathmandu, Nepal

Profit and Loss Appropriation Account

For the period from Shrawan 01, 2072 to Ashad 31, 2073

(Corresponding period from July 17, 2015 to July 15, 2016)

Particulars	Current Year (NRs)	Previous Year
Income :		
1 Accumulated profit up to the last year	199,013,696	122,006,831
2 Current Period's Profit	124,115,919	115,642,845
Total	323,129,615	237,649,676
Expenses :		
1 Accumulated Loss up to the last year	-	-
2 Current Year's Loss	-	-
3 General Reserve	24,823,184	23,128,569
4 Provision for Previous year taxation	-	-
5 Capital Reserve	-	-
6 Proposed Cash Dividend	25,852,000	15,511,200
7 Deferred Tax	86,593	(3,789)
8 Proposed Bonus Share	51,740,000	-
9 Prior Period adjustment	-	-
Total	102,501,777	38,635,980
Accumulated Profit/(Loss)	220,627,838	199,013,696

All Schedules form an integral parts of this Financial Statements.

As per our report of even date

Anil Chandra Adhikari
Chief Executive OfficerSashin Joshi
ChairmanAnukool Bhatnagar
DirectorC.A, Maheswarendra B. Shrestha
M.B Shrestha & Co.
Chartered AccountantsAjay Shrestha
DirectorJyoti Prakash Pandey
DirectorDr. Min Bahadur Shrestha
DirectorKrishna Raj Lamichhane
Director

Date : September 14, 2016

Place : Kathmandu, Nepal

Schedules to Balance Sheet

As at Ashad 31, 2073

Share Capital		Schedule -1
Particulars	Current Year (NRs)	Previous Year (NRs.)
Authorised Share Capital		
(15,00,000 ordinary share of Rs.100 each)		
Issued Share Capital		
(1,034,080 ordinary shares of Rs.100 each)	103,408,000	103,408,000
Paid-up Share Capital		
(1,034,080 ordinary shares of Rs.100 each)	103,408,000	103,408,000
Total	103,408,000	103,408,000

Reserve & Surplus		Schedule -2	
Particulars	Current Year (NRs)	Previous Year (NRs.)	
Capital Reserve	7,299,257	7,299,257	
General Reserve	110,465,815	85,642,631	
Accumulated Profit	220,627,838	199,013,696	
Deferred tax Reserve	1,088,808	1,002,215	
Proposed Cash Dividend	25,852,000	15,511,200	
Proposed Bonus Share	51,740,000	-	
Total	417,073,718	308,468,999	

Grant/Fund		Schedule -3	
Particulars	Current Year (NRs)	Previous Year (NRs.)	
Asian Development Bank	231,369,813	231,369,813	
Total	231,369,813	231,369,813	

Schedule - 4													
		Cost Price					Depreciation					WDV	WDV
Pool	Particulars	Dep. Rate	Previous Year (NRs.)	Addition Current Year (NRs.)	Sales Adjustment	Balances NRs.	Previous Year (NRs.)	Current Year (NRs.)	Sales Adjustment	Balances (NRs.)	Current Year (NRs.)	Previous Year (NRs.)	
A	Building, Structures and similar Works of Permanent Nature	5%	2,612,760	-	-	2,612,760	338,634	113,706	-	452,340	2,160,420	2,274,126	
B	Computers, Furniture & Fixtures and Office Equipment	25%	12,565,214	948,074	-	13,513,288	8,749,308	1,072,851	-	9,822,159	3,691,129	3,815,906	
C	Vehicle	20%	7,158,429	2,535,800	-	9,694,229	3,722,646	866,776	-	4,589,422	5,104,807	3,435,783	
D	Plant and Machinery	15%	2,463,083		1,263,080	1,200,003	759,796	179,853	758,811	180,838	1,019,165	1,703,287	
E	Other Intangible Assets	20%	3,650,374		-	3,650,374	3,566,251	42,062	-	3,608,313	42,061	84,123	
Total			28,449,860	3,483,874.00	1,263,080	30,670,654	17,136,635	2,275,248	758,811	18,653,072	12,017,582	11,313,225	

Micro Finance Project

Micro Finance Project													
		Cost Price					Depreciation					WDV	WDV
Pool	Particulars	Dep. Rate	Previous Year (NRs.)	Addition Current Year (NRs.)	Sales Adjustment	Balances NRs.	Previous Year (NRs.)	Current Year (NRs.)	Sales Adjustment	Balances (NRs.)	Current Year (NRs.)	Previous Year (NRs.)	
E	Hardware Third party Software	Amortize											
	Grant part		231,369,813			231,369,813	-	-			231,369,813	231,369,813	
	CIB part		29,925,012			29,925,012	-	-			29,925,012	29,925,012	
	Total		261,294,825	-	-	261,294,825	-	-	-	-	261,294,825	261,294,825	

