

Name: Reliance Spinning Mills Ltd.
Subject: Financial Statement & Annual Accounts for the FY: 2078-79
As at: Ashad 32, 2079 (16th July, 2022)
Period: Shrawan 1, 2078 to Ashad 32, 2079 (July 16, 2021 to July 16, 2022)

A.P.M. & Associates (formerly GK Agrawal & Co.)
(Chartered Accountants)

**INDEPENDENT AUDITOR'S REPORT
 TO THE SHAREHOLDERS OF RELIANCE SPINNING MILLS LTD.
 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS**

Opinion

We have audited the accompanying Financial Statements of **Reliance Spinning Mills Ltd.** ("the Company") which comprises the Statement of Financial Position as at Ashad 32, 2079, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity & Statement of Cash Flows for the year ended Ashad 32, 2079, and Notes to Financial Statement including Summary of Significant Accounting Policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give a true and fair view in conformity with Nepal Financial Reporting Standards (NFRSs), of the state of affairs of the Company as at Ashad 32, 2079, and its profit, total comprehensive income, its cash flows & the changes in equity for the year ended on that date.

Basis of Opinion

We conducted our audit of the Financial Statements in accordance with the Nepal Standard on Auditing (NSAs) & applicable law. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal (ICAN) together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our ethical responsibilities in accordance with these requirements and the ICAN's Code of Ethics.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis of our audit opinion on Financial Statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How the matter was addressed in our audit
<p>Useful life of Property, Plant and Equipment:</p> <p>Depreciation on Property, Plant and Equipment other than Freehold Land is provided on "Straight Line Method (SLM)" based on Useful Life estimated by technical expert of the management.</p> <p>The Assets Useful Life are reviewed at the reporting date and the effect of any changes in estimates are accounted for on a prospective basis.</p>	<p>Our principal audit procedures performed, among other procedures, included the following:</p> <ol style="list-style-type: none"> 1. We obtained understanding of the management's processes for assessing the useful life of PPE. 2. We carried out testing of management's control over assessing the useful life of PPE. 3. We tested the basis of useful life. 4. We verified the technical evaluation done by management while assessing the useful life of PPE.

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5. Assessed the accounting principles applied by the Company to estimate useful life in accordance with the Nepal Financial Reporting Standards and ensured adequacy of disclosures.
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Contingent Liabilities related to Appeals against Assessments and other Litigations:

The Company is exposed to different laws, regulations and their interpretations thereof. In this regulatory environment there is inherent risk of litigations and claims. Consequently, contingent liabilities disclosures may arise from Direct & Indirect Taxes and Other Matters (Refer Note no. 40 & 41 of the Financial Statement.)

The company applies significant judgement in estimating the likelihood of the future outcome in each case and in determining the provisions or disclosures required. Resolution of tax and legal proceedings may span over multiple years due to the highly complex nature and magnitude of the legal matters involved and may involve protracted litigation.

These estimates could change significantly over time as new facts emerge and each legal case progresses.

Given the inherent complexity and magnitude of potential exposures and the judgement necessary to estimate the amount of provisions required or to determine required disclosures this is a key audit matter.

Our audit procedures included:

1. We have gained an understanding of outstanding litigations against the company from the company's in-house legal counsel and other key managerial personnel who have knowledge of these matters.
2. We have read the correspondence between the Company and the various tax authorities and the legal opinions of external legal advisors where applicable for significant matters.
3. We have tested the completeness of the litigations and claims by examining on a sample basis the Company's legal expenses and minutes of the Board meetings.
4. We have assessed the adequacy of the Company's disclosures in respect of contingent liabilities for tax and other legal matters.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Directors' report and Management Discussion and Analysis, Report on Corporate Governance and Business Responsibility report, but does not include the Consolidated Financial Statements, Financial Statements & our Auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Managements Responsibility for the Financial Statements

Management is responsible for preparation and fair presentation of the Financial Statements in accordance with the Nepal Financial Reporting Standards (NFRSs) and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing its ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or cease operations, or has no realistic alternative but to do so.

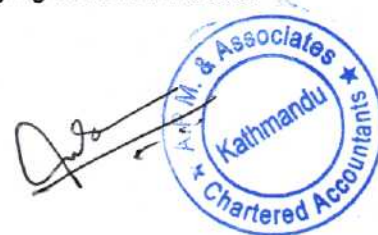
Those charged with governance are responsible for overseeing the Company's Financial Reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these Financial Statements.

As part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- i) Identify and assess the risk of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal controls.
- ii) Obtain an understanding of Internal Control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's Internal Control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, Future events or conditions may cause the Company to cease to continue as a going concern.
- v) Evaluate the overall presentation, structure, and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also communicate with those charged with governance that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Other Legal & Regulatory Requirements

- i) We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- ii) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Financial Statements have been kept so far as it appears from our examination of those books.
- iii) Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with the requirements of the Companies Act, 2063 and are in agreement with the books of account of the Company.
- iv) 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 of there 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
- v) We have not come across any fraudulent activities in the books of accounts.

Place: Kathmandu, Nepal

Date: 2079.06.04

UDIN No.: 2209030CA057736UzdM

For: A.P.M. & Associates
Chartered Accountants



CA Pravin Sarawagi
Partner



Reliance Spinning Mills Ltd.

