

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

1. We have audited the accompanying financial statements of **Nepal Clearing House Limited**, which comprise the Balance Sheet as at Ashad 31, 2066, (July 15, 2009) and the related Statement of Change in Equity, Cash Flows, and Notes to the Annual Accounts for the period from 2065/9/8 to 2066/3/31.

Management's Responsibility for the financial Statements

2. Management is responsible for the preparation and fair presentation of these financial Statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

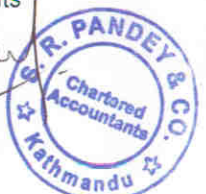
We believe that our audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

4. On the basis of our examination, we would like to report that:
- We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
 - The Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
 - The Balance Sheet, Cash Flow Statement and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Company. The Company had not prepared income statement as it is yet to commence its operation.
 - During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
 - We have not come across any fraudulence in the accounts.
5. In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of **Nepal Clearing House Limited** as at Ashad 31, 2066 (July 15, 2009), and of the results of its financial performance and its cash flows for the period from 2065/9/8 to 2066/3/31 in accordance with Nepal Accounting Standards and comply with Company Act 2063.

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


S. R. Pandey, FCA
Partner



Nepal Clearing House Limited
Kathmandu, Nepal
Balance Sheet as on Ashad 31, 2066 (July 15, 2009)

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



Accountant


Maha Pd. Adhikari
Director


Sashin Joshi
Director

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


Ashok Rana
Director


Rabindra B. Malla
Managing Director


Suman Joshi
Chairman


(S. R. Pandey, FCA)
Partner



Nepal Clearing House Limited
Kathmandu, Nepal
Cash Flow Statement
For the Period 2065/09/8 to 2066/3/31 (23 Dec 2008 to 15 July 2009)

Particulars	Current period
Net Profit/(Loss)	-
Preliminary & Preoperating (Expenses)/Surplus	(260,715.61)
Add/(Less) : Adjustment	
Depreciation	-
Financial Expenses	-
Income Tax Paid	-
Deferred Expenses Write Off	-
Cash Flow from Operation Before Working Capital	(260,715.61)
Increase(Decrease) in Current Liabilities	323,411.20
Decrease (Increase) in Current Assets	(32,923.82)
Cash Flow From Operating Activities	29,771.77
Purchase of Fixed Assets	-
Investment	-
Sale of Fixed Assets	-
Cash Flow From Investing Activities	-
Interest on loan	-
Increase (Decrease) in Loans	-
Share Capital	3,574,995.00
Others	-
Cash Flow From Financing Activities	3,574,995.00
Net Increase(Decrease) in Cash & Bank Balances	3,604,766.77
Cash & Bank Balances at the Beginning of the Year	-
Cash & Bank Balance at the end of the Year	3,604,766.77


 Accountant


 Maha Pd. Adhikari
 Director


 Sashin Joshi
 Director

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


 Ashok Rana
 Director


 Rabindra B. Malla
 Managing Director


 Suman Joshi
 Chairman


 (S. R. Pandey, FCA)
 Partner

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Nepal Clearing House Limited
Kathmandu, Nepal
Changes In Equity as on 31 Ashad, 2066 (15 July 2009)

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



 Accountant


 Maha Pd. Adhikari
 Director

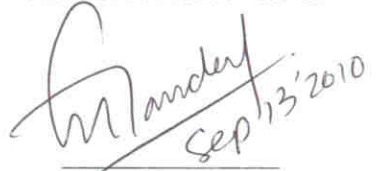

 Sashin Joshi
 Director

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 For: S. R. Pandey & Co.
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 Partner