STR Project

STR Project													
		Cost Price					Depreciation					WDV	WDV
Pool	Particulars	Dep. Rate	Previous Year (NRs.)	Addition Current Year (NRs.)	Sales Adjustment	Balances NRs.	Previous Year (NRs.)	Current Year (NRs.)	Sales Adjustment	Balances (NRs.)	Current Year (NRs.)	Previous Year (NRs.)	
E	Software	Amortize	1,692,124	-	-	1,692,124	-	-	-	-	1,692,124	1,692,124	
E	Others	Amortize	452,000	206,650		658,650		-		-	658,650	452,000	
Total			2,144,124	206,650	-	2,350,774		-	-	-	2,350,774	2,144,124	
Grand Total of Fixed Assets			291,888,809	3,690,524	1,263,080	294,316,253	17,136,635	2,275,248	758,811	18,653,072	275,663,181	274,752,174	

Schedules to Balance Sheet

As at Ashad 31, 2073

Investments		Schedule - 5
Particulars	Current Year (NRs)	Previous Year (NRs)
Fixed deposit at Different Bank and Financial Institution	415,800,000	362,900,000
Citizen Investment Trust	2,542,058	2,180,089
ICRA Nepal	1,000,000	1,000,000
Total	419,342,058	366,080,089

Trade and Other Receivable		Schedule - 6
Particulars	Current Year (NRs)	Previous Year (NRs)
Service Charge	5,958,679	5,500,152
Interest Accrued	3,913,624	4,639,070
Total	9,872,303	10,139,222

Cash and Bank Balance		Schedule -7
Particulars	Current Year (NRs)	Previous Year (NRs)
Cash in Hand	-	-
Nepal Rastra Bank	65,569	53,968
Bank of Kathmandu Ltd.	30,653,834	1,715,666
Nabil Bank Ltd. (Operation Account)	3,617,866	694,325
Nabil Bank Ltd.	116,067	116,067
Civil Bank Ltd.	899,710	1,607,239
Prabhu Bank Ltd.	110,000	-
Total	35,463,046	4,187,265

Pre-paid, Advances, Loans and Deposits		Schedule - 8
Particulars	Current Year (NRs)	Previous Year (NRs)
National Life Insurance (Loan Deposit)	447,118	447,118
Staff Loan and Advances	32,954	143,738
Advance Tax	5,648,067	1,220,609
Other receivable and advance	29,786,924	9,033,253
Cheque in Hand	-	960,520
Total	35,915,063	11,805,238

Trade and Other Payables		Schedule - 9
Particulars	Current Year (NRs)	Previous Year (NRs)
Audit Fee	243,507	337,040
Telephone Charge	-	8,000
Others	3,292,731	4,058,292
Advance Received of Service Charges	579,655	-
Gratuity Fund /Retirement Fund (CIT)	2,542,058	2,180,089
Leave Fund	1,909,055	1,909,055
TDS payable	9,575	217,314
Bonus Payable	82,932	55,836
Dividend Payable	279,300	511,142
Total	8,938,813	9,276,768

Provisions		Schedule - 10
Particulars	Current Year (NRs)	Previous Year (NRs)
Provision for Income Tax	-	-
Provision for bonus	16,554,116	15,442,623
Total	16,554,116	15,442,623

Schedules to Income Statement

For the period from Shrawan 01, 2072 to Ashad 31, 2073

Operating Expenses**Schedule -11****Staff Related Expenses**

Particulars	Current Year (NRs)	Previous Year (NRs)
Salary and Allowance	12,972,775	10,568,138
Uniform Expenses	149,982	99,657
Sub - Total A	13,122,757	10,667,795