Statement of Financial Position

As at 16th July, 2022 (Ashad 32, 2079)

Amount in NPR

Particulars	Note	As at Ashad 32, 2079	As at Ashad 31, 2078
Assets			
Non Current Assets			
Property, Plant and Equipment	4	6,766,803,910.55	6,861,298,416.61
Capital work-in-progress	4.1	203,614,690.61	54,321,353.72
Right-of-use Assets	4.2	9,405,866.80	-
Intangible assets	5	358,383.68	537,575.53
Financial Assets			
Other financial assets	6	1,611,262.10	1,590,762.10
Total Non Current Assets		6,981,794,113.74	6,917,748,107.96
Current Assets			
Inventories	7	1,922,316,079.40	1,592,560,899.18
Financial Assets			
Trade receivables	8	1,092,488,845.33	1,048,545,650.10
Cash & Cash Equivalents	9	113,709,098.94	119,237,665.59
Other financial assets	10	206,174,112.13	157,250,612.81
Other Current Assets	11	77,542,555.16	53,256,198.85
Current Tax Assets (Net)	12	16,122,395.59	-
Total Current Assets		3,428,353,086.55	2,970,851,026.53
Total Assets		10,410,147,200.29	9,888,599,134.49
Equity and Liabilities			
Liabilities			
Non Current Liabilities			
Financial Liabilities			
Borrowings	13	1,200,272,764.50	1,306,470,502.70
Lease Liabilities	14	5,574,238.08	-
Other financial liabilities	15	2,013,590.36	2,322,741.03
Deferred Tax Liabilities (Net)	16	82,479,949.00	80,548,701.00
Provisions	17	17,706,869.50	17,628,911.04
Total Non Current Liabilities		1,308,047,411.44	1,406,970,855.77
Current Liabilities			
Financial Liabilities			
Borrowings	18	528,583,686.74	1,464,026,011.25
Trade payable	19	254,223,658.24	238,328,084.20
Lease Liabilities	20	7,351,086.46	-
Other financial liabilities	21	1,675,548,344.23	543,053,392.89
Other Current Liabilities	22	75,154,160.89	58,316,031.55
Current Tax Liabilities (Net)	12	-	11,663,553.44
Provisions	23	144,939,619.61	106,269,996.98
Total Current Liabilities		2,685,800,556.17	2,421,657,070.31
Total liabilities		3,993,847,967.61	3,828,627,926.08
Equity			
Share Capital	24	1,707,340,000.00	1,707,340,000.00
Other Equity	25	4,708,959,232.68	4,352,631,208.41
Total equity		6,416,299,232.68	6,059,971,208.41
Total liabilities and equity		10,410,147,200.29	9,888,599,134.49

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board

As per our report of even date

P.K. Golyan
Chairman

S.K. Agrawal
Director

A.K. Somani
CFO

Place: Kathmandu, Nepal
Date: Ashwin 04, 2079



CA Pravin Sarawagi
Partner
A.P.M. & Associates
Chartered Accountants



Reliance Spinning Mills Ltd.

Statement of Profit or Loss For the year ended Ashad 32, 2079

Amount in NPR

Particulars	Note	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Revenue From Operations	26	10,104,462,840.12	7,792,318,635.26
Cost of Sales	27	(8,126,314,246.19)	(6,345,914,084.01)
Gross Profit		1,978,148,593.93	1,446,404,551.25
Other Income	28	31,998,154.53	61,140,113.15
Selling and Distribution Expenses	29	(332,578,426.58)	(157,455,364.11)
Administrative & Other Expenses	30	(367,076,697.73)	(338,055,941.63)
Operating Profit		1,310,491,624.15	1,012,033,358.66
Finance Costs	32	(144,730,727.29)	(125,424,751.01)
Profit/(Loss) Before Tax		1,165,760,896.86	886,608,607.65
Income Tax Expense	33	(122,240,240.84)	(131,703,168.56)
Profit/(Loss) for the year		1,043,520,656.02	754,905,439.09
Earnings Per Share (EPS)	37		
Basic EPS (Rs)		61.12	53.91
Diluted EPS (Rs)		61.12	53.91

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board


 P.K. Golyan
 Chairman


 S.K. Agrawal
 Director



 A.K. Somani
 CFO



Place: Kathmandu, Nepal
Date: Ashwin 04, 2079

As per our report of even date


 CA Pravin Sarawagi
 Partner
 A.P.M. & Associates
 Chartered Accountants



Reliance Spinning Mills Ltd.


Statement of Cash Flow For the year ended Ashad 32, 2079


Amount in NPR


Particulars	Note	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
A Cash Flow from Operating Activities:			
Profit before Income Tax		1,165,760,896.86	886,608,607.65
Adjustments for Non Cash Items:			
Depreciation & Amortization		326,392,226.92	273,506,502.83
Adjustments for non operating items: -			
Interest Expenses		144,730,727.29	125,424,751.01
Unrealised Exchange (Gain)/Loss		24,875,135.85	12,515,981.64
Profit on sale of fixed assets		-	(801,387.35)
Sundry Balances written back		(398,254.88)	-
Sundry Balances written off		-	206,689.50
Interest Income		(2,451,508.36)	(501,997.11)
Operating profit before changes to receivables and payables		1,658,909,223.68	1,296,959,148.17
(Increase)/Decrease in Trade & Other Receivables		(114,224,066.00)	(299,233,258.76)
(Increase)/Decrease in Inventories		(329,755,180.22)	(161,285,805.37)
(Decrease)/Increase in Current Liabilities		241,050,087.01	(574,010,283.00)
(Increase)/Decrease in Non-Current Assets		(20,500.00)	938,306.66
(Decrease)/Increase in Non-Current Liabilities		(231,192.23)	19,060,368.66
Cash Generated from Operations		1,455,728,372.24	282,428,476.36
Income Tax Paid		(148,094,941.87)	(89,518,418.10)
Net Cash Inflow from Operating Activities		1,307,633,430.37	192,910,058.26
B Cash Flow from Investing Activities :			
Proceeds from disposal of property and equipment		-	1,190,265.49
Purchase of property and equipment, Capital work-in-progress and intangible assets		(376,802,661.68)	(872,389,322.62)
Interest Income		2,451,508.36	501,997.11
Net Cash Used in Investing Activities		(374,351,153.32)	(870,697,060.02)
C Cash Flow from Financing Activities :			
Equity Share Capital		-	400,340,000.00
Increase / (Decrease) in Long Term Loan		(106,197,738.20)	587,385,058.24
Principal component of Lease Liabilities		(4,946,378.21)	-
Interest paid		(144,730,727.29)	(125,424,751.01)
Dividends paid		(682,936,000.00)	(78,420,000.00)
Net Cash Flow From Financing Activities		(938,810,843.70)	783,880,307.23
Net Increase in cash & cash equivalents	A+B+C	(5,528,566.65)	106,093,305.47
Opening Cash & Cash Equivalents		119,237,665.59	13,144,360.12
Closing Cash & Cash Equivalents		113,709,098.94	119,237,665.59

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board


P.K. Golyan
Chairman

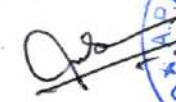

S.K. Agrawal
Director


A.K. Somani
CFO

Place: Kathmandu, Nepal
Date: Ashwin 04, 2079



As per our report of even date


CA Pravin Sarawagi
Partner
A.P.M. & Associates
Chartered Accountants



Reliance Spinning Mills Ltd.

