

*Capital Merchant Banking & Finance Ltd.*

*Financial Statements*

*For*

*F.Y.2068/069*



## AUDITOR'S REPORT

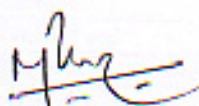
### TO THE SHAREHOLDERS OF CAPITAL MERCHANT BANKING & FINANCE LIMITED

1. We have audited the accompanying Balance Sheet of Capital Merchant Banking & Finance Limited as on Ashadh 31, 2069 (July 15, 2012) and the related Profit & Loss Account and Cash Flow Statement for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in Nepal and the directives issued by the Nepal Rastra Bank (NRB). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. On examination of the financial statements as aforesaid, we report that;
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our examination.
  - b) In our opinion, proper books of account as required by 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 books of accounts.
  - c) In our opinion, the returns received from the respective branches are adequate for the audit purpose, though the statements are independently not audited.
4. Nepal Rastra Bank (NRB), vide its letter of Shrawan 24, 2068, has enforced PCA (Prompt Corrective Action) against the company with immediate effect requiring the company to comply with additional NRB directives. This action as aforesaid has been initiated pursuant to the provision of NRB's "Prompt and Corrective Action Bye-Rules 2064".





5. The erstwhile Board of Directors of the company has presently been further replaced by new Board of Directors including Chief Executive Officer.
6. As mentioned in schedule 4.30 of the financial statements, the company's total Capital Fund and Core Capital stood at negative figures as of Ashadh 31, 2069 (July 15, 2012), which is insufficient as compared to the minimum requirement fixed by Nepal Rastra Bank's unified directives.
7. In accordance with the details mentioned in note # 19 of the financial statements, the various ceilings like Single Obligor Limit Ratio (Directive No.3) and Investment Limit Ratio (Directive No.8) and Deposit (inclusive of Borrowing) Collection Limit Ratio (Directive No.16) are not in the state of the comparison with the ceilings fixed by Nepal Rastra Bank.
8. In our opinion, adequate provisions for loan losses have been made by the company.
9. In our opinion and to the best of our information and according to the explanations given to us, except for the effect on the financial statements of the matters referred to in the preceding paragraphs # 6 and 7, the said financial statements, read together with the notes attached thereto give a true and fair view of the financial position of the company as of Ashadh 31, 2069 (July 15, 2012) and results of its operations and its cash flows for the year then ended.



Maheswarendra Bahadur Shrestha, FCA  
M.B Shrestha & Co.  
Chartered Accountants  
Date: Mangsir 26, 2069





## Capital Merchant Banking & Finance Ltd.

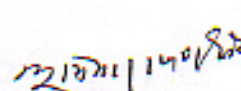
Balance Sheet as on Ashad 31, 2069 (July 15, 2012)

Capital & Liabilities		Schedule	This Year Rs.	Previous Year Rs.
1	Share Capital	4.1	935,069,500	935,069,500
2	Reserves and Funds	4.2	(2,187,347,930)	(918,331,652)
3	Debentures and Bonds	4.3	-	-
4	Borrowings	4.4	83,795,343	217,200,000
5	Deposit Liabilities	4.5	1,355,135,774	2,719,591,584
6	Bills Payables	4.6	-	-
7	Proposed and Payable Dividend		-	-
8	Income Tax Liabilities		-	-
9	Other Liabilities	4.7	519,931,567	61,228,338
<b>Total Capital Liabilities</b>			<b>706,584,254</b>	<b>3,014,757,770</b>

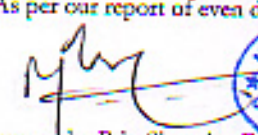
Assets		Schedule	This Year Rs.	Previous Year Rs.
1	Cash Balance	4.8	7,283,401	7,953,565
2	Balance with NRB	4.9	12,599,308.41	295,456
3	Balance with Banks/Financial Institutions	4.10	106,184,341.90	53,756,182
4	Money at Call and Short Notice	4.11	-	-
5	Investments	4.12	10,027,000	200,527,000
6	Loans Advances and Bills Purchase	4.13	78,309,872	2,145,400,447
7	Fixed Assets	4.14	140,316,103	168,335,565
8	Non-Banking Assets	4.15	-	-
9	Other Assets	4.16	351,864,227	438,489,555
<b>Total Assets</b>			<b>706,584,254</b>	<b>3,014,757,770</b>

Contingent Liabilities	Schedule	4.17
Directors' Declaration	Schedule	4.29
Statement of Capital Fund	Schedule	4.30
Statement of Risk Weighted Assets	Schedule	4.30 (A)
Principal Indicators	Schedule	4.31
Principle Accounting Policies	Schedule	4.32
Notes to Accounts	Schedule	4.33
Statement of Loan taken by Promoters	Schedule	4.34
Comparison Between Unaudited and Audited Financial	Schedule	4.35
Unaudited Financial Highlights certified by Internal Auditor	Schedule	4.(A)

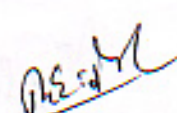
Schedules 4.1 to 4.17, 4.32, 4.33, 4.34 & 4.35 form integral parts of the Balance Sheet.


  
Bhumi Narayan Shrestha  
Chairman & Director

  
Rabindra Ram Shrestha  
Director

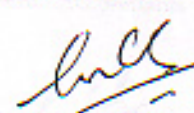
As per our report of even date  
  
Maheshwari Bdr. Shrestha, F.C.A.  
M.B. Shrestha & Co.  
Chartered Accountants



  
Ramesh K.C.  
Director

  
Ashok Bhattarai  
Director



  
Basudev Acharya  
CEO

Date : 26 Mangshir, 2069  
Place : Kathmandu



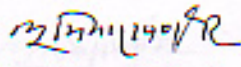
# Capital Merchant Banking & Finance Ltd.

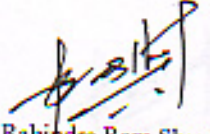
## Profit and Loss Account

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

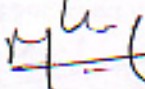
Particulars	Schedules	This Year Rs.	Previous Year Rs.
1. Interest Income	4.18	146,134,862	457,228,681
2. Interest Expenses	4.19	221,025,015	343,627,596
<b>Net Interest Income</b>		<b>(74,890,154)</b>	<b>113,601,085</b>
3. Commission and Discount	4.20	44,750	1,490,163
4. Other Operating Income	4.21	39,473	13,298,630
5. Exchange Fluctuation Income	4.22	-	-
<b>Total Operating Income</b>		<b>(74,805,931)</b>	<b>128,389,878</b>
6. Employees Expenses	4.23	28,139,029	37,448,220
7. Other Overhead Expenses	4.24	39,731,359	55,172,180
8. Exchange Fluctuation Loss	4.22	-	-
<b>Operating Profit Before Provision for Possible Loss</b>		<b>(142,676,319)</b>	<b>35,769,478</b>
9. Provision for Possible Losses	4.25	1,048,715,225	1,392,475,972
<b>Operating Profit</b>		<b>(1,191,391,544)</b>	<b>(1,356,706,494)</b>
10. Non-operating Income/Expenses	4.26	851,024	1,484,376
11. Provision Written-Back	4.27	-	-
<b>Profit from Regular Operations</b>		<b>(1,190,540,520)</b>	<b>(1,355,222,118)</b>
12. Profit/Loss from extra-ordinary activities	4.28	-	-
<b>Net Profit after considering all activities</b>		<b>(1,190,540,520)</b>	<b>(1,355,222,118)</b>
13. Provision For Staff Bonus		-	-
14. Provision For Income Tax		78,475,758	(393,527,545)
This Year's		-	-
Previous Year's		-	-
Deferred Tax Expense/(Income)		78,475,758	(393,527,545)
<b>Net Profit/(Loss)</b>		<b>(1,269,016,278)</b>	<b>(961,694,573)</b>

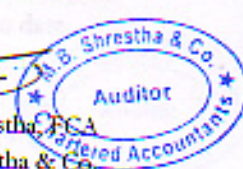
Schedule No. 4.18 to 4.28, 4.32, 4.33, 4.34 & 4.35 form integral part of this Profit and Loss Account.

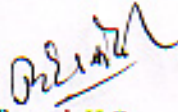
  
Bhumi Narayan Shrestha  
Chairman & Director


  
Rabinendra Ram Shrestha  
Director

As per our report of even date

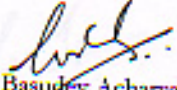
  
Maheswarendra Bdr. Shrestha  
M.B. Shrestha & Co.  
Chartered Accountants



  
Ramesh K.C.  
Director

  
Ashok Bhattarai  
Director



  
Basudev Acharya  
CEO

Date : 26 Mangshir, 2069  
Place : Kathmandu

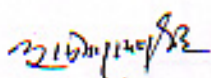


## Capital Merchant Banking & Finance Ltd.

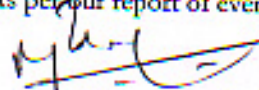
Profit and Loss Appropriation Account

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

Particulars	Schedules	This Year Rs.	Previous Year Rs.
<b>Income</b>			
1	Accumulated Profit up to the Last Year	(1,351,577,110)	3,645,009
2	Current Year's Profit	(1,269,016,278)	(961,694,573)
3	Exchange Fluctuation Fund	-	-
<b>Total (A)</b>		<b>(2,620,593,386)</b>	<b>(958,049,564)</b>
<b>Expenses</b>			
1	Accumulated Loss up to the Last Year	-	-
2	This Year's Loss	-	-
3	General Reserve	-	-
4	Contingent Reserve	-	-
5	Institutional Development Fund	-	-
6	Dividend Equalization Fund	-	-
7	Employee Related Reserves Funds	-	-
8	Proposed Dividend	-	-
9	Proposed Issue of Bonus Shares	-	-
10	Special Reserve Fund	-	-
11	Exchange Fluctuation Fund	-	-
12	Capital Redemption Reserve Fund	-	-
13	Capital Adjustment Fund	-	-
14	Deferred Tax Reserve	315,053,707	393,527,545
<b>Total (B)</b>		<b>315,053,707</b>	<b>393,527,545</b>
15	<b>Accumulated Profit/(Loss) (A-B)</b>	<b>(2,935,647,094)</b>	<b>(1,351,577,109)</b>