Nepal Clearing House Limited
Kathmandu, Nepal

**Schedule Attached to and Forming Part of Financial Statements for the year ended on
Ashad 31, 2066**

Share Capital

Schedule No. - 1

Particulars	As on Ashadh-end 66 (15 July 09)
Authorized Capital 2,500,000 Ordinary Shares of Rs 100/- each	250,000,000.00
Issued Capital 1,285,700 Ordinary Shares of Rs 100/- each	128,570,000.00
Subscribed Capital 899,990 Ordinary Shares of Rs. 100/- each	89,999,000.00
Called-up Capital 899,990 Ordinary Shares of Rs. 5/- each	4,499,950.00
Paid up Capital 899,990 Ordinary Shares of Rs. 5/- each Less Calls in Areams	4,499,950.00 (924,955.00)
Total Paid-up Capital	3,574,995.00

Reserve & Surplus

Schedule No. - 2

Particulars	As on Ashadh-end 66 (15 July 09)
Capital Reserve	-
Profit (Loss) Account	-
Total	-

Medium & Long Term Loans

Schedule No. - 3

Particulars	As on Ashadh-end 66 (15 July 09)
Secured Loan	-
Un Secured Loan	-
Total	-

Fixed Assets and Depreciation

Schedule No. - 4

PARTICULARS	<u>Office Equipment</u>	<u>Vehicle</u>	<u>Others</u>	<u>Total</u>
Cost Price				
Opening Balance	-	-	-	-
Addition during the year	-	-	-	-
Deletion during the year	-	-	-	-
TOTAL NRS	-	-	-	-
Depreciation				
Opening Balance	-	-	-	-
For the year	-	-	-	-
Deletion during the year	-	-	-	-
Total Depreciation	-	-	-	-
WDV as on 31/03/66 (15/07/09)	-	-	-	-

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Nepal Clearing House Limited
Kathmandu, Nepal
Schedule Attached to and Forming Part of Financial Statements for the year ended on
Ashad 31, 2066

Cash & Bank Balance

Schedule No. - 5

Particulars	As on Ashadh-end 66 (15 July 09)
Cash Balance	-
Cash at Bank (Development Credit Bank Ltd)	3,604,766.77
Total	3,604,766.77

Prepaid, Loan, Advances & Deposits

Schedule No. - 6

Particulars	As on Ashadh-end 66 (15 July 09)
Other Receivable	21,900.00
Tax Deposit (Advance Tax)	11,023.82
Total	32,923.82

Accounts Payable

Schedule No. - 7

Particulars	As on Ashadh-end 66 (15 July 09)
Short Term Loan	
Secured	-
Un-secured	-
Other Payable	
Sundry Creditors	289,691.20
TDS Payable	33,720.00
Total	323,411.20

Deferred Expenses

Schedule No. - 8

Particulars	As on Ashadh-end 66 (15 July 09)
Preliminary & Preoperating Expenses:	
Preliminary Expenses	180,000.00
House Rent	10,000.00
Legal Fee	6,000.00
Advertisement expenses	30,661.20
Audit Fee	16,950.00
Consultancy Fee	57,900.00
Printing & Stationeries	32,696.55
Sub Total	334,207.75
Less Incidental Income (Interest from Bank)	(73,492.14)
Total	260,715.61

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Nepal Clearing House Limited
Kathmandu, Nepal
Sub-Schedule of Financial Statements for the year ended on Ashad 31, 2066

	Amount Rs.
Other Receivable:	
Star Law Firm (against TDS)	21,900.00
	21,900.00
Sundry Creditors	
SCT	263,266.20
S. R. Pandey & Co.	16,425.00
Rabindra Malla (house rent paid)	10,000.00
	289,691.20
TDS Payable	
TDS on Audit Fee	225.00
TDS on Consultancy - SRP	300.00
TDS - Star Law Firm	33,195.00
	33,720.00

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NEPAL CLEARING HOUSE LIMITED
KATHMANDU, NEPAL

SCHEDULE '9' NOTES TO ANNUAL ACCOUNTS (FY 2065/66)

A) General information

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

B) Summary of Significant Accounting Policies

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

C) Statement of Compliance

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

D) Basis of Preparation

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

E) Fixed Assets and Depreciation

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

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

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

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

H) Income Tax Liability

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

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



Accountant


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