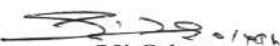


Statement of Changes in Equity For the year ended Ashad 32, 2079

Amount in NPR

Particulars	Equity Share Capital	Equity Component of Compound Financial Instruments	Revaluation Reserve	Retained Earnings	Total
Opening As at Shrawan 1, 2077	1,307,000,000.00	15,996,673.86	2,807,057,024.51	448,615,372.94	4,578,669,071.31
For the Year 2077-78					
At start of year	1,307,000,000.00	15,996,673.86	2,807,057,024.51	448,615,372.94	4,578,669,071.31
Profit for the year	-	-	-	754,905,439.09	754,905,439.09
Other comprehensive income	-	-	-	-	-
Change in fair value of financial assets through OCI	-	-	-	-	-
Revaluation of Land and Building through OCI	-	-	404,476,698.01	-	404,476,698.01
Deferred Tax Reserves	-	-	-	-	-
Transfer to retained earnings	-	(15,996,673.86)	(37,694,481.00)	53,691,154.86	-
Total comprehensive income for the year	-	-	-	-	-
Transactions with owners:	-	-	-	-	-
Ordinary Shares Dividend - Final	-	-	-	(78,420,000.00)	(78,420,000.00)
Ordinary Shares Dividend - Interim	-	-	-	-	-
Preference Shares Dividend	-	-	-	-	-
Conversion of Preference Shares (Financial Liability)	400,340,000.00	-	-	-	400,340,000.00
Issue of Share Capital	-	-	-	-	-
Balance as at Ashad 31, 2078	1,707,340,000.00	-	3,173,839,241.52	1,178,791,966.89	6,059,971,208.41
For the Year 2078-79					
At start of year	1,707,340,000.00	-	3,173,839,241.52	1,178,791,966.89	6,059,971,208.41
Profit for the year	-	-	-	1,043,520,656.02	1,043,520,656.02
Other comprehensive income	-	-	-	-	-
Change in fair value of financial assets through OCI	-	-	-	-	-
Revaluation of Land and Building through OCI	-	-	-	-	-
Deferred Tax Reserves	-	-	-	-	-
Changes in accounting policy (on account of adoption of NFRS 16, leases)*	-	-	-	(4,256,631.75)	(4,256,631.75)
Transfer to retained earnings	-	-	(37,694,481.00)	37,694,481.00	-
Total comprehensive income for the year	-	-	-	-	-
Transactions with owners:	-	-	-	-	-
Ordinary Shares Dividend - Final	-	-	-	(170,734,000.00)	(170,734,000.00)
Ordinary Shares Dividend - Interim	-	-	-	(512,202,000.00)	(512,202,000.00)
Preference Shares Dividend	-	-	-	-	-
Conversion of Preference Shares (Financial Liability)	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-
Balance as at Ashad 32, 2079	1,707,340,000.00	-	3,136,144,760.52	1,572,814,472.16	6,416,299,232.68

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board

P.K. Golyan **S.K. Agrawal** **A.K. Somani**
 Chairman Director CFO

Place: Kathmandu, Nepal
Date: Ashwin 04, 2079



As per our report of even date


CA Pravin Sarawagi
 Partner
 A.P.M. & Associates
 Chartered Accountants



Reliance Spinning Mills Ltd.
Statement of Other Comprehensive Income
For the year ended Ashad 32, 2079

Amount in NPR


Particulars	Note	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Profit for the year		1,043,520,656.02	754,905,439.09
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of Land and Building		-	404,476,698.01
Net fair value (Losses)/Gains on financial assets			
Quoted Promoter Shares		-	-
Quoted Ordinary Shares		-	-
Items that are or/may be reclassified subsequently to profit and Loss			
Deferred Tax asset / (liability) on other comprehensive Income		-	-
Total other comprehensive income, net of tax		-	404,476,698.01
Total comprehensive income for the Year		1,043,520,656.02	1,159,382,137.10

The accompanying notes are an integral part of the financial statements.


For and on Behalf of Board

As per our report of even date


P.K. Golyan
Chairman


S.K. Agrawal
Director


A.K. Somani
CFO


CA Pravin Sarawagi
Partner

A.P.M. & Associates
Chartered Accountants



Place: Kathmandu, Nepal
Date: Ashwin 04, 2079



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

1 General Information

Reliance Spinning Mills Ltd. is a public limited company domiciled in Nepal. The Registered Office of company is at Kamladi -28, Kathmandu Metropolitan (Nepal). The date of incorporation of the company is on 28th Day of Baishakh, 2051 vide Registration No. 105117/50/51.

The company's principal activity comprises of manufacturing of yarns. The manufacturing facility of the company is located at Khanar & Duhabi, Sunsari.

2 Basis of Preparation

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement (including Other Comprehensive Income), the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and other accepted accounting principles. The financial statements have been prepared on accrual basis and approved by the Board of Directors on Ashwin 04, 2079.

These policies have been consistently applied to all the years presented except otherwise stated.

2.2 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is the Company's functional currency.

2.3 Use of Estimates, Assumptions and Judgements

The Company, under NFRS, has applied accounting policies which appropriately suit its circumstances and operating environment. Further, the Company has made judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate.

The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

The Company has made estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Company applies estimates in preparing & presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

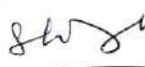
Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.4 Going Concern

The financial statements are prepared on a going concern basis, as the Board of the Company is satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.5 Changes in Accounting Policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year, except for new accounting standards adopted by the Company i.e. NFRS -16 "Lease" (refer note 3.7).