  
Bhumi Narayan Shrestha  
Chairman & Director

  
Rabindra Ram Shrestha  
Director

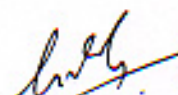
As per our report of even date  
  
Maheswarandra Bdr. Shrestha, FCA  
M.B. Shrestha & Co.  
Chartered Accountants



  
Ramesh K.C.  
Director

  
Ashok Bhattarai  
Director



  
Basudev Acharya  
CEO

Date : 26 Mangshir, 2069  
Place : Kathmandu



**Capital Merchant Banking & Finance Ltd.**

Statement of Changes in Equity  
Fiscal Year 2011/12 (2009/69)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve Fund	Proposed Bonus Share	Capital Reserve Fund	Share Premium	Exchange Fluctuation Fund	Deferred Tax Reserve	Other Reserve and Fund	Total Amount
Opening Balance as at 16 July 2010	935,069,500	(1,351,577,110)	37,104,433	-	-	2,611,560	-	393,529,465	-	16,737,848
Adjustment for Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-
Restated Balance as at 16 July 2011	935,069,500	(1,351,577,110)	37,104,433	-	-	2,611,560	-	393,529,465	-	16,737,848
Bonus Share Issued	-	-	-	-	-	-	-	-	-	-
Right Share issued	-	-	-	-	-	-	-	-	-	-
Current Year's Net Profit	-	(1,269,016,278)	-	-	-	-	-	-	-	(1,269,016,278)
General Reserve	-	-	-	-	-	-	-	-	-	-
Proposed Bonus Share	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	-	-	-	-	-	-	-	-
Deferred Tax Assets	-	78,475,758	-	-	-	-	-	(78,475,758)	-	-
Closing Balance	935,069,500	(2,542,117,630)	37,104,433	-	-	2,611,560	-	315,053,707	-	(1,252,278,430)

(In Rs.)

*Ramesh K.C.*  
Ramesh K.C.  
Chairman & Director

*Ramesh K.C.*  
Ramesh K.C.  
Director

*Rabinendra Ram Shrestha*  
Rabinendra Ram Shrestha  
Director

*Ashok Bhadani*  
Ashok Bhadani  
Director

*M.R. Shrestha & Co.*  
M.R. Shrestha & Co.  
Chartered Accountants  
Auditor



Date : 26 Mangshir, 2069  
Place : Kathmandu



# Capital Merchant Banking & Finance Ltd.

## Cash Flow Statement

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

Particulars	This Year Rs.	Previous Year Rs.
(a) Cash flow from Operating Activities		
1 Cash Received	(127,798,232)	25,874,387
1.1 Interest Income	147,070,109	473,501,849
1.2 Commission and Discount Income	146,134,862	457,228,681
1.3 Income from Foreign Exchange Transaction	44,750	1,490,163
1.4 Recovery of Written-off Loans	-	-
1.5 Other Incomes	-	-
2 Cash Payment	890,497	14,783,005
2.1 Interest Expenses	274,868,341	447,627,462
2.2 Staff Expenses	221,025,015	343,627,596
2.3 Office Overhead Expenses	28,139,029	41,045,584
2.4 Income Tax Paid	25,704,296	38,954,282
2.5 Other Expenses	-	24,000,000
Cash Flow Before Working Capital Activities	177,867,681	(434,092,977)
(Increase)/Decrease of Current Assets	2,344,215,903	552,563,502
1 (Increase)/Decrease in Money at Call and Short Notice	-	-
2 (Increase)/Decrease in Short-term Investments	190,500,000	44,500,000
3 (Increase)/Decrease in Loans and Advances and Bills Purchase	2,067,090,575	508,695,592
4 (Increase)/Decrease in Other Assets	86,625,328	(632,090)
Increase/(Decrease) of Current Liabilities	(2,166,348,221)	(986,656,479)
1 Increase/(Decrease) in Deposits Liabilities	(1,364,455,810)	424,913,890
2 Increase/(Decrease) in Certificate of Deposits	-	-
3 Increase/(Decrease) in Short-term Borrowings	(133,404,657)	22,200,000
4 Increase/(Decrease) in Other Liabilities	(668,487,754)	(1,433,770,370)
(b) Cash flow from Investment Activities	13,992,399	(67,236,339)
1 (Increase)/Decrease in Long-Term Investment	-	-
2 (Increase)/Decrease in Fixed Assets	13,992,399	(67,236,339)
3 Interest Income From Long-Term Investment	-	-
4 Dividend Income	-	-
5 Others	-	-
(c) Cash flow from Financing Activities	-	-
1 Increase/(Decrease) in Long-Term Borrowings (Bonds, Debentures etc.)	-	-
2 Increase/(Decrease) in Share Capital	-	-
3 Increase/(Decrease) in Other Liabilities (Share Premium)	-	-
4 Increase/(Decrease) in Refinance/Facilities From Nepal Rastra Bank	-	-
(d) Income/Expenses from change in Exchange Rate in Cash and Bank Balances	-	-
(e) This Year's Cash Flow from All Activities	64,061,849	(475,454,929)
(f) Opening Balance of Cash and Bank Balances	62,005,204	537,460,131
(g) Closing Balance of Cash and Bank Balances	126,067,052	62,005,203

*Bhumi Narayan Shrestha*  
Bhumi Narayan Shrestha  
Chairman & Director

*Rabindra Ram Shrestha*  
Rabindra Ram Shrestha  
Director

*Ramesh K.C.*  
Ramesh K.C.  
Director

*Ashok Bhattarai*  
Ashok Bhattarai  
Director

As per our report of even date

*Maheshwarendra Bdr. Shrestha*  
Maheshwarendra Bdr. Shrestha, CA  
M.B. Shrestha & Co.  
Chartered Accountants

*Basudev Acharya*  
Basudev Acharya  
CEO



Date : 26 Mangshir, 2069  
Place : Kathmandu



**List of Share Holder's holding 0.5% or more of Paid-Up Share Capital**

S. N.	Name of the Shareholders	No. of Shares	Amount	Percentage
1	Upasana K.C	48,349	4,834,900	0.52%
2	Unnati Corporate Investment	50,304	5,030,400	0.54%
3	Kasturi Investment Company	60,810	6,081,000	0.65%
4	Hernanta Pandit	65,682	6,568,200	0.70%
5	Gorakshya Multi Investment	70,000	7,000,000	0.75%
6	Samuchha Investment Company	79,000	7,900,000	0.84%
7	Chaya Rana Shah	80,030	8,003,000	0.86%
8	Rabi Kiran Dhakal	85,736	8,573,600	0.92%
9	Nilgiri Investment Pvt Ltd	88,963	8,896,300	0.95%
10	Parasparik Investment Company	89,280	8,928,000	0.95%
11	Calculate Builders Pvt Ltd	89,287	8,928,700	0.95%
12	Madan Bahadur Khadka	90,000	9,000,000	0.96%
13	Samyog Housing & Development	90,000	9,000,000	0.96%
14	Beauty Builders Pvt Ltd	90,000	9,000,000	0.96%
15	Bijeswori Awash Bikas	90,232	9,023,200	0.96%
16	B Developers Pvt Ltd	90,442	9,044,200	0.97%
17	Amir Jung Khadka	92,298	9,229,800	0.99%
18	Gobinda Prasad Aryal	103,102	10,310,200	1.10%
19	Gobinda Prasad Aryal	140,000	14,000,000	1.50%
20	Bigyan Prasad Poudel	173,655	17,365,500	1.86%
21	Murari Karki	174,502	17,450,200	1.87%
22	Shreeram Khatri	195,983	19,598,300	2.10%
23	ABC Stock Management	261,500	26,150,000	2.80%
24	Shreeram Khatri	324,000	32,400,000	3.46%
25	Stock Investment & Company	416,357	41,635,700	4.45%
26	Murari Karki	420,545	42,054,500	4.50%
27	Gaurishankar Investment Company	760,000	76,000,000	8.13%
28	Amir Jung Khadka	936,233	93,623,300	10.01%
29	Sulav Investment Company	1,074,474	107,447,400	11.49%
30	Paban Kumar Karki	1,377,000	137,700,000	14.73%

*Asst*



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## Capital Merchant Banking &amp; Finance Ltd.

Share Capital and Ownership  
As on 31 Ashad 2069 (15 July 2012)

Particulars	This Year Rs.	Previous Year Rs.
<b>1 Share Capital</b>		
<b>1.1 Authorized Capital</b>		
a) 30,000,000 Ordinary Shares of Rs. 100 each	3,000,000,000	3,000,000,000
b) ..... Non-redeemable Preference Shares of Rs. .... each	3,000,000,000	3,000,000,000
c) ..... Redeemable Preference Shares of Rs. .... each	-	-
<b>1.2 Issued Capital</b>		
a) 20,200,000 Ordinary Shares of Rs.100 each	2,020,000,000	2,020,000,000
b) ..... Non-redeemable Preference Shares of Rs. .... each	2,020,000,000	2,020,000,000
c) ..... Redeemable Preference Shares of Rs. .... each	-	-
<b>1.3 Paid up Capital</b>		
a) 9,350,695 Ordinary Shares of Rs.100 each	935,069,500	935,069,500
b) ..... Non-redeemable Preference Shares of Rs. .... each	935,069,500	935,069,500
c) ..... Redeemable Preference Shares of Rs. .... each	-	-
<b>1.4 Proposed Bonus Share</b>	-	-
<b>1.5 Calls in Advance</b>	-	-

Particulars	This Year		Previous Year	
	%	Share Capital	Share Capital	%
<b>1 National Ownership</b>	100%	935,069,500	935,069,500	100%
1.1 Government of Nepal	-	-	-	-
1.2 "A" Class Licensed Institutions	-	-	-	-
1.3 Other License Institutions	-	-	-	-
1.4 Other Entities/ Organizations	49%	458,184,100	458,184,100	49%
1.7 Individuals	51%	476,885,400	476,885,400	51%
1.6 Others	-	-	-	-
<b>2 Foreign Ownership</b>	-	-	-	-
<b>Total</b>	<b>100</b>	<b>935,069,500</b>	<b>935,069,500</b>	<b>100</b>





Capital Merchant Banking & Finance Ltd.

