

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NIRDHAN UTTHAN BANK LIMITED

We have audited the accompanying financial statements of Nirdhan Utthan Bank Limited, which comprise the balance sheet as at Ashadh 31, 2073 (July 15, 2016) and the profit and loss account, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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 fair 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

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 whether the financial statements are free from material misstatement.

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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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. 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 presentation of the financial statements.

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

Opinion

Report as per the requirements of other Legal and Regulatory Authority

Based on our Preliminary Report and the response of the board of directors to our Preliminary Report, we further report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 2. In our opinion, the bank has kept proper books of accounts as required by the law so far, as appears from our examination of such books.
 3. As per the directives of Nepal Rastra Bank, the bank has recognized its interest income on cash basis.
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4. The Balance Sheet, the Profit and Loss Account and the Cash Flow statement together with the schedules referred to in this report are prepared as per the format prescribed by Nepal Rastra Bank and are in agreement with the books of accounts.
5. During the course of our audit, we did not come across the cases where the board of directors or the representative or the official or any employee of the bank has acted contrary to the legal provisions relating to accounts or committed any misappropriation of funds/properties of bank or caused loss or damage to the bank.
6. In our opinion and as per our verification of accounting records, the bank has maintained adequate capital fund as prescribed by Nepal Rastra Bank and also made sufficient provision for probable loss of assets.
7. Nothing has come to our notice that the bank has not complied with the directives issued by Nepal Rastra Bank, other than those mentioned in our preliminary report.
8. In this fiscal year, bank has written off the loan in accordance with approved direction of Nepal Rastra Bank.
9. Nothing has come to our notice that the bank has worked against the interest of depositors and investors.
10. The activities carried out by the bank are within its scope of work.
11. The statements received from the branches not audited by us were sufficient for the purpose of our audit.
12. We did not come across any cases of fraudulent activities in the bank with respect to accounts.

In our opinion, the financial statements give a true and fair view of the financial position of Nirdhan Utthan Bank Limited as of Ashadh 31, 2073 (July 15, 2016) and of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards so far as applicable in compliance with the prevailing laws. Also, the financial statements are prepared in accordance with the provisions of Companies Act 2063, Bank and Financial Institutions Act 2063 and the directives issued by Nepal Rastra Bank.

Place: Kathmandu, Nepal

Date: 2073/06/13 (September 29, 2016)

Nil Bahadur Saru Magar, FCA, ISA

Partner

NBSM & Associates

Chartered Accountants

Nirdhan Utthan Bank Ltd.

Kathmandu, Nepal

Balance Sheet

As at 31st Ashadh 2073 (15 July 2016)

Capital & Liabilities	Schedule	Current Year Rs	Previous Year Rs
1. Share Capital	4.1	600,000,000	500,000,000
2. Reserves and Funds	4.2	498,134,303	275,872,504
3. Debentures and Bonds	4.3	-	-
4. Loans and Borrowings	4.4	5,935,786,908	4,379,800,997
5. Deposit Liabilities	4.5	4,272,711,012	2,766,431,872
7. Proposed Cash Dividend		57,894,737	44,000,000
8. Income Tax Liabilities		3,376,089	
9. Other Liabilities	4.6	469,871,768	369,931,258
Total Capital & Liabilities		11,837,774,816	8,336,036,631

Assets	Schedule	Current Year Rs	Previous Year Rs
1. Cash Balance		14,622,559	11,104,190
2. Balance with Nepal Rastra Bank		83,079,083	53,983,808
3. Balance with Banks/Financial Institutions	4.7	45,263,313	49,164,547
4. Money at Call and Short Notice		793,382,779	669,160,582
5. Investments	4.8	53,813,840	53,813,840
6. Loans, Advances and Bills Purchased	4.9	10,106,271,189	6,831,411,848
7. Fixed Assets	4.10	208,895,694	217,125,503
8. Non-banking Assets	4.11	-	-
9. Other Assets	4.12	532,446,359	450,272,313
Total Assets		11,837,774,816	8,336,036,631

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Schedules 4.1 to 4.13 as well as 4.26 and 4.27 form integral part of Balance Sheet

Mukesh Dahal
Senior Manager (Finance)

Bhoj Raj Bashyal
D. General Manager

Janardan Dev Pant
Chief Executive Officer

Ganesh Bahadur Thapa
Chairman

Nil Bahadur Saru Magar, FCA
NBSM & Associates
Chartered Accountants
Date : 2073-06-13

Achyut Raj Joshi
Director

Top Bahadur Rayamajhi
Director

Ram Bhakta Thapa
Director

Sushil Joshi
Director

Rajesh Gautam
Director

Nirdhan Utthan Bank Ltd.
Kathmandu, Nepal

Profit and Loss Account

For the period from 1st Shrawan 2072 to 31st Ashad 2073 (17 July 2015 to 15 July 2016)