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

2.6 Reporting Pronouncements

The Company has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on September 13, 2013. The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) vide its notice dated 20 September 2018 has resolved that Carve-outs in NFRS with alternative treatment and effective period shall be provided to Banks and Financial Institutions regulated by NRB on the specific recommendation of Accounting Standard Board (ASB). In the same decision the ASB has outlined that the other entities may also use those carve-outs with necessary disclosures. Accordingly the company has decided to adopt those carve-outs. Details of carve out provided are as follows:

2.6.1 NAS 39: Financial Instruments: Recognition and Measurement

a) Impracticability to determine transaction cost of all previous years which is the part of effective interest rate

In para 9, The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

The carve out is optional and has been provided till FY 2080-81. Accordingly, the Company has opted the carve out.

b) NFRS 9 'Financial Instruments'-Impairment

NFRS 9 'Financial Instruments' was issued by the ASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. Accounting Standard Board of Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, Incurred Loss Model as specified in NAS 39 is used. The requirement of NFRS 9 is Expected Credit Loss Model.

The management is still assessing the potential impact on its financial statements, if Expected Credit Loss (ECL) model is introduced.

The carve out is optional and has been provided till FY 2080-81. Accordingly, the Company has opted the carve out.

2.7 New Standards in issue but not yet effective

For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments - Disclosures have been applied. NFRS 1 has been complied for the classification of Financial Instruments. A number of new standards and amendments to the existing standards and interpretations have been issued by ASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

2.8 Limitation of NFRS Implementation

Wherever the information is not adequately available, and/or it is impracticable to develop the, such exception to NFRS implementation has been noted and disclosed in respective sections.





Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

3 Significant Accounting Policies

3.1 Basis of Measurement

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- Financial assets other than measured at amortized cost are measured at fair value.
- Inventories are measured at cost or net realizable value whichever is lower

3.2 Presentation - Current versus Non-Current Classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

The Company classifies an asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or

All other assets are classified as non-current.

The Company classifies a liability as current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading ,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

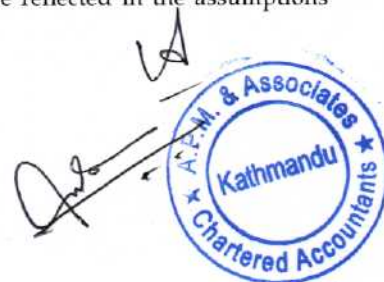
3.3 Critical accounting estimates

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. The management has exercised judgments in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual result may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes:

a) Recognition of deferred tax assets

Deferred tax assets are recognised for taxable temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.



Reliance Spinning Mills Ltd.

Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2079

b) Provision for depreciation and amortisation

Depreciation and amortisation is calculated over the estimated useful lives of the assets. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3.4 Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company. The primary objective of the company's capital management is to maximize the shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

3.5 Impairment of non-financial assets (excluding inventories and deferred tax assets)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or Cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is also done for whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have been decreased. If any such indication exists the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversal shall be included in profit or loss if any. The company has no impairment loss/ gain during the relevant reporting periods.

3.6 Foreign Currency Transactions

Transactions entered into by the Company in a currency other than Nepali Rupees (the currency of primary economic environment in which it operates) are recorded at the rates ruling when the transactions occur. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Statement of Profit or Loss. Unsettled foreign currency monetary assets & liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss statement.

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

3.7 Lease

With effect from Shrawan 1, 2078, NFRS 16 "Lease" superseded NAS 17 "Lease". The company has adopted NFRS 16 effective from annual reporting period beginning Shrawan 1, 2078 using the modified retrospective approach with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings as on the date of initial application i.e. Shrawan 1, 2078 and therefore the comparative information has not been restated and continues to be reported under NAS 17. Thus the balances of lease liability and right of use asset as at Ashad 32, 2079 are not comparable with previous year. Similarly the expenses for the year ended Ashad 32, 2079 are not comparable with the expenses for the year ended Ashad 31, 2078. The adoption of the standard did not have any material impact on the financial statements of the Company.

The Company as a lessee:

The Company enters into an arrangement for lease of buildings and office equipment. Such arrangements are generally for a fixed period but may have extension or termination options. In accordance with NFRS 16 - Leases, at inception of the contract, the Company assesses whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to control the use an asset (the underlying asset) for a period of time in exchange for consideration.

To Assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses (unless such right of use assets fulfills the requirements of NAS 40 - Investment Property and is accounted for as there under), if any and adjusted for any re-measurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Statement of profit and loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.



Reliance Spinning Mills Ltd.
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Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in Statement of profit and loss if the carrying amount of the right-of-use asset has been reduced to zero, as the case may be.

The Company presents right-of-use assets that do not meet the definition of investment property on the face of balance sheet below 'property, plant and equipment' and lease liabilities under 'financial liabilities' in the balance sheet.

The Company has elected not to apply the requirements of NFRS 16-Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term, unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increases.

The Company as a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from NFRS 16.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increases. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Accounting policy applicable till 31 Ashad, 2078 (In comparative period):

In the comparative period, determination of whether an arrangement is (or contains) a lease is based on substance of arrangement at inception of lease. The arrangement is, or contains, a lease if fulfilment of arrangement is dependent on use of a specific asset or assets and arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

Company as a Lessee – Finance Leases:

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a Finance Lease. Finance Leases are capitalised at commencement of the lease at the inception date. Interest element of lease payments is charged to Statement of Profit and Loss, as Finance Costs over period of lease. Leased Asset is depreciated over useful life of asset or lease term, whichever is lower.

Company as a Lessee – Operating Leases:

Assets acquired on leases where a significant portion of risk and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental are charged to Statement of Profit and Loss on straight-line basis except where scheduled increase in rent compensate the lessor for expected inflationary costs.

3.8 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the Government.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specific of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable net of trade discounts. Revenue include all revenue from ordinary activities of the company that are recorded excluding Value Added Taxes collected from customers that are remitted or are to be remitted to the government authorities.

(a) Sale of goods

Revenue from sale of goods is recognized when the significant risks and rewards are transferred to the buyer by virtue of dispatch of such goods to the buyer after issuance of sales invoice.

(b) Other Operating Revenues

Export Incentives are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and to its ultimate collection exist.