Debit and Credit

As on 31 Ashad 2069 (15 July 2012)

Schedule 4.2

Capital Merchant Banking & Finance Ltd.

Reserve and Surplus

As on 31 Ashad 2069 (15 July 2012)

Particulars	This Year Rs.	Previous Year Rs.
1 General Reserve Fund	37,104,433	37,104,433
2 Capital Reserve Fund	-	-
3 Capital Redemption Reserve	-	-
4 Capital Adjustment Fund	-	-
5 Other Reserves	317,665,267	396,141,025
5.1 Contingent Reserve	-	-
5.2 Institution Development Fund	-	-
5.3 Dividend Equalization Fund	-	-
5.4 Special Reserve Fund	-	-
5.5 Assets Revaluation Reserve	-	-
5.6 Deferred Tax Reserve	315,053,707	393,529,465
5.7 Other Free Reserves	-	-
5.8 Other Reserve Funds	-	-
5.9 Share Premium	2,611,560	2,611,560
6 Accumulated Profit/(Loss)	(2,542,117,630)	(1,351,577,110)
7 Exchange Equalization Fund	-	-
Total	(2,187,347,930)	(918,331,652)

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Capital Merchant Banking & Finance Ltd.

Schedule 4.3

Debentures and Bonds

As on 31 Ashad 2069 (15 July 2012)

Particulars		This Year Rs.	Previous Year Rs.
1	..... Percent Bonds/Debentures of Rs. .... each Issued on ..... and Matured on ..... (Outstanding balance of Redemption Reserve Rs. ....)	-	-
2	..... Percent Bond/Debentures of Rs. .... each Issued on ..... and Matured on ..... (Outstanding Balance of Redemption Reserve Rs. ....)	-	-
3	.....	-	-
Total (1+2+3)		-	-

Note : Particulars of securities shall be disclosed in case the Debentures/Bonds are issued with assigned securities.

Capital Merchant Banking & Finance Ltd.

Schedule 4.4

Borrowings

As on 31 Ashad 2069 (15 July 2012)

Particulars		This Year Rs.	Previous Year Rs.
A. Local			
1	Nepal Government	-	-
2	Nepal Rastra Bank	-	-
3	Repo Obligation	-	-
4	Inter Bank and Financial Institutions	-	-
5	Other Organized Institutions	83,795,343	217,200,000
6	Others	-	-
Total		83,795,343	217,200,000
B. Foreign			
1	Banks	-	-
2	Others	-	-
Total		-	-
Total (A+B)		83,795,343	217,200,000

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Capital Merchant Banking & Finance Ltd.

Schedule 4.5

Deposits  
As on 31 Ashad 2069 (15 July 2012)

Particulars	This Year Rs.	Previous Year Rs.
<b>1 Non-Interest Bearing Accounts</b>		
<b>A. Current Deposits</b>		
1. Local Currency		
1.1 Nepal Government	-	-
1.2 "A" Class Licensed Institutions	-	-
1.3 Other Licensed Financial Institutions	-	-
1.4 Other Organized Institutions	-	-
1.5 Individuals	-	-
1.6 Others	-	-
2. Foreign Currency		
2.1 Nepal Government	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Financial Institutions	-	-
2.4 Other Organized Institutions	-	-
2.5 Individuals	-	-
2.6 Others	-	-
<b>B. Margin Deposits</b>		
1 Employee Guarantees	-	-
2 Guarantee Margin	-	-
3 Letters of Credit Margin	-	-
<b>C. Others</b>		
1. Local Currency		
1.1 Financial Institutions	-	-
1.2 Other Organized Institutions	-	-
1.3 Individuals	-	-
2. Foreign Currency		
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individuals	-	-
<b>Total of Non-Interest Bearing Accounts</b>		
<b>2 Interest Bearing Accounts</b>		
<b>A. Savings Deposits</b>		
1. Local Currency	511,397,383	582,651,052
1.1 Organized Institutions	511,397,383	582,651,052
1.2 Individuals	154,643	434,247
1.3 Others	511,242,740	582,216,805
2. Foreign Currency	-	-
2.1 Organized Institutions	-	-
2.2 Individuals	-	-
2.3 Others	-	-
<b>B. Fixed Deposits</b>		
1. Local Currency	175,094,842	1,343,252,051
1.1 Organized Institutions	175,094,842	1,343,252,051
1.2 Individuals	57,208,752	927,625,727
1.3 Others	117,886,090	415,626,324
2. Foreign Currency	-	-
2.1 Organized Institutions	-	-
2.2 Individuals	-	-
2.3 Others	-	-
<b>C. Call Deposits</b>		
1. Local Currency	668,643,549	793,688,481
1.1 "A" Class Licensed Institutions	668,643,549	793,688,481
1.2 Other Licensed Institutions	-	-
1.3 Other Organized Institutions	569,167,880	488,265,455
1.4 Individuals	46,865,200	222,202,261
1.5 Others	52,610,469	83,220,765
2. Foreign Currency	-	-
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Institutions	-	-
2.3 Other Organized Institutions	-	-
2.4 Individuals	-	-
2.5 Others	-	-
<b>D. Certificate of Deposit</b>		
1. Organized Institutions	-	-
2. Individuals	-	-
3. Others	-	-
<b>Total of Interest Bearing Accounts</b>	<b>1,355,135,774</b>	<b>2,719,591,584</b>
<b>Total Deposit (1+2)</b>	<b>1,355,135,774</b>	<b>2,719,591,584</b>

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Schedule 4.6

## Capital Merchant Banking &amp; Finance Ltd.

## Bills Payable

As on 31 Ashad 2069 (15 July 2012)

	Particulars	This Year Rs.	Previous Year Rs.
1	Local Currency	-	-
2	Foreign Currency	-	-
	<b>Total</b>	-	-

Schedule 4.7

## Capital Merchant Banking &amp; Finance Ltd.

## Other Liabilities

As on 31 Ashad 2069 (15 July 2012)

	Particulars	This Year Rs.	Previous Year Rs.
1	Pension/Gratuity Fund	108,662	304,059
2	Employees Provident Fund	-	-
3	Employees Welfare Fund	-	-
4	Provision for Staff Bonus	-	-
5	Interest Payable on Deposits	304,819,657	24,827,347
6	Interest Payable on Borrowings	-	322,385
7	Unearned Discount and Commission	-	-
8	Sundry Creditors	23,113,208	11,161,171
9	Branch Adjustment Account	-	-
10	Others	-	-
	TDS Payable on interest	12,906,552	4,728,594
	Other TDS Payable	1,795,072	1,064,060
	A/C Payables	208,646	676,029
	FD Nominees	171,138,033	13,851,754
	Provision	5,841,738	4,292,940
	Deferred Tax Liability	-	-
	Other Miscellaneous	-	-
	<b>Total</b>	<b>519,931,567</b>	<b>61,228,338</b>

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Capital Merchant Banking & Finance Ltd.  
 Balance with Banks/Financial Institutions  
 As on 31 Ashad 2069 (15 July 2012)

Schedule 4.8

**Capital Merchant Banking & Finance Ltd.**

Cash Balance

As on 31 Ashad 2069 (15 July 2012)

Particulars	This Year Rs.	Previous Year Rs.
1 Local Currency (including coin)	7,283,401	7,953,565
2 Foreign Currency	-	-
<b>Total</b>	<b>7,283,401</b>	<b>7,953,565</b>

Schedule 4.9

**Capital Merchant Banking & Finance Ltd.**

Balance with Nepal Rastra Bank

As on 31 Ashad 2069 (15 July 2012)

Particulars	Local Currency	Foreign Currency			This Year Total Rs.	Previous Year Rs.
		Indian Currency	Convertible	Total		
1 Nepal Rastra Bank	12,599,308	-	-	-	12,599,308	295,456
a) Current Account	12,599,308	-	-	-	12,599,308	295,456
b) Other Account	-	-	-	-	-	-

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### Capital Merchant Banking & Finance Ltd.

Balance with Banks/Financial Institutions

As on 31 Ashad 2069 (15 July 2012)

Particulars	Local Currency	Foreign Currency			This Year Grand Total Rs.	Previous Year Rs.
		Indian Currency	Convertible	Total		
1 Local Licensed Institutions	106,184,342	-	-	-	106,184,342	53,756,182
a) Current Account	13,489,420				13,489,420	3,551,293
b) Other Account	92,694,922				92,694,922	50,204,889
2 Foreign Banks	-	-	-	-	-	-
a) Current Account	-	-	-	-	-	-
b) Other Account	-	-	-	-	-	-
<b>Total</b>	<b>106,184,342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106,184,342</b>	<b>53,756,182</b>

Particulars	Rs.	Rs.	Rs.	Rs.
1 Nepal Government Treasury Bill				
2 Nepal Government Savings Bond				
3 Nepal Government Other Securities				
4 Nepal State Bank Bonds				
5 Foreign Securities				
6 Local Licensed Institutions				
7 Foreign Banks				
8 Deposited Investment Shares				
9 Deposited Bonds and Debentures				
10 Other Investments				
Total Investment				
Provision				
Net Investment				

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Schedule 4.11

## Capital Merchant Banking &amp; Finance Ltd.

Money at Call and Short Notice  
As on 31 Ashad 2069 (15 July 2012)

Particulars	This Year Rs.	Previous Year Rs.
1 Local Currency		
2 Foreign Currency		
<b>Total</b>	-	-

Schedule 4.12

## Capital Merchant Banking &amp; Finance Ltd.

Investments  
As on 31 Ashad 2069 (15 July 2012)

Particulars	Purpose		This Year Rs.	Previous Year Rs.
	Trading	Other		
1 Nepal Government Treasury Bills	-	-	-	70,000,000
2 Nepal Government Savings Bond	-	-	-	-
3 Nepal Government Other Securities	-	-	-	20,000,000
4 Nepal Rastra Bank Bonds	-	-	-	-
5 Foreign Securities	-	-	-	-
6 Local Licensed Institutions	-	-	-	-
7 Foreign Banks	-	-	-	-
8 Organized Institutions Shares	29,200	-	29,200	29,200
9 Corporate Bonds and Debentures	-	-	-	-
10 Other Investments	10,000,000	-	10,000,000	110,500,000
<b>Total Investment</b>	<b>10,029,200</b>	<b>-</b>	<b>10,029,200</b>	<b>200,529,200</b>
Provision	2,200	-	2,200	2,200
<b>Net Investment</b>	<b>10,027,000</b>	<b>-</b>	<b>10,027,000</b>	<b>200,527,000</b>