Administrative Expenses

Particulars	Current Year (NRs)	Previous Year (NRs)
Printing And Stationery Expenses	139,190	137,100
Fuel	186,962	208,380
Postal Charge	726	615
Repair and Maintenance		
i. Repair	129,539	119,794
ii. Maintenance	744,254	227,575
AMC of hardware and third party software	23,665,532	-
Meeting Expenses		
i. Meeting Allowances	88,000	90,000
ii. Other Meeting Expenses	13,985	14,706
Telephone Charge	85,051	94,452
Training Expenses	708,083	158,043
Travelling Expenses	-	800,000
Insurance Expenses	136,008	74,072
Auditor's Expenses		
i. Audit Fee	217,134	290,223
ii. Other expenses	2,320	60,322
Books And Periodicals	750	300
Electricity Drinking Water and Others	990,181	856,286
Legal Expenses		
i. Legal Fee	254,150	254,150
ii. Other Legal Expenses	630	590
Web Charge	727,155	712,428
Paper & Publication	26,609	48,963
Office Rent	1,997,808	2,002,928
Miscellaneous Expenses	223,081	176,766
AGM Expenses	326,910	280,677
Furniture and Equipment Expenses	33,140	28,654
Festival and Ceremony Expenses	100,350	120,945
Business Expenses	200,000	200,000
Corporate Social Responsibilities	-	451,088
Sub - Total B	30,997,548	7,409,057
Grand Total	44,120,305	18,076,852

Non Operating Expenses**Schedule -12**

Particulars	Current Year (NRs)	Previous Year (NRs)
Loss on Sale of Assets	227,770	-
Write Off	126,650	-
Total	354,420	-

Significant Accounting Policies and Notes to Account

For the period ended on Ashad 31, 2073

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 in so far as applicable.

4. Basis of Accounting

Income and expenses have been accounted for on accrual basis.

5. Fixed Assets and Depreciation

- 5.1. 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
Plant and Machinery	15%	WDV
Other intangible assets	20%	STL

5.2. Fixed Assets (Hardware and Third Party Software)

The Fixed Assets as aforesaid are yet to generate expected future economic benefits and these fixed assets are still to put in use for commercial purposes. As such, pending capitalization, no depreciation expenses is recognized.

5.3. Secure Transaction Registry Software Development

The total expenditure incurred for developing such application software so far is amounted to Rs. 2,350,774 Details of which are as follows:-

The total expenditure incurred for developing such application software so far is amounted to Rs. 2,350,774 Details of which are as follows:-

Software	Others	Total
Rs. 1,692,124	Rs. 658,650	Rs. 2,350,774

As the software development is still completable, and economic benefits is yet to flow to the entity from the development of the intangible asset, total development costs incurred is yet to be capitalized.

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 **41,511,830**. 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 2064/65. The details of deferred tax assets and liabilities for the year 072/73 are as follows:-

Particulars	Deductible temporary differences (NRs.)	Taxable temporary differences (NRs.)	Net (NRs.)
Fixed Assets	(95,880)	-	(95,880)
Retirement Fund (CIT)	2,542,058	-	2,542,058
Leave Fund	1,909,055	-	1,909,055
Total Temporary difference	4,355,233	-	4,355,233
Deferred Tax Assets(Liability)	1,088,808	-	1,088,808

The deferred tax asset arising due to the temporary difference amounts to NRs 1,088,808 in the year under audit whereas it was NRs. 1,002,215 in previous 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. 24,823,184 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

The Board has decided on its 99th Board Meeting dated September 14, 2016 to disburse 25% Cash Dividend and 50% Bonus Shares to its existing shareholders subject to the approval from the forthcoming 12th Annual General Meeting of the Company. Cash dividend and Bonus Shares as aforesaid for NRs. 25,852,000 and NRs. 51,740,000 respectively had been set aside through Profit and Loss Appropriation Account.

13. Write off of United Bikas Bank

During the year under audit, Rs. 126,650 receivable from United Bikas Bank has been written off. NRB, vide it's decision of 2071/05/19, has cancelled the license of said bank. The decision to write off is only book write off without waiving right to recovery of due amount.

Decision to write off is executed only after using all possible of recovery recourses.

1.4. Regrouping and Rearrangement of Previous year's Figure

The following fixed assets previously included under STR Project pending capitalization has currently been transferred to Company's Fixed Assets within the respective pools. These assets are in use for day to day official purpose.

- A vehicle car acquired on 2071.06.14 costing Rs. 2,131,000.
- Server acquired on 2072.02.14 costing Rs. 1,647,178 .

Other previous year's figures are regrouped necessary.

15. Rounding-off of Rupees

Figures are rounded off to the nearest rupee.

Anil Chandra Adhikari
Chief Executive Officer

Sashin Joshi
Chairman

Anukool Bhatnagar
Director

C.A, Maheswarendra B. Shrestha
M.B Shrestha & Co.
Chartered Accountants

Ajay Shrestha
Director

Jyoti Prakash Pandey
Director

Dr. Min Bahadur Shrestha
Director

Krishna Raj Lamichhane
Director

Date : September 14, 2016

Place : Kathmandu, Nepal



KARJA SUCHANA KENDRA LIMITED

Heritage Plaza, Kamaladi, Kathmandu, Nepal

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