(c) Other Income

- Rental Income from Operating lease is recognised on straight-line basis over the tenure of the lease agreement, except for contingent rental income which is recognised when it arises and where scheduled increase in rent compensates the lessor for expected inflationary costs.
- Insurance claims are accounted for on acceptance or to the extent amount have been received.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.
- The company has spent Rs 35,457,818.20/- as per Foreign Commonwealth and Development Office (FCDO) funded UKaid Skills for Employment Programme (सीव) through Nepal Yarn Manufacturers Association (NYMA) for the project, the company shall receive amount equivalent to 50% of the total expenditure under such programme and same has been recorded as income in the current year.











Reliance Spinning Mills Ltd.

Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2079

3.9 Property, Plant & Equipment:

A) Recognition and Measurement

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling
- Capitalized borrowing costs.

The Company has adopted revaluation model for Land and Building and cost model for remaining class of property and equipment. Land and Building are measured at restated revalued figure at the date of transition. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings. The remaining items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Company. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

B) Depreciation

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their depreciable amount over the expected useful economic lives.

Depreciation is provided on a pro-rata basis on the straight-line method based on the estimated useful life of the assets determined by management as per application guidance to NAS 16 issued by Accounting Standard Board.

The estimated useful lives of various class of PPE for the current year and comparative years are as follows:

Class of PPE	Useful Life
Factory Building	30 Years
Building Other than Factory Building (RCC frame)	60 Years
Building Other than Factory Building (other than RCC frame)	30 Years
Road inside Factory	3-10 Years
Furniture and Fixtures	10 Years
Computer and IT Equipments	3-6 Years
Office Equipment	5-10 Years
Vehicles - 4 Wheelers	8 Years
Vehicles - 2 Wheelers	10 Years
Plant and Machinery	15 Years
Server	6 Years



The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

Reliance Spinning Mills Ltd.

Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2079

C) De-Recognition

An item of property plant and equipment is de-recognised on disposal or when no future economic benefits are expected from the use of that asset. The gain or loss arising from the disposal of an item of property plant and equipments is the difference between net disposal proceeds if any, and the carrying amount of that item and is recognised in the statement of Profit and Loss.

D) Capital Work in Progress

Capital work-in-progress represents expenditure incurred in respect of capital projects not ready for use and are carried at cost. Cost comprises of purchase cost, related acquisition expenses, development / construction costs, borrowing costs and other direct expenditures.

3.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost of acquisition. The cost comprises of purchase price and directly attributable costs of bringing the assets to its working condition for intended use.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The Company's intangible assets comprises assets with finite useful life which are amortised on a straight-line basis over the period of their expected useful life

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful lives of Intangible assets for the current year and comparative years are as follows:

Particulars	Useful Life
Computer Software	5 years

3.11 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

3.12 Financial Instruments : Financial Assets

Financial Asset is any asset that is:

- Cash
- an equity instrument of another entity
- a contractual right:
 - to receive cash or other financial asset from another entity, or
 - to exchange financial assets or financial liabilities with another equity under conditions that are potentially favourable to the entity, or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.



Reliance Spinning Mills Ltd.
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A) Recognition

All financial assets are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

B) Classification

The financial assets are measured at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows:

i) Financial assets measured at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition and is recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

b) Financial assets at fair value through other comprehensive income (FVTOCI)

Investment in an equity instrument that is not held for trading and at the initial recognition, the Company makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

C) Measurement

i) Initial Measurement

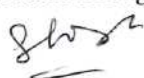
A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

ii) Subsequent Measurement

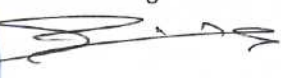
A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

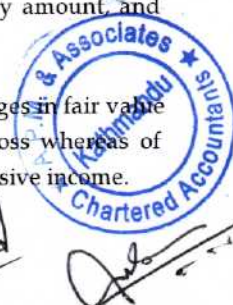
Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.













Reliance Spinning Mills Ltd.

Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2079

D) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

E) Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

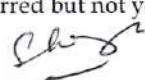
The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity investments are recorded at cost, considering the non trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

F) Impairment

At each reporting date the Company assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.



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Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

3.13 Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Income Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date. The carrying amount of Deferred tax liabilities and assets are reviewed at the end of each reporting period.

3.14 Inventories

Inventories are carried at the lower of cost or Net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the necessary estimated expenses. The cost of obsolescence and other anticipated losses are also considered for determining the net realizable values.

Cost of finished goods includes the cost of raw materials, direct labor and appropriate proportion of fixed and variable production overheads incurred in bringing the inventory to their present location and condition. Inventories of Raw material are carried at Cost.

In determining the cost of raw materials First In First Out (FIFO) method is used. Cost of inventory comprises of all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities), cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Work in Progress are carried at the Weighted average cost.

In determining the cost of consumables, stores and spares First In First Out (FIFO) method is used.

In determining the cost of Usable Wastages, Weighted Average Cost of Raw Material is used.

Saleable wastages are carried at the Net realizable value.

3.15 Borrowing cost

Borrowing cost that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as a part of the cost of such asset till such time the asset is ready for its intended use or sale.

Borrowing cost consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing cost are recognized as expense in the period in which they are incurred.



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

3.16 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand and balance in bank accounts.

3.17 Non-current Assets Held for Sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets or disposal groups are classified only when both the conditions are satisfied -

- a. The sale is highly probable, and
- b. The asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Noncurrent assets or disposal group are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Upon classification, non-current assets or disposal group held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets which are subject to depreciation are not depreciated or amortized once those classified as held for sale.

3.18 Employee benefits

Employee benefits include salaries, wages, contribution to SSF, compensated absences and other terminal benefits.

a. Short-term employee benefits

Wages and salaries, including non-monetary benefits that are expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.

b. Post-employment benefits

Defined contribution plan

The Company has Social Security Fund as defined contribution plan. The obligation of the Company is limited to the amount contributed and it has no further contractual nor any constructive obligation. Therefore, contributions paid and payable under the scheme are recognised in the period when the employee renders the related service.

As per Section 53 of Labor Act, 2074, with effect from Bhadra 19, 2074 (September 04, 2017), Gratuity shall be treated as defined contribution plan to be calculated at 8.33% of Basic Salary and therefore Actuarial Valuation is not required.

The company has made provision for leave encashment as per the management estimate on the basis of accumulated leaves as at the date of reporting and the company has not carried out Actuarial Valuation for the same.