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Schedule 4.12 (A)

**Capital Merchant Banking & Finance Ltd.**

Investment in Shares, Debentures and Bonds

As on 31 Ashad 2069 (15 July 2012)

Particulars	Cost Price	Market Price	Provision	This Year	Previous Year
1 Investment in Shares					
1.1 Credit Information Bureau	-	-	-	-	-
270 Ordinary Shares of Rs 100 Paid up	27,000	-	-	27,000	27,000
1.2 Union Finance Co. Ltd.	2,200	2,464	2,200	2,200	2,200
22 Ordinary Shares of Rs 100 Paid up	-	-	-	-	-
2 Investment in Debentures and Bonds					
2.1 ..... Co. (Pvt. Ltd./Ltd.)	-	-	-	-	-
..... % ..... Debentures/Bonds of Rs. .... each	-	-	-	-	-
2.2 .....	-	-	-	-	-
2.3 .....	-	-	-	-	-
<b>Total Investment</b>	<b>29,200</b>	<b>2,464</b>	<b>2,200</b>	<b>29,200</b>	<b>29,200</b>
3 Provision for Loss	2,200				2,200
3.1 Provision Up to Previous Year	2,200				6,400
3.2 Additions This Year	-				(4,200)
<b>Total Provision</b>	<b>2,200</b>				<b>2,200</b>
<b>Net Investment</b>	<b>27,000</b>				<b>27,000</b>

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## Capital Merchant Banking &amp; Finance Ltd.

Held for Trading

As on 31 Ashad 2069 (15 July 2012)

Description	Cost Price	Last Market Price	Current Market Price	Current Year Profit/(Loss)	Last Year Profit/(Loss)	Remarks
1. Treasury Bills of Government of Nepal	-	-	-	-	-	
2. Saving Bonds of Government of Nepal	-	-	-	-	-	
3. Other Loan Bonds of Government of Nepal	-	-	-	-	-	
4. Loan Bonds of Nepal Rastra Bank	-	-	-	-	-	
5. Foreign Loan Bonds	-	-	-	-	-	
6. Shares of Local Licensed Institutions	2,200	-	-	-	-	
7. Debiture and Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Debiture and Bonds of Local Organized Institutions	-	-	-	-	-	
9. Investment in Foreign Banks (Placement)	-	-	-	-	-	
10. Interbank Lending	-	-	-	-	-	
11. Other Investment	-	-	-	-	-	
<b>Total Investment</b>	<b>2,200</b>	-	-	-	-	









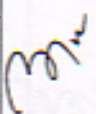

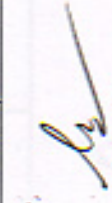

## Capital Merchant Banking &amp; Finance Ltd.

Held to Maturity

As on 31 Ashad 2069 (15 July 2012)

Description	Cost Price	Cumulative Loss Upto This Year	Current Year Loss	Current Year Profit/(Loss)	Last Year Profit/(Loss)	Remarks
1. Treasury Bills of Government of Nepal	-	-	-	-	-	
2. Saving Bonds of Government of Nepal	-	-	-	-	-	
3. Other Loan Bonds of Government of Nepal	-	-	-	-	-	
4. Loan Bonds of Nepal Rastra Bank	-	-	-	-	-	
5. Foreign Loan Bonds	-	-	-	-	-	
6. Shares of Local Licensed Institutions	-	-	-	-	-	
7. Debenture and Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Debenture and Bonds of Local Organized Institutions	-	-	-	-	-	
9. Investment in Foreign Banks (Placement)	-	-	-	-	-	
10. Interbank Lending	-	-	-	-	-	
11. Other Investment	10,027,000	-	-	-	-	
<b>Total Investment</b>	<b>10,027,000</b>	-	-	-	-	

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**Capital Merchant Banking & Finance Ltd.**

Available for Sale

As on 31 Ashad 2069 (15 July 2012)

Description	Cost Price	Last Market Price	Current Market Price	Current Year Fund Adjustment Amount	Last Year		Remarks
					Profit/(Loss)		
1. Treasury Bills of Government of Nepal	-	-	-	-	-	-	
2. Saving Bonds of Government of Nepal	-	-	-	-	-	-	
3. Other Loan Bonds of Government of Nepal	-	-	-	-	-	-	
4. Loan Bonds of Nepal Rastra Bank	-	-	-	-	-	-	
5. Foreign Loan Bonds	-	-	-	-	-	-	
6. Shares of Local Licensed Institutions	29,200	-	-	-	-	-	
7. Debiture and Bonds of Local Licensed Institutions	-	-	-	-	-	-	
8. Debiture and Bonds of Local Organized Institutions	-	-	-	-	-	-	
9. Investment in Foreign Banks (Placement)	-	-	-	-	-	-	
10. Interbank Lending	-	-	-	-	-	-	
11. Other Investment	-	-	-	-	-	-	
<b>Total Investment</b>	<b>29,200</b>	-	-	-	-	-	

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## Capital Merchant Banking &amp; Finance Ltd.

Classification of Loans and Bills Purchased and Provisioning

As on 31. Ashad 2069 (15 July 2012)

Particulars	Loans					Total	Bills			This Year Rs.	Previous Year Rs.
	Domestic		Foreign	Others	Total		Domestic	Foreign	Total		
	Insured	Deprived Uninsured									
1											
Performing Loan	-	12,000,000	-	61,690,745	-	73,690,745	-	-	-	73,690,745	2,056,698,135
1.1 Pass Loan	-	12,000,000	-	61,690,745	-	73,690,745	-	-	-	73,690,745	2,056,698,135
1.2 Restructured	-	-	-	-	-	-	-	-	-	-	-
2											
Non-Performing Loan	-	-	-	2,544,932,762	-	2,544,932,762	-	-	-	2,544,932,762	1,580,385,722
2.1 Substandard	-	-	-	3,912,676	-	3,912,676	-	-	-	3,912,676	143,343,764
2.2 Doubtful	-	-	-	4,843,056	-	4,843,056	-	-	-	4,843,056	3,522,941
2.3 Bad	-	-	-	2,536,177,031	-	2,536,177,031	-	-	-	2,536,177,031	1,433,519,016
(A) Total Loan	-	12,000,000	-	2,606,623,507	-	2,618,623,507	-	-	-	2,618,623,507	3,637,083,857
3											
Loan Loss Provision	-	120,000	-	2,686,676,299	-	2,686,796,299	-	-	-	2,686,796,299	1,491,683,410
3.1 Pass	-	120,000	-	9,321,217	-	9,441,217	-	-	-	9,441,217	20,566,981
3.2 Restructured	-	-	-	-	-	-	-	-	-	-	-
3.3 Substandard	-	-	-	3,817,952	-	3,817,952	-	-	-	3,817,952	35,835,941
3.4 Doubtful	-	-	-	4,047,500	-	4,047,500	-	-	-	4,047,500	1,761,471
3.5 Bad	-	-	-	2,669,489,631	-	2,669,489,631	-	-	-	2,669,489,631	1,433,519,016
(B) Total Provisioning	-	120,000	-	2,686,676,299	-	2,686,796,299	-	-	-	2,686,796,299	1,491,683,410
4											
Provisioning up to Previous Year	-	617,040	-	1,491,066,370	-	1,491,683,410	-	-	-	1,491,683,410	99,207,438
4.1 Pass	-	617,040	-	19,949,942	-	20,566,981	-	-	-	20,566,981	26,809,051
4.2 Restructured	-	-	-	-	-	-	-	-	-	-	-
4.3 Substandard	-	-	-	35,835,941	-	35,835,941	-	-	-	35,835,941	-
4.4 Doubtful	-	-	-	1,761,471	-	1,761,471	-	-	-	1,761,471	-
4.5 Bad	-	-	-	1,433,519,016	-	1,433,519,016	-	-	-	1,433,519,016	72,398,387
(C) Total Previous Year's Provision	-	617,040	-	1,491,066,370	-	1,491,683,409.53	-	-	-	1,491,683,410	99,207,438
(D) Written Back From Previous Year	-	-	-	146,482,664	-	146,482,664	-	-	-	146,482,664	-
Changes in This Year	-	(497,040)	-	1,049,127,265	-	1,048,630,225.41	-	-	-	1,048,630,225	1,392,475,972
Net Loan (A-B)	-	11,880,000	-	66,429,872	-	78,309,872	-	-	-	78,309,872	2,145,400,447

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Schedule 4.13 (A)

**Capital Merchant Banking & Finance Ltd.**

Loans, Advances and Bills Purchased Security wise

As on 31 Ashad 2069 (15 July 2012)

Particulars		This Year Rs.	Previous Year Rs.
(A)	Secured	2,618,623,507	3,637,083,857
1	Movable/Immovable Assets	2,584,010,883	3,239,175,044
2	Guarantee of Local Licensed Institutions	-	-
3	Government Guarantee	-	-
4	Internationally Rated Bank Guarantee	-	-
5	Export Documents	-	-
6	Fixed Deposit Receipts	-	-
	a) Own Fixed Deposit Receipt	21,495,076	298,362,372
	b) Fixed Deposit Receipt of Other Licensed Institutions	-	-
7	Government Bonds	-	-
8	Counter Guarantee	-	-
9	Personal Guarantee	-	-
10	Other Securities	13,117,548	99,546,441
(B)	Unsecured	-	-
<b>Total</b>		<b>2,618,623,507</b>	<b>3,637,083,857</b>

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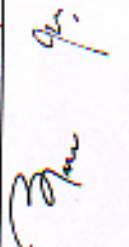



## Capital Merchant Banking &amp; Finance Ltd.

Fixed Assets  
As on 31 Ashad 2069 (15 July 2012)