Particulars	Schedule	Current Year Rs	Previous Year Rs
1. Interest Income	4.14	1,554,729,385	1,093,598,983
2. Interest Expenses	4.15	454,538,960	306,070,569
Net Interest Income		1,100,190,425	787,528,414
3. Commission & Other Operating Income	4.16	178,733,198	122,202,638
5. Exchange Fluctuation Income		864,381	1,073,598
Total Operating Income		1,279,788,005	910,804,650
6. Staff Expenses	4.17	506,778,745	379,619,837
7. Other Operating Expenses	4.18	107,220,008	94,727,322
8. Exchange Fluctuation Loss		-	-
Operating Profit Before Provision for Possible Losses		665,789,251	436,457,491
9. Provision for Possible Losses	4.19	41,616,003	6,902,481
Operating Profit		624,173,249	429,555,010
10. Non - Operating Income/Expense	4.20	8,920,522	15,728,169
11. Provision for Possible Losses Written Back	4.21		-
Profit from Regular Activities		633,093,771	445,283,179
12. Income/Expense from Extra-Ordinary Activities	4.22	(1,997,719)	8,547,211
Net Profit After Considering All Activities		635,091,489	436,735,967
13. Provision for Staff Bonus		57,735,590	39,703,270
14. Provision for Income Tax		174,247,714	118,167,509
Current Year's Tax Provision		176,145,178	114,374,461
Tax Provision up to Previous Year		1,468,619	154,373
Current Year's Deferred Tax Expense (Income)		(3,366,083)	3,638,676
Net Profit/(Loss)		403,108,185	278,865,188

Schedules 4.14 to 4.22 form integral part of the Profit and Loss Account

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Senior Manager (Finance)

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Kathmandu, Nepal
Cash Flow Statement

For the period from 1st Shrawan 2072 to 31st Ashad 2073 (17 July 2015 to 15 July 2016)

Particulars	Current Year (Rs.)	Previous Year (Rs.)
(A) Cash Flow from Operating Activities		
1. Cash Receipts	1,749,119,390	1,235,387,846
1.1 Interest Income	1,554,729,385	1,093,598,983
1.2 Recovery of Loan Written off	3,738,373	4,078,057
1.3 Commission and Other Income	190,651,632	137,710,806
2. Cash Payments	(1,201,715,685)	(866,282,196)
2.1 Interest Expenses	(451,112,749)	(305,564,082)
2.2 Staff Expenses	(478,158,476)	(355,400,451)
2.3 Office Operating Expenses	(103,725,262)	(87,329,654)
2.4 Payment of Income Tax	(168,719,197)	(117,988,009)
2.5 Other Expenses	-	-
Cash Flow Before Change in Working Capital	547,403,705	369,105,650
Decrease/(Increase) in Current Assets	(3,532,573,105)	(2,100,439,079)
1. Decrease/(Increase) in Money at Call and Short Notice	(124,222,197)	24,599,210
2. Decrease/(Increase) in Other Short Term Investments	-	-
3. Decrease/(Increase) in Loans, Advances and Bills Purchased	(3,318,215,998)	(2,029,269,381)
4. Decrease/(Increase) in Other Assets	(90,134,910)	(95,768,907)
Increase/(Decrease) in Current Liabilities	1,510,975,123	891,960,299
1. Increase /(Decrease) in Deposit Liabilities	1,506,279,139	899,926,654
3. Increase /(Decrease) in Short Term Borrowings	-	-
4. Increase /(Decrease) in Other Liabilities	4,695,984	(7,966,355)
Net Cash Flow from Operating Activities	(1,474,194,277)	(839,373,130)
(B) Cash Flow from Investing Activities	(9,943,606)	(84,171,578)
1. Decrease/(Increase) in Long Term Investments	-	(6,955,640)
2. Decrease/(Increase) in Fixed Assets	(10,182,155)	(77,435,938)
3. Interest Income from Long Term Investments	-	-
4. Dividend Income	238,548	220,000
5. Others	-	-
(C) Cash Flow from Financing Activities	1,511,985,911	947,277,982
1. Increase /(Decrease) in Long Term Borrowings (Bond, Debentures)	1,556,686,737	947,978,816
2. Increase /(Decrease) in Share Capital	-	-
3. Increase /(Decrease) in Other Liabilities	-	-
4. Increase/(Decrease) in Facilities/ Refinance from Nepal Rastra Bank	(700,826)	(700,834)
5. Dividend Paid	(44,000,000)	-
(D) Income/Loss from exchange rate fluctuations of Cash and Bank Balances	864,381	1,073,598
(E) Cash Flow from all activities of the Current Year (A+B+C+D)	28,712,409	24,806,873
(F) Opening Cash and Bank Balances	114,252,545	89,445,672
(G) Closing Cash and Bank Balances	142,964,955	114,252,545

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Kathmandu, Nepal

Profit and Loss Appropriation Account

For the period from 1st Shrawan 2072 to 31st Ashad 2073 (17 July 2015 to 15 July 2016)

Particulars	Schedule	Current Year Rs	Previous Year Rs
Income			
1. Accumulated Profit upto Previous Year		69,049,121	56,163,999
2. Current Year's Net Profit		403,108,185	278,865,188
3. Exchange Fluctuation Fund		-	-
4. Previous Year's Profit/Loss Adjustment		-	-
Total		472,157,306	335,029,187
Expenses			
1. Accumulated Loss upto Previous Year		-	-
2. Current Year's Loss		-	-
3. General Reserve Fund		80,621,637	55,773,038
4. Contingent Reserve		-	-
5. Institution Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Employee Related Reserves		4,031,082	2,788,652
8. Proposed Dividend		57,894,737	44,000,000
9. Proposed Bonus Share		100,000,000	164,000,000
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		216,095	268,400
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		-	-
14. Investment Adjustment Fund		-	-
15. Client Service Fund		3,366,083	(3,638,676)
16. Deferred Tax Reserve		18,504,766	2,788,652
Total		264,634,400	265,980,065
17. Accumulated Profit/(Loss)		207,522,906	69,049,121

Mukesh Dahal
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