Reliance Spinning Mills Ltd.

Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2079

3.19 Financial Instruments : Financial Liabilities

Financial Liability is any liability that is:

- a) a contractual obligation:
 - i) to deliver cash or other financial asset to another entity, or
 - ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, or
- b) a contract that will or may be settled in the entity's own equity instruments and is:
 - i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
 - ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Recognition

All financial liabilities are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Classification

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as follows:

- i) **Financial Liabilities at Fair Value through Profit or Loss (FVTPL)**

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.
- ii) **Financial Liabilities measured at amortized cost**

All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

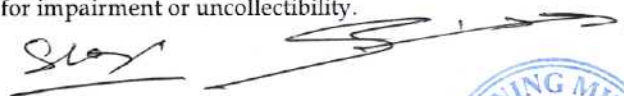
Measurement

- i) **Initial Measurement**

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.
- ii) **Subsequent Measurement**

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

3.20 Provisions

Provisions are recognized when the company has a present obligation, legal or constructive, as a result of a past event, it is probable that a transfer of a economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of obligation. If these conditions are not met, no provision is recognized.

The amount of provision recognized is the management's best estimate of expenditure required to settle the present obligation at the reporting date.

Management reviews provisions at each reporting date and is adjusted to reflect the best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

3.21 Preference Shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract.

On transaction date, the fair value of the liability component is determined using a market rate. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

3.22 Contingent Liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

3.23 Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

4 Property, Plant & Equipments (PPE)

The changes in the carrying value of Property, Plant & Equipments (PPE) for the year ended Ashad 32, 2079, Ashad 31, 2078 and Ashad 31, 2077 are as follows:

Amount in NPR

Particulars	Land & Land Development	Buildings	Plant & Machinery	Office & Electrical Equipment	Furniture & Fixtures	Vehicles	Computers	Total
Balance as at Ashad end 2077	2,287,918,349.93	1,818,561,946.08	1,559,636,826.22	4,851,395.37	13,514,418.85	17,763,318.50	2,915,694.25	5,705,161,949.20
Addition during the Year								
Acquisition	-	283,834,952.08	973,737,996.93	406,663.31	1,059,552.60	8,180,584.31	873,576.27	1,268,093,325.50
Capitalization	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	(441,281.14)	-	(441,281.14)
Adjustments/Revaluation	375,445,000.07	29,031,697.94	-	-	-	-	-	404,476,698.01
Balance as at Ashad end 2078	2,663,363,350.00	2,131,428,596.10	2,533,374,823.15	5,258,058.68	14,573,971.45	25,502,621.67	3,789,270.52	7,377,290,691.57
Addition during the Year								
Acquisition	133,055,650.00	8,175,711.95	24,027,689.25	355,135.16	2,334,421.93	3,814,975.22	1,424,387.56	173,187,971.07
Capitalization	-	-	54,321,353.72	-	-	-	-	54,321,353.72
Disposal during the year	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-
Balance as at Ashad end 2079	2,796,419,000.00	2,139,604,308.05	2,611,723,866.12	5,613,193.84	16,908,393.38	29,317,596.89	5,213,658.08	7,604,800,016.36
Depreciation & Impairment								
As at Ashad end 2077	-	73,485,583.98	164,319,206.00	729,769.00	1,250,836.00	2,075,364.00	856,608.00	242,717,366.98
Depreciation charge for the Year	-	77,598,099.98	189,620,769.00	948,186.00	1,317,631.00	2,859,734.00	982,891.00	273,327,310.98
Impairment for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(52,403.00)	-	(52,403.00)
Adjustment	-	-	-	-	-	-	-	-
As at Ashad end 2078	-	151,083,683.96	353,939,975.00	1,677,955.00	2,568,467.00	4,882,695.00	1,839,499.00	515,992,274.96
Depreciation charge for the Year	-	84,774,339.00	230,018,307.00	1,020,772.00	1,588,091.00	3,282,439.00	1,319,882.85	322,003,830.85
Impairment for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-
As at Ashad end 2079	-	235,858,022.96	583,958,282.00	2,698,727.00	4,156,558.00	8,165,134.00	3,159,381.85	837,996,105.81
Net Carrying Amount:								
As at Ashad end 2077	2,287,918,349.93	1,745,076,362.10	1,395,317,620.22	4,121,626.37	12,263,582.85	15,687,954.50	2,059,086.25	5,462,444,582.22
As at Ashad end 2078	2,663,363,350.00	1,980,344,912.14	2,179,434,848.15	3,580,103.68	12,005,504.45	20,619,926.67	1,949,771.52	6,861,298,416.61
As at Ashad end 2079	2,796,419,000.00	1,903,746,285.09	2,027,765,584.12	2,914,466.84	12,751,835.38	21,152,462.89	2,054,276.23	6,766,803,910.55

Property, Plant & Equipment have been mortgaged/hypothecated against Bank Borrowings.

All categories of Property, Plant and Equipment are initially recorded at cost. Property, Plant and Equipment are subsequently measured at historical cost less depreciation and impairment losses. Historical cost includes expenditure. Subsequent cost are included in the assets carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits are associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The rates have been applied consistently over the years. The assets residual values and useful lives are reviewed and adjusted if appropriate, at each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and Losses on disposal of property and equipment are determined by reference to their carrying amount and are included in profit or loss.