Particulars	Assets						This Year Rs.	Previous Year Rs.
	Building	Vehicles	Machinery	Office Equipment	Others			
<b>At Cost</b>								
a. Previous Year Balance	31,332,349	30,017,858	39,823,549	13,805,924.06	7,045,493.47		122,025,173	66,505,152
b. Addition This Year	-	-	2,600	-	37,102		39,702	55,749,458
c. Revaluation/Written Back This Year	-	-	-	-	-		-	-
d. This Year Sold	-	12,697,991	671,780	-	23,369		13,393,140	117,254
e. This Year Written off	-	-	-	-	2,744		2,744	112,182
<b>Total Cost (a+b+c-d-e)</b>	<b>31,332,349</b>	<b>17,319,868</b>	<b>39,154,369</b>	<b>13,805,924</b>	<b>7,056,482</b>		<b>108,668,991</b>	<b>122,025,173</b>
<b>Depreciation</b>								
a. Up to Previous Year	5,711,329	7,428,656	12,612,033	4,877,382.70	2,788,049		33,417,420	17,199,521
b. For This Year	1,281,051	3,195,431	5,962,541	2,431,937.60	1,156,102		14,027,062	16,217,899
c. Depreciation on Revaluation/Written Back	-	1,165,851	(27,484)	-	11,030		1,149,397	-
<b>Total Depreciation</b>	<b>6,992,380</b>	<b>9,458,237</b>	<b>18,602,058</b>	<b>7,309,290</b>	<b>3,933,120</b>		<b>46,295,085</b>	<b>33,417,420</b>
<b>Book Value (WDV*) (1-2)</b>	<b>24,339,969</b>	<b>7,861,631</b>	<b>20,552,311</b>	<b>6,496,634</b>	<b>3,123,362</b>		<b>62,373,906</b>	<b>88,607,754</b>
Land	-	-	-	-	-		56,009,370	56,009,370
Capitalization Construction (Pending)	-	-	-	-	-		4,295,724	4,295,724
Leasehold Assets	-	-	-	-	-		17,637,103	19,488,718
<b>Total (3+4+5+6)</b>	<b>24,339,969</b>	<b>7,861,631</b>	<b>20,552,311</b>	<b>6,496,634</b>	<b>3,123,362</b>		<b>140,316,103</b>	<b>168,335,565</b>

\* Written Down Value





**Capital Merchant Banking & Finance Ltd.**

Non-Banking Assets

As on 31 Ashad 2069 (15 July 2012)

Name and Address of Borrower or Party	Date of Accept Non-Banking Assets	Total Amount of Non-Banking Assets Rs.	Loss Provision		Net Non-Banking Assets This Year Rs.	Previous Year Rs.
			In Percentage	In Amount		
-	-	85,000	-	85,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>Grand Total</b>	-	<b>85,000</b>	-	<b>85,000</b>	-	-

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**Capital Merchant Banking & Finance Ltd.**

Schedule 4.16

Other Assets

As on 31 Ashad 2069 (15 July 2012)

Particulars		This Year Rs.	Previous Year Rs.
Stationery Stock		1,310,358	1,460,133
Income Receivable on Investments			682,226
Accrued Interest on Loan	561,706,162		150,463,250
Less : Interest Suspense Amount	(561,706,162)		(150,463,250)
Commission Receivable			-
Sundry Debtors		31,878,354	36,372,580
Staff Loans and Advances		130,137	596,893
Prepaid Expenses		418,256	2,180,560
Cash in Transit			-
Other Transit items ( including cheques )			-
Drafts Paid without Notice			-
Expenses Not Written off		477,871	477,871
Branch account			-
Deferred Tax Assets		315,053,707	393,529,465
Other		2,595,543	3,189,826
<b>Total</b>		<b>351,864,227</b>	<b>438,489,555</b>

Schedule 4.16 (A)

Particulars	This Year (Rs.)			This Year Rs.	Previous Year Rs.
	Up to 1 Year	1 to 3 Years	More Than 3 Years		
1 Accrued Interest on Loan	561,706,162	-	-	561,706,162	150,463,250
2 Drafts Paid without Notice	-	-	-	-	-
3 Branch Adjustment Account	-	-	-	-	-
4 Local and Foreign Agency A/Cs	-	-	-	-	-

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Schedule 4.17

## Capital Merchant Banking &amp; Finance Ltd.

Contingent Liabilities  
As on 31 Ashad 2069 (15 July 2012)

Particulars	This Year Rs.	Previous Year Rs.
1 Claims on Institution but not accepted by the Institution	-	-
2 Letters of Credit (Full Amount)	-	-
a) Less than 6 months Maturity	-	-
b) More than 6 months Maturity	-	-
3 Rediscounted Bills	-	-
4 Unmatured Guarantees/Bonds	-	1,650,000
a) Bid Bonds	-	-
b) Performance Bonds	-	1,650,000
c) Other Guarantees/Bonds	-	-
5 Unpaid Shares in Investment	-	-
6 Forward Exchange Contract Liabilities	-	-
7 Bills under Collection	-	-
8 Acceptance and Endorsements	-	-
9 Underwriting Commitments	-	-
10 Irrevocable Loan Commitments	-	-
11 Counter Guarantee of Internationally Rated Banks	-	-
12 Advance Payment Guarantee	-	-
13 Financial Guarantee	-	-
14 Contingent Liabilities on Income Tax	-	-
15 Capital Commitment net of Advance Payment	-	-
16 -----	-	-
<b>Total</b>	-	<b>1,650,000</b>

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## Capital Merchant Banking &amp; Finance Ltd.

## Interest Income

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

Particulars		This Year Rs.	Previous Year Rs.
A.	On Loan, Advances and Overdraft	135,538,033	394,256,316
1	Loans and Advances	135,538,033	394,256,316
2	Overdraft	-	-
B	On Investment	793,526	6,274,407
1	Nepal Government Securities	-	-
a.	Treasury Bills	562,046	5,049,407
b.	Development Bonds	231,480	1,225,000
c.	National Savings Certificates	-	-
2	Foreign Securities	-	-
a.	.....	-	-
b.	.....	-	-
3	Nepal Rastra Bank Bond	-	-
4	Debenture and Bonds	-	-
a.	Financial Institutions	-	-
b.	Other Organizations	-	-
5	On Interbank Placement	-	-
a.	Bank and Financial Institutions	-	-
b.	Other Organizations	-	-
C	On Agency Balances	-	-
1	Local Banks	-	-
2	Foreign Banks	-	-
D	On Money at Call and Short Notice	-	-
1	Local Banks/Financial Institutions	-	-
2	Foreign Banks	-	-
E	On Others	9,803,302	56,697,958
1	Certificate of Deposits	-	-
2	Inter-Bank Loan	499,485	8,607,058
3	Others-Deposit with other Fis	9,303,818	48,090,900
<b>Total</b>		<b>146,134,862</b>	<b>457,228,681</b>

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## Capital Merchant Banking &amp; Finance Ltd.

## Interest Expenses

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

Particulars		This Year Rs.	Previous Year Rs.
A.	On Deposit Liabilities	211,113,843	308,004,673
1	Fixed Deposits	94,681,602	149,959,282
	1.1 Local Currency	94,681,602	149,959,282
	1.2 Foreign Currency	-	-
2	Savings Deposits	48,855,334	63,404,700
	2.1 Local Currency	48,855,334	63,404,700
	2.2 Foreign Currency	-	-
3	Call Deposits	67,576,907	94,640,692
	3.1 Local Currency	67,576,907	94,640,692
	3.2 Foreign Currency	-	-
4	Certificate of Deposits	-	-
B	On Borrowings	9,911,172	35,622,923
1	Debentures and Bonds	-	-
2	Loan from Nepal Rastra Bank	-	-
3	Inter Bank/Financial Institutions Borrowing	9,911,172	35,622,923
4	Other Corporate Body	-	-
5	Other Loans	-	-
C	On Others	-	-
1	.....	-	-
2	.....	-	-
<b>Total</b>		<b>221,025,015</b>	<b>343,627,596</b>

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Schedule 4.20

## Capital Merchant Banking & Finance Ltd.

Commission and Discount

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

Particulars		This Year Rs.	Previous Year Rs.
A	Bills Purchase and Discount	-	-
	1 Local	-	-
	2 Foreign	-	-
B	Commission	19,730	201,331
	1 Letters of Credit	-	-
	2 Guarantee	-	34,000
	3 Collection Fee	-	-
	4 Remittance Fee	19,730	152,331
	5 Credit Cards	-	15,000
	6 Share Underwriting/Issues	-	-
	7 Government Transactions	-	-
	8 Agency Commission	-	-
	10 Exchange Income	-	-
C	Others	25,021	1,288,831
<b>Total</b>		<b>44,750</b>	<b>1,490,163</b>

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Schedule 4.21

## Capital Merchant Banking &amp; Finance Ltd.

Other Operating Income

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

Particulars	This Year Rs.	Previous Year Rs.
1 Rental on Safe Deposit Lockers	-	-
2 Issue and Renewals of Credit Cards	-	-
3 Issue and Renewals of ATM Cards	-	178,121
4 Telex/T.T.	-	-
5 Service Charges	-	12,521,436
6 Renewal Fees	-	-
7 Others	39,473	599,073
<b>Total</b>	<b>39,473</b>	<b>13,298,630</b>

Schedule 4.22

## Capital Merchant Banking &amp; Finance Ltd.

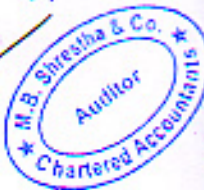
Exchange Gain/Loss

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

Particulars	This Year Rs.	Previous Year Rs.
(A) Revaluation Gain	-	-
(B) Trading Gain (Except Exchange Income)	-	-
<b>Total Income/(Loss)</b>	<b>-</b>	<b>-</b>

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Schedule 4.23

## Capital Merchant Banking &amp; Finance Ltd.

## Employee Expenses

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

Particulars		This Year Rs.	Previous Year Rs.
1	Salary	17,675,270	20,948,066
2	Allowances	3,592,368	4,367,270
3	Contribution to Provident Fund	876,551	814,447
4	Training Expenses	-	159,010
5	Uniform	1,079,647	592,435
6	Medical	1,315,335	1,899,458
7	Insurance	733,737	817,157
8	Pension and Gratuity Provision	-	1,408,179
9	Others	2,866,122	6,442,199
Total		28,139,029	37,448,220

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## Capital Merchant Banking &amp; Finance Ltd.

## Other Overhead Expenses

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

Particulars	This Year Rs.	Previous Year Rs.
1 House Rent	6,648,987	6,070,844
2 Electricity and Water	1,325,556	1,660,281
3 Repair and Maintenance	515,995	951,780
(a) Building	63,505	76,248
(b) Vehicles	101,678	175,048
(c) Others	350,813	700,485
4 Insurance	1,654,166	871,396
5 Postage, Telex, Telephone, Fax	694,976	925,095
6 Office Equipment, Furniture and Fixture Repair	-	-
7 Traveling Allowances and Expenses	101,211	967,695
8 Stationery and Printing	305,179	2,790,217
9 Periodicals and Books	56,244	64,704
10 Advertisements	242,882	4,400,285
11 Legal Expenses	-	75,500
12 Donations	2,851	78,954
13 Expenses Relating to Board of Directors	383,101	514,534
(a) Meeting Fees	364,500	410,000
(b) Other Expenses	18,601	104,534
14 Annual General Meeting Expenses	-	384,605
15 Expenses Relating to Audit	106,390	109,733
(a) Audit Fees	101,700	90,000
(b) Other Expenses	4,690	19,733
16 Commission on Remittances	-	-
17 Depreciation on Fixed Assets	14,027,063	16,217,899
18 Amortization of Preliminary Expenses	-	-
19 Share Issue Expenses	-	10,429
20 Technical Services Fee	913,375	961,888
21 Entertainment	162,110	606,012
22 Written Off Expenses	1,851,614	1,748,265
23 Security Expenses	5,924,795	4,068,293
24 Credit Guarantee Premium	-	-
25 Commission and Discount	-	11,774
26 Others	4,814,865	11,681,996
26.1 Membership Fee	137,390	83,483
26.2 Tax & Fines	1,056,473	1,053,993
26.3 Anniversary Expenses	-	920,460
26.4 Fuel Expenses	775,217	1,861,983
26.5 Service Charge	16,100	7,937
26.6 Gift Expenses	2,420	13,152
26.7 Branch Extension Expenses	-	1,103,932
26.8 Business Promotion Expenses	-	379,744
26.9 ATM Network Expenses	-	951,606
26.1 Others	2,827,266	5,305,707
<b>Total</b>	<b>39,731,359</b>	<b>55,172,180</b>

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## Capital Merchant Banking &amp; Finance Ltd.

Provision for Possible Losses

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

Particulars		This Year Rs.	Previous Year Rs.
1	Increase in Loan Loss Provision	1,048,630,225	1,392,475,972
2	Increase in Provision for Loss on Investment	-	-
3	Provision Against Non-Banking Assets	85,000	-
4	Provision Against Other Assets	-	-
Total		1,048,715,225	1,392,475,972





**Capital Merchant Banking & Finance Ltd.**

Schedule 4.26

Non-Operating Income/Loss

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

Particulars	This Year Rs.	Previous Year Rs.
1 Profit (Loss) on Sale of Investment	(88,059)	39,059
2 Profit (Loss) on Sale of Assets	291,083	(54,683)
3 Dividend	-	-
4 Subsidies Received from Nepal Ratra Bank	-	-
a. Reimbursement of Losses of Specified Branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5 Others	648,000	1,500,000
<b>Total Non-Operating Income (Loss)</b>	<b>851,024</b>	<b>1,484,376</b>

**Capital Merchant Banking & Finance Ltd.**

Schedule 4.27

Loss Provisions Written Back

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

Particulars	This Year Rs.	Previous Year Rs.
1 Loan Loss Provision Written Back	-	-
2 Provision against Non-Banking Assets Written Back	-	-
3 Investment Provision Written Back	-	16,800
4 Provision against Other Assets Written back	-	-
<b>Total</b>	<b>-</b>	<b>16,800</b>

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## Capital Merchant Banking &amp; Finance Ltd.

Income /Expenses from Extra-ordinary Activities

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

Particulars		This Year Rs.	Previous Year Rs.
1	Recovery of write off Loan	-	-
2	Voluntary Retirement Scheme Expenses	-	-
3	Loan Write-Off (4.28) (a)	-	-
4	Other Expenses/Income	-	-
<b>Total</b>		-	-

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**Capital Merchant Banking & Finance Ltd.**

Statement of Loans Written-Off

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

S.N.	Types of Loan	Written Off Amount	Type of Security	Basis of Valuation of Collateral	Loan Approved by Name/ Designation	Initiation made for Recovery	Remarks
1	Working Capital Loan	-	-	-	-	-	-
2	Project Loan	-	-	-	-	-	-
3	Fixed Capital Loan	-	-	-	-	-	-
4	Personal Loan	-	-	-	-	-	-
5	Other Loan	-	-	-	-	-	-
<b>Total Loan</b>		-	-	-	-	-	-

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**Capital Merchant Banking & Finance Ltd.**

Statement of Loans and Advances Extended to Directors/Chief Executive/Promoter/Employees and Shareholders  
As on 31 Ashad 2069 (15 July 2012)

The Statement of amount, included under total amount of Bills Purchased and Discounted, Loans, Advances and Overdraft, provided to the Directors, Chief Executive, Promoters, Employees, Shareholders and to the individual members of their undivided family or against the guarantee of such persons or to the organizations or companies in which such individuals are managing agent, are as follows :

Name of Promoter/Director/Chief Executive	Till Last Year's Balance		This Year Recovery		This Year Additions	Balance as of Ashad End	
	Principal	Interest	Principal	Interest		Principal	Interest
(A) Directors							
1	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-
(B) Chief Executive							
1	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-
(C) Promoters							
1	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-
(D) Employees							
1	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-
(E) Shareholders							
1	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-
<b>Total</b>							

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Capital Merchant Banking & Finance Ltd.

Schedule 4.30

Statement of Capital Fund  
As on 31 Ashad 2069 (15 July 2012)

Fig. in '000

Particulars	This Year Rs.	Previous Year Rs.
<b>A) Core Capital</b>	<b>(1,254,478)</b>	<b>16,738</b>
1 Paid up Capital	935,070	935,070
2 Proposed Bonus Share	-	-
3 Share Premium	2,612	2,612
4 Non-Redeemable Preference Share	-	-
5 General Reserve Fund	37,104	37,104
6 Cumulative Profit/(Loss) (up to Previous FY)	-	-
7 Current Year Profit/(Loss) as per shown in Balance Sheet	(2,542,118)	(1,351,577)
8 Capital Redemption Reserve	-	-
9 Capital Adjustment Reserve	-	-
10 Calls in Advance	-	-
11 Other Free Reserves	-	-
12 Deferred Tax Reserve	-	-
Less :	315,054	393,529
- Goodwill	2,200	-
- Investment in excess of prescribed limit	-	-
- Fictitious Assets	2,200	2,200
- Investment in securities of companies with financial interest	-	-
- Acquisition of Land and Building for self use in violation of directive	-	-
- Investment in Residential housing loan and land development in excess of prescribed limit	-	-
- Underwriting commitment not sold within prescribed time limit	-	-
- Loan to person or group of persons restricted by prevailing Act and laws	-	-
<b>B) Supplementary Capital</b>	<b>9,443</b>	<b>20,569</b>
1 Loan Loss Provision on Pass Loans	9,441	20,567
2 Additional Loan Loss Provision	-	-
3 Hybrid Capital Instruments	-	-
4 Unsecured Subordinated Term Debt	-	-
5 Exchange Equalization Reserve	-	-
6 Assets Revaluation Reserve	-	-
7 Investment Adjustment Reserve	2,20	2,20
<b>C) Total Capital Fund (A+B)</b>	<b>(1,245,035)</b>	<b>37,307</b>
<b>D) Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets</b>		
Capital Fund (@ 11 Percent)	339,491	435,039
Core Capital (@ 5.5 Percent)	169,746	217,520
Capital Fund Deficit By @ ..... Percent	(1,584,526)	(399,932)
Core Capital Deficit By @ ..... Percent	(1,424,224)	(202,982)

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# Capital Merchant Banking & Finance Ltd.

Schedule 4.30 (A)

Table of Risk Weighted Assets Statement  
As on 31 Ashad 2069 (15 July 2012)

Fig. in '000

On-Balance Sheet Assets	Weight age	Current Year Rs.		Previous Year Rs.	
		Amount	Risk Weighted Assets	Amount	Risk Weighted Assets
Cash Balance	0	7,283	-	18,444	-
Gold (Tradable)	0	-	-	-	-
Balance with Nepal Rastra Bank	0	12,599	-	139,817	-
Investment in Government Securities	0	-	-	-	-
Investment in NRB Bonds	0	-	-	50,000	-
Fully Secured Loan against own Fixed Deposit Receipt	0	21,495	-	75,068	-
Fully Secured Loan against Government Securities	0	-	-	-	-
Accrued Interest on Saving Bonds	-	-	-	-	-
Amount Deposited by B & C class Licensed Institutions on Youth and Small Self Employed Fund to be considered as Deprived Sector Lending	0	-	-	-	-
Balance with Domestic Banks and Licensed Financial Institutions	20	106,184	21,237	519,199	103,840
Fully Secured FDR Loan against Fixed Deposit Receipt of other Licensed Banks and Financial Institutions	20	-	-	-	-
Balance with Foreign Banks	20	-	-	-	-
Money at Call	20	-	-	-	-
Loan against the guarantee of Internationally Rated Banks	20	-	-	-	-
Other Investments with Internationally Rated Banks	20	10,000	2,000	-	-
Interbank Lending	20	-	-	55,000	11,000
Investments in Shares, Debentures and Bonds	100	29	29	33	33
Other Investments	100	-	-	-	-
Loan, Advances and Bills Purchased/Discounted	100	2,597,128	2,597,128	2,678,235	2,678,235
Fixed Assets	100	140,316	140,316	117,317	117,317
Other Interest Receivable ( Total interest receivable less inter receivable on investment less interest Suspense)	100	-	-	-	-
All other Assets (except Advance Income Tax)	100	325,574	325,574	20,330	20,330
Excess Real Estate/Residential Home Loan	150	-	-	-	-
<b>Total (A)</b>		<b>3,220,610</b>	<b>3,086,285</b>	<b>3,673,443</b>	<b>2,930,755</b>
<b>Off Balance Sheet Items</b>					
Bills Collection	0	-	-	-	-
Forward Foreign Exchange Contract	10	-	-	-	-
Letters of Credit with Maturity of less than 6 months (Full Value)	20	-	-	-	-
Guarantees provided against Counter Guarantee of Internationally Rated Foreign Banks	20	-	-	-	-
Letters of credit with maturity of more than 6 months (Full Value)	50	-	-	-	-
Bid Bond, Performance Bond and Underwriting Commitment	50	-	-	-	-
Credit Sale on the Condition of Re-Purchase	50	-	-	-	-
Advance Payment Guarantee	100	-	-	-	-
Financial and Other Guarantee	100	-	-	-	-
Irrevocable Loan Commitment	100	-	-	-	-
Contingent Liability in respect of Income Tax	100	-	-	-	-
All other contingent Liabilities	100	-	-	-	-
Unpaid Guarantee Claims	100	-	-	-	-
<b>Total (B)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Risk Weighted Assets</b>		<b>3,220,610</b>	<b>3,086,285</b>	<b>3,673,443</b>	<b>2,930,755</b>

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## Capital Merchant Banking &amp; Finance Ltd.