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

4.1 Capital work-in-progress

The changes in the carrying value of capital work-in-progress for the year ended Ashad 32, 2079 and Ashad 31, 2078 are as follows:

Amount in NPR

Particulars	Buildings	Plant & Machinery	Total
Balance as at Ashad end 2077	127,155,689.19	322,869,667.41	450,025,356.60
Addition during the Year		54,321,353.72	54,321,353.72
Transfer to property, plant and equipment	127,155,689.19	322,869,667.41	450,025,356.60
Foreign currency translation difference	-	-	-
Balance as at Ashad end 2078	-	54,321,353.72	54,321,353.72
Addition during the Year	203,614,690.61	-	203,614,690.61
Transfer to property, plant and equipment	-	54,321,353.72	54,321,353.72
Foreign currency translation difference	-	-	-
Balance as at Ashad end 2079	203,614,690.61	-	203,614,690.61

4.2 Right-of-use Assets

The changes in the carrying value of Right-of-use (ROU) of Assets for the year ended Ashad 32, 2079 is as follow:

Amount in NPR

Particulars	Land	Office Space	Total
Gross Value:			
Balance as at Shrawan 1, 2078	-	-	-
Recognition of ROU Asset on initial application of NFRS 16	7,275,327.59	6,339,743.43	13,615,071.02
Adjusted Balance as at Shrawan 1, 2078	7,275,327.59	6,339,743.43	13,615,071.02
Additions/disposals/adjustments during the year			
Balance as at Ashad end 2079	7,275,327.59	6,339,743.43	13,615,071.02
Accumulated Depreciation:			
Balance as at Shrawan 1, 2078	-	-	-
Additions/disposals/adjustments during the year	1,039,332.51	3,169,871.71	4,209,204.22
Elimination on Disposal/Adjustment of Assets	-	-	-
Balance as at Ashad end 2079	1,039,332.51	3,169,871.71	4,209,204.22
Net Carrying Amount:			
As at Ashad end 2079	6,235,995.08	3,169,871.72	9,405,866.80

Effective from Shrawan 1, 2078, the Company has adopted NFRS 16 'Leases' using the modified retrospective approach. Accordingly, previous year figures are not applicable.

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

5 Intangible Assets

The changes in the carrying value of Intangible Assets for the year ended Ashad 32, 2079 and Ashad 31, 2078 are as follows:

Amount in NPR

Particulars	Computer Software
Cost:	
Balance as at Ashad end 2077	1,665,000.00
Addition during the Year	
Acquisition	-
Capitalization	-
Disposal During the Year	-
Adjustment/Revaluation	-
Balance as at Ashad end 2078	1,665,000.00
Addition during the Year	
Acquisition	-
Capitalization	-
Disposal During the Year	-
Adjustment/Revaluation	-
As at Ashad end 2079	1,665,000.00
Amortisation and impairment losses	
As at Ashad end 2077	948,232.62
Amortization charge for the Year	179,191.85
Impairment for the Year	-
Disposals	-
Adjustment	
As at Ashad end 2078	1,127,424.47
Amortization charge for the Year	179,191.85
Impairment for the Year	-
Disposals	-
Adjustment	
As on Ashad end 2079	1,306,616.32
Net Carrying Amount:	
As at Ashad end 2077	716,767.38
As at Ashad end 2078	537,575.53
As at Ashad end 2079	358,383.68

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

6 Other financial assets (Non-Current)

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Security Deposits	1,611,262.10	1,590,762.10
Total	1,611,262.10	1,590,762.10

7 Inventories

(As taken, valued and certified by the management.)

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Raw materials	824,264,355.02	521,690,956.59
Finished Goods	665,984,853.43	632,911,732.83
Work In Process	192,151,477.91	116,308,367.18
Store, Spares and Consumables	129,399,628.73	144,330,713.91
Waste	25,465,162.33	21,193,897.25
Goods in Transit	85,050,601.98	156,125,231.42
Gross Total	1,922,316,079.40	1,592,560,899.18
Less: Allowance for Obsolescence	-	-
Total Inventories*	1,922,316,079.40	1,592,560,899.18

* Inventories have been hypothecated with the Banks against borrowings (Refer Note No 13 and 18)

8 Trade Receivables

Trade receivables comprises of amount receivable from our customers and are non-interest bearing. Such trade receivables are generally on credit terms of 30 - 90 days.

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Trade Receivable*	1,092,488,845.33	1,048,545,650.10
Total	1,092,488,845.33	1,048,545,650.10

* Trade Receivables have been hypothecated with the Banks against borrowings (Refer Note No 13 and 18)

9 Cash and Cash Equivalents

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Cash In Hand (as certified)	711,745.36	988,454.53
Balances with Banks	112,997,353.58	118,249,211.06
Total	113,709,098.94	119,237,665.59

10 Other Financial Assets

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Letter of Credit	102,968,759.00	15,118,018.34
Bank Guarantee Margins & Other Margins	11,854,737.42	6,828,749.23
Insurance & Other Claims Receivable	1,257,080.77	68,480,641.49
Security Deposits	1,031,590.80	1,147,416.80
UK Aid-Receivable	9,060,270.08	7,588,183.32
Export Incentive Receivable	80,001,674.06	58,087,603.63
Total	206,174,112.13	157,250,612.81

The fair values of all the above financial assets are approximates to their carrying amounts. These advances are non-interest bearing and are expected to be settled in the normal course of operations.

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

11 Other Current Assets

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Advance to Labours	218,767.00	210,005.00
Advance to Vendors	17,036,557.02	12,969,265.87
Prepaid Expenses	2,119,997.51	1,587,369.35
Reliance Welfare Loan-Staffs	1,290,130.59	1,185,630.59
Reliance Welfare Loan-Workers	5,691,240.53	4,568,075.53
Advance to Staff	70,954.82	30,799.17
Sundry Advances	7,287,580.45	565,255.66
VAT Input	43,827,327.24	32,139,797.68
Total	77,542,555.16	53,256,198.85

12 Current Tax Assets / Liabilities (Net)

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Opening Balance	(11,663,553.44)	(6,790,600.98)
Less: Current tax payable for the year	117,355,503.12	94,391,370.56
Add: Taxes paid including TDS (Net of adjustments)	145,141,452.15	89,518,418.10
Current Tax Assets / (Liabilities)	16,122,395.59	(11,663,553.44)

13 Borrowings (Non Current)

Non Current Borrowings are interest bearing financial liabilities consisting of Bank Borrowings. For these financial liabilities interest charged by the bank approximates effective interest rate and such rate is considered for calculation of amortized cost of liability and the finance cost. The effect of initial charges and its impact on effective rate is considered not material and the carrying value is considered approximate amortized cost.