Principal Indicators

(At least for previous 5 years)

Particulars	Indicators	FY 2064/65	FY 2065/66	FY 2066/67	FY 2067/68	FY 2068/69
1 Percent of Net Profit/Gross Income	Percent	18.22	16.06	16.63	(203.10)	(863)
2 Earning Per Share	Rs.	10.55	11.21	6.69	(102.85)	(136)
3 Market Value Per Share	Rs.	1,200	680	216	131	131
4 Price Earning Ratio	Percent	122	61	32	(1.27)	(0.97)
5 Dividend (Including Bonus) on Share Capital	Percent	8.42	-	-	-	-
6 Cash Dividend on Share Capital	Percent	0.42	8.42	5.26	-	-
7 Interest Income/Loan & Advances	Percent	9.98	10.99	11.33	10.84	5.18
8 Staff Expenses/Total Operating Expenses	Percent	35.34	39.64	36.77	40.43	41.46
9 Interest Expenses / Total Deposit and Borrowing	Percent	6.80	7.96	9.19	11.70	15.36
10 Exchange Gain/Total Income	Percent	-	-	-	-	-
11 Staff Bonus/Total Staff Expenses	Percent	89.83	56.64	49.42	-	-
12 Net Profit/Loan and Advances	Percent	2.08	2.01	2.27	(26.44)	(48.46)
13 Net Profit/Total Assets	Percent	1.77	1.66	1.75	(31.90)	(179.60)
14 Total Credit/Deposit	Percent	111.61	115.20	119.99	133.74	193.24
15 Total Operating Expenses/Total Assets	Percent	0.81	1.05	1.38	1.83	5.62
16 Adequacy of Capital Fund on Risk Weighted Assets						
a) Core Capital	Percent	19.98	17.59	33.39	0.37	(40.65)
b) Supplementary Capital	Percent	0.88	0.89	0.91	0.52	0.306
c) Total Capital Fund	Percent	20.87	18.48	34.30	0.89	(40.34)
17 Liquidity (CRR)	Percent	11.72	13.20	21.59	0.054	0.85
18 Non-Performing Loan/Total Credit	Percent	2.270	2.960	2.63	43.45	97.19
19 Weighted Average Interest Rate Spread	Percent	4.62	4.92	4.92	2.01%	7.12%
20 Book Net-Worth	Rs.	390,759	401,463	978,432	16,737,848	(1,252,278,430)
21 Total Number of Shares	Nos.	3,461,500	3,740,278	9,350,695	9,350,695	9,350,695
22 Total Staff	Nos.	24	57	71	128	65
23 Others						



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**Capital Merchant Banking & Finance Ltd.**

Statements of Loans taken by promoters/ promoter group shareholders by pledging their promoter shares as collateral in other financial institutions  
 For the period from July 17, 2011 to July 15, 2012 (Shrawan 01, 2068 to Ashad 31, 2069)

S. N.	Name of Promoters/Promoter Group Shareholders	Share in the name of Promoter		Loan Details			Remarks
		Total Number of Shares	Percentage to total Paid up Capital	Name of Lending Banks /Financial Institutions	Loan Amount	Number of Shares pledged as collateral	
1							
2							
3							
4							
5							
6							
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## Significant Accounting Policies

Schedule 4.32

### 1. General Information

Capital Merchant Banking & Finance Limited is a limited liability company domiciled in Nepal. The address of its registered office is at Battisputali, Kathmandu, Nepal.

The Company has been registered with the Office of the Company Registrar on 14 Ashar, 2058, obtained license from Nepal Rastra Bank on 19 Magh 2058 and came into operation with effective from 19 Magh 2058. The Company has listed on Nepal Stock Exchange Limited.

### 2. 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 throughout the period, unless otherwise stated. The financial statements are prepared on historical cost convention except where otherwise stated.

### 3. Statement of Compliance

The financial statements has been prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), Bank and Financial Institutions Act, 2063 ("BAFIA") and other requirements of NRB Directives and in conformity with the Companies Act, 2063.

### 4. Basis of Preparation

Financial Statements are prepared on the historical cost basis. The preparation of financial statements is in conformity with GAAP applicable in Nepal. It also requires management to exercise judgement in process of applying the accounting policies.

The Company follows accrual system of accounting for the preparation of financial statements except where otherwise stated. All the formats of the financial statements are in accordance with the NRB Directives.

### 5. Interest Income

Interest income on loans and advances is recognised on cash basis as per the Nepal Rastra Bank Directive.

Interest income on Investments is accounted for on accrual basis.

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6. **Commission Income**  
All the commission incomes are accounted for on accrual basis.
7. **Interest Expense**  
Interest on deposit liabilities and borrowings is accounted for on accrual basis.
8. **Loans and Advances including Bills Purchased**  
Loans and advances include direct finance provided to the customers. These include term loans, consumer loans etc. All credit exposures are subject to regular review and are graded according to the level of credit risk and are classified as per NRB Directives. Loans and advances are shown net of mandatory provisions according to the NRB Directives.
9. **Staff Loans and Advances**  
Loans and advances granted to staff are shown under other assets Schedule-4.16.
10. **Loan Loss Provision**  
The provision for possible losses for loans and advances are provided at the rates between 1 percent to 100 percent according to classification of such risk assets as per Nepal Rastra Bank Directives.
11. **Write Off**  
During this period, the Company has not written off any amount of loans and advances.
12. **Investments**  
Investments are classified as held for trading, held to maturity and available for sale.
13. **Fixed Assets and Depreciation**
- Fixed assets are stated at cost less accumulated depreciation and impairment losses.
  - Assets with a value less than Rs. 5,000 are charged off as a revenue expense irrespective of its useful life in the year of purchase.
  - Depreciation is charged to Profit & Loss Account on Diminishing Balance Method applying the manner and rates prescribed by Income Tax Act, 2058.
  - Lease hold improvements has been capitalised at cost and amortised over the lease periods. The amount of amortisation is charged to Profit and Loss Account.
14. **Non-Banking Assets**  
Non-Banking Assets is valued in accordance with the Nepal Rastra Bank Directives.

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15. **Software Expenses**

Acquired computer software licences are capitalised on the basis of cost incurred to acquire and bring to use the specific software. The costs are amortised applying on Diminishing Balance Method.

16. **Employee Benefits**

a. *Retirement fund*

Provident fund contribution is recognised as expenses and deposited into the CIT.

b. *Gratuity*

Gratuity liability of staff is accrued only after completion of a fixed period of full time employment with the Company in accordance with the Employees Service Regulation.

17. **Stationery Stock**

Stationery stock at the year end is accounted for at cost. For the purpose of valuation of the same FIFO method has been applied.

18. **Provisions, Contingent Liabilities and Contingent Assets**

The Company creates a provision when there is a present obligation of the entity arising from past events, the settlements of which is expected to result in an outflow from the entity of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liability is made when there is a present obligation that may or may not, require an outflow of resources. When there is a possible obligation or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made in the financial statement.

19. **Income Tax**

Provision for income tax will be calculated in accordance with the provision of Income Tax Act, 2058 to be read with relevant Finance Act.

20. **Deferred Tax**

Deferred taxes are accounted using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement's carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on the laws that have been enacted or subsequently enacted by the reporting date.

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**Notes to Accounts****Schedule 4.33**

1. **Interest Income and Interest Suspense**  
The interest receivable on loans and advances as at 15 July, 2012 (31 Ashad, 2069) has been transferred to interest suspense account as interest income can be recognized only when realised in cash as per Nepal Rastra Bank Directives.
2. **Provision for Staff Bonus**  
Staff bonus has not been provided as bank has negative net profit.
3. **Staff Housing Fund**  
No staff housing fund has been created by the Bank as required under the Labour Act, 2048.
4. **General Reserve**  
General Reserves has not been provided as bank has negative net profit.
5. **Calls in Arrears**  
There are no Calls in Arrears at the year end.
6. **Unpaid Dividend**  
The Company has declared a cash dividend at 5.26 percent of Paid up capital in F.Y. 2066/67. As on balance sheet date, total dividend payable amounts to Rs. 264,215.
7. **Investment in Share Capital of other Corporate**  
The Company has made investment of Rs. 27,000 in shares of Credit Information Bureau and Rs. 2,200 in the shares of Union Finance. Union Finance has not distributed dividend from since last 3 years.  
Book value of shares not listed in stock exchange has been assumed to be the market price of the respective share. There is no any investment in share capital of other corporate entity at the Balance Sheet date i.e. 15 July 2012.
8. **Summary of Loans and Advances Disbursed, Recovered and Principal & Interest Written-off:**

Rs'000	
Particulars	Amount (Rs.)
Opening Balance	3,637,084
Loans Disbursed	Nil
Loans Recovered	1,018,460
Principal Written off	Nil
Interest Written off	Nil
Closing Outstanding	2,618,624

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9. **Classification of Loans & Provisioning**

Classification of loan as on 31/3/2009 is as under:

Rs 000

S. N.	Category	Amount (Rs.)
1.	Pass	73,691
2.	Substandard	3,913
3.	Doubtful	4,843
4.	Loss	2,536,177
<b>Total</b>		<b>2,618,624</b>

Accordingly, Company has provided Rs. 1,048,630 thousand loan loss provision thereon during a year.

10. **Summary Status of the Deposit Liabilities**

Rs 000

Particulars	Current Year	Previous Year	Decrease by Rs.
	NRs.	NRs.	
Current Deposit	0	0	0
Margin Deposit	0	0	0
Saving Deposit	511,397	582,651	71,254
Call Deposit	668,644	793,688	125,044
Fixed Deposit	175,095	1,343,252	1,168,157
<b>Total</b>	<b>1,355,136</b>	<b>2,719,592</b>	<b>1,364,455</b>

11. **Paid up Share Capital**

Paid up share capital of the Company has been changed from year to year as follows:

Financial Year	Paid up Share Capital (Rs.)	Remarks
2061/62	70,000,000	Opening Share Capital
2062/63	70,000,000	
2063/64	161,000,000	Public Share & Bonus 91,000,000
2064/65	346,150,000	Public Share & 15% Bonus share
2065/66	374,027,800	Bonus Shares
2066/67	935,069,500	1:1.5 right share
2067/68	935,069,500	
2068/69	935,069,500	

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12. **Earnings Per Share, share price and share transaction**

Earnings per Share is calculated and disclosed as follows:

Particulars	Basic Earnings Per Share	Diluted Earnings Per Share*
Net profit attributable to equity shareholders (Rs.)	-1,269,016,278	-1,269,016,278
Weighted average number of shares outstanding (No.)	9,350,695	9,350,695
<b>Earnings Per Share (Rs.)</b>	<b>-135.71</b>	<b>-135.71</b>

\* Since the Company has not issued preference share and debentures/bonds, basic earnings per share and diluted earnings per share are same.

13. **Tax liability reconciliation**

Reconciliation of profit as per financial statement is reconciled with taxable profit to compute tax liability as follows:

Particulars	Amount
Profit before tax as per Profit & Loss Account	(1,190,540,520)
<i>Add: Adjustments for</i>	
Depreciation & amortization as per books of accounts	14,027,063
Provision for Gratuity	
Provision for Leave Encashment	-
Donation	2,851
LLP	1,048,630,225
Pollution Check of Bike	-
Standing Liquidity Facility	-
<i>Less: Adjustments for</i>	
Depreciation as per Income Tax	14,027,063
Deferred Expenses	
Share Issue Management	
Provision for Leave Encashment	(1,548,798)
Taxable Profit as per Income tax Act 2058	(140,358,645)
<b>Corporate Income Tax @ 30%</b>	-

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14. **Details of Non Banking Assets**

The Company has taken possession of assets amounting to Rs.85,000 taken as security against the loans and advances. The arrears of the vehicle tax for the period of over 5 years on the said bike amounting to Rs.24,500 has been expensed during F.Y. 2069/70.

15. **Provision for Gratuity**

The Company has provided for future payment of gratuity liability in full as per Employee Service Regulation.

16. **Provision for Leave Encashment**

The Company has provided provision for leave encashment as per Employee Service Regulation and accordingly Rs. 3,604,227 has been provided for leave encashment under this account.

17. **Classification of Assets and Liabilities based on Maturity**

Rs in 000

S. N	PARTICULARS	1-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	OVER 1 YEAR	TOTAL
	<b>Assets</b>						
1	Cash Balance	7283.40					7283.40
2	Balance with Banks and Financial Institutions	117536.08					117536.08
3	Investment in foreign Banks						
4	Call Money						
5	Nepal Government Securities						
6	Nepal Rastra Bank Bonds						
7	Inter Bank/ Financial Institution Lending	10000.00					10000.00
8	Loans and Advances	323745.89	80760.05	55929.48	112772.21	2045415.9	2618623.51
9	Others						
	<b>Total Assets</b>	<b>458565.37</b>	<b>80760.05</b>	<b>55929.48</b>	<b>112772.21</b>	<b>2045415.88</b>	<b>2753442.95</b>
	<b>Liabilities</b>						
10	Current Deposits						
11	Saving Deposits	1182869.27					1182869.27
12	Fixed Deposits	28456.92	12267.43	11905.5	18669.5	103795.49	175094.84
13	Debentures						
14	Borrowing:	88795.34					88795.34
15	Other Liabilities	3194127.21					3194127.21
	<b>Total Liabilities</b>	<b>4494248.74</b>	<b>12267.43</b>	<b>11905.50</b>	<b>18669.50</b>	<b>103795.49</b>	<b>4640886.66</b>
	Net Financial Assets	-4035683.37	68492.62	44023.98	94102.71	1941620.39	-1887443.67
	<b>Cumulative Total Assets</b>	<b>-4035683.37</b>	<b>-3967190.75</b>	<b>-3923166.77</b>	<b>-3829064.06</b>	<b>-1887443.67</b>	<b>0.00</b>

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18. **Deferred Tax Assets/ (Liability)**

Deferred tax assets and liabilities have been computed as follows:

Particulars	As per books of accounts	Tax Base	Temporary Difference
Fixed Assets	-	-	-
LLP in excess of 5% of lending	1,048,630,225	-	1,048,630,225
Deferred Expenses		-	-
Share Issue Management		-	-
Leasehold Assets and Computer Software	-	-	-
Staff Gratuity		-	-
Provision	1,548,798	-	1,548,798
<b>Net Temporary Difference</b>			<b>1,050,179,024</b>
Deferred Tax Liability/(Assets) as at Ashad end 2069 @ 30%			315,053,707
Deferred Tax Liability/(Assets) till Ashad end 2068			393,529,465
<b>Deferred Tax Expense/(Income) for current year</b>			<b>78,475,758</b>

Deferred Tax Assets as on Ashad end 2069 (15 July 2012) is Rs 315,053,707 and Rs. 78,475,758 has been recognized as deferred tax expenses in Profit and Loss Account in the current year.

19. Presently, the Company has been under PCA (Prompt Corrective Action) as enforced by NRB. The present management, after considering wide range of factors surrounding company's future prosperity, has prepared the financial statement on the going concern assumption albeit presently the company has negative Net Worth. The current year's negative Net Worth has been swelled to Rs.1,252,278 thousand from last year's positive figures of Rs. 16,738 thousand. Due to this, Minimum Capital Adequacy Ratio (Directive No. 1), Deposit Collection Limit Ratio (Directive No.16), Single Obligor Limit Ratio (Directive No.3) and Investment Limit Ratio (Directive No.8) is not in the state of the comparison with the ceiling fixed by Nepal Rastra Bank. Under such circumstances no additional provisions have been created towards risk bearing.
20. **Adjusting Events after Reporting Period**

From Shrawan 1, 2069 to Mansir 20, 2069, depositors have been paid Rs. 231,610,625 and loan of Rs.192,410,521 has been collected during the same time period.

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**21. Non Adjusting Events after Reporting Period**

The composition of both new and the then existing BOD is listed below:

Then existing Board of Directors:

S. N.	Name of Person	Designation
1	Bhumi Narayan Shrestha	Chairman
2	Mahendranath Adhikari	Member
3	Ashok Kumar Bhattarai	Member
4	Mahendranath Karmacharya	Managing Director/ Professional Director

New Board of Directors:

S. No.	Name of Person	Designation
1	Bhumi Narayan Shrestha	Chairman
2	Rabindra Ram Shrestha	Member
3	Ashok Kumar Bhattarai	Member
4	Ramesh K.C.	Member
5	Basudev Acharya	CEO

**22. Income Tax**

Provision for income tax has not been made as the bank has negative taxable profit.

23. The financial statements are subject to NRB approval.

24. The financial statements are presented in Nepalese Rupees, rounded to the nearest Rupee.

**25. Previous Year's Figures**

Previous year's figures are grouped or regrouped wherever necessary in order to facilitate comparison.







# Capital Merchant Banking and Finance Limited

क्यापिटल मर्चेन्ट बैकिङ्ग एण्ड फाइनेन्स लिमिटेड

"Class 'C' financial institution licensed by NRB"



## Management Representation Letter for 2068/69

Request for the "Letter of Management Representation" to be addressed to Auditor

"Letter of Representation" in the form of certificate from management is hereby sought by incorporating, not limiting to, the matters stated below:

- a) That the acknowledgement of the FI's responsibility for the keeping of accounts and financial documents that are correct, complete, fair, representing the true facts and all financial records and related data are made available.
- b) That the management is responsible for the fair presentation of financial statements.
- c) That the erstwhile management is responsible for the safe guarding of the entire assets including loans and receivables in whatever forms.
- d) During present management tenure, there are no violations or possible violations of laws and regulations whose effects should be considered for disclosure in the financial statement.
- e) That all material liabilities, gain or loss that are required to be accrued or disclosed are provided/disclosed.
- f) That the FI has satisfactory title to all owned assets and are free from any liens or encumbrances other than those disclosed in the financial statement.
- g) During present management tenure, no fraudulent transactions have been carried out.
- h) That the items appearing in the books as at the year-end are considered good and fully recoverable with the exception of those shown as doubtful and loss in the balance sheet.





# Capital Merchant Banking and Finance Limited

व्यापिल मर्चेन्ट बैकिङ्ग एण्ड फाइनेन्स लिमिटेड

"Class 'C' financial institution licensed by NRB"

- i) That adequate provision as required by NRB directive has been provided for possible loan loss provision on loans and advances.
- j) That there has been no irregularities involving management or employees who have a significant role in the system of internal control that could have material effects on the financial statements during current management tenure.
- k) That all known liabilities have been recorded by way of provision in the books and that all contingent liabilities have been properly disclosed. Also, contingent liabilities disclosed as off balance sheet item of the financial statements do not include any contingencies that are likely to result loss other than as mentioned in financial statement.
- l) That we accept all comments / observations raised in connection with audit of the credit files at CMBFL's Head Office which were disbursed during erstwhile management tenure. Further, we acknowledged not having provided any photocopies of the credit files reviewed to the statutory auditor as a matter of the audit evidence against comments / observations raised during the course of audit of credit files at Head Office.

The management's representation letter is requested declaring that the FI has not acted in contravention to any of the applicable prevailing law/ rules / regulation & NRB directives to its best knowledge causing thereby direct loss or damage to the company during present management tenure, if any exists, the same may be disclosed.

  
Basudev Acharya  
CEO

Date: Mangshir 25, 2069