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Secured Loans from Banks*		
- Term Loan	1,325,272,764.50	1,635,146,220.54
Unsecured		
- Convertible Preference Shares (Financial Liability)	-	-
	1,325,272,764.50	1,635,146,220.54
Less: Current maturities (Refer Note No 18)	125,000,000.00	328,675,717.84
Total	1,200,272,764.50	1,306,470,502.70

***Secured Loans:**

Term Loan Facility has been disbursed by Consortium of Banks lead by Rastriya Banijya Bank Ltd. Such Loans are secured by a way of pari-passu first charge over the fixed assets, both present and future and pari-passu second charge over the Current Assets of the company, both present and future. Further, personal guarantee has been given by the promoters/directors viz. Mr. Pawan Golyan, Mr. Shashi Kant Agrawal and Mr. Akshay Golyan.

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

14 Non-Current Lease Liabilities

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Lease Liability	12,925,324.54	
Less: Current portion (Refer Note no. 20)	7,351,086.46	
Total	5,574,238.08	-

Effective from Shrawan 1, 2078, the Company has adopted NFRS 16 'Leases' using the modified retrospective approach. Accordingly, previous year figures are not applicable.

15 Other Non-Current Financial Liabilities

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Security Deposits	2,013,590.36	2,322,741.03
Total	2,013,590.36	2,322,741.03






Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

16 Deferred Tax Liabilities (Net)

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Deferred Tax Asset	9,065,668.00	17,177,921.00
Deferred Tax Liability	91,545,617.00	97,726,622.00
Net Deferred Tax Asset / (Liability) at the end of the year	(82,479,949.00)	(80,548,701.00)
Net Changes	(1,931,248.00)	(37,311,798.00)
Deferred Tax charged in OCI	-	-
Deferred Tax charged in Statement of Profit or Loss	(1,931,248.00)	(37,311,798.00)
Deferred Tax charged directly in Equity due to change in estimate of the life of asset	-	-
Deferred tax Assets:		
Recognized in profit or loss	9,065,668.00	17,177,921.00
Recognized in OCI	-	-
Recognized in Equity	-	-
Deferred tax Assets	9,065,668.00	17,177,921.00
Deferred tax liability:		
Recognized through profit or loss	91,545,617.00	97,726,622.00
Recognized through OCI	-	-
Deferred tax liability	91,545,617.00	97,726,622.00



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

16.1 Deferred Income Tax Assets and Liabilities, deferred tax charge/ (credit) in the profit or loss and OCI

Amount in NPR

As at Ashad 32, 2079	Book Value Base	Tax Base	Difference	Deferred Tax Assets	Recognised through profit or loss	Recognised through OCI	Recognised in Equity
Foreign Exchange Difference	-	(24,875,136.00)	24,875,136.00	2,727,061.00	2,727,061.00	-	-
Corporate Social Responsibility	25,610,493.76	-	25,610,493.76	2,807,678.00	2,807,678.00	-	-
Provision for Leave Encashment	19,282,369.50	-	19,282,369.50	2,113,926.00	2,113,926.00	-	-
Property Plant and Equipments	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-
Lease Liability	12,925,324.54	-	12,925,324.54	1,417,003.00	1,417,003.00	-	-
Property Plant and Equipments	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-
Total	57,818,187.80	(24,875,136.00)	82,693,323.80	9,065,668.00	9,065,668.00	-	-

As at Ashad 32, 2079	Book Value Base	Tax Base	Difference	Deferred Tax Liabilities	Recognised through profit or loss	Recognised through OCI	Recognised in Equity
Property Plant and Equipments	3,251,869,126.20	2,426,233,331.00	825,635,795.20	90,514,452.00	90,514,452.00	-	-
Right-of-use Assets	9,405,866.80	-	9,405,866.80	1,031,165.00	1,031,165.00	-	-
Intangible Assets	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-
Total	3,261,274,993.00	2,426,233,331.00	835,041,662.00	91,545,617.00	91,545,617.00	-	-

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 32, 2079

16.1 Deferred Income Tax Assets and Liabilities, deferred tax charge/ (credit) in the profit or loss and OCI

As at Ashad 31, 2078	Book Value Base	Tax Base	Difference	Deferred Tax Assets	Recognised through profit or loss	Recognised through OCI	Amount in NPR	
							Recognised in Equity	Recognised in Equity
Foreign Exchange Difference	-	(46,715,763.00)	46,715,763.00	5,886,186.00	5,886,186.00	-	-	-
Corporate Social Responsibility	14,686,071.97	-	14,686,071.97	1,850,445.00	1,850,445.00	-	-	-
Provision for Leave Encashment	19,656,411.04	-	19,656,411.04	2,476,708.00	2,476,708.00	-	-	-
Provision for Gratuity	55,274,461.66	-	55,274,461.66	6,964,582.00	6,964,582.00	-	-	-
Property Plant and Equipments	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-	-
Lease Equalization Liability	-	-	-	-	-	-	-	-
Property Plant and Equipments	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-
Total	89,616,944.67	(46,715,763.00)	136,332,707.67	17,177,921.00	17,177,921.00	-	-	-

As at Ashad 31, 2078	Book Value Base	Tax Base	Difference	Deferred Tax Liabilities	Recognised through profit or loss	Recognised through OCI	Amount in NPR	
							Recognised in Equity	Recognised in Equity
Property Plant and Equipments	3,287,947,407.00	2,512,339,295.09	775,608,111.91	97,726,622.00	97,726,622.00	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-	-
Total	3,287,947,407.00	2,512,339,295.09	775,608,111.91	97,726,622.00	97,726,622.00	-	-	-

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

17 Provisions (Non Current)*

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Provision for Leave Encashment	17,706,869.50	17,628,911.04
Total	17,706,869.50	17,628,911.04

*Refer Note no 23.1

18 Borrowings (Current)

Current Borrowings are interest bearing financial liabilities consisting of Bank Borrowings. For these financial liabilities interest charged by the bank approximates effective interest rate and such rate is considered for calculation of amortized cost of liability and the finance cost. The effect of initial charges and its impact on effective rate is considered not material and the carrying value is considered approximate amortized cost.

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Secured Loans from Banks		
Bank Overdraft	1,011,783.97	8,397,089.78
Packing Credit Loan	-	28,713,600.00
Short Term Loan	402,571,902.77	260,782,000.00
TR Loan	-	837,457,603.63
Current maturities of Non-Current Borrowings (Refer Note No 13)	125,000,000.00	328,675,717.84
Total	528,583,686.74	1,464,026,011.25

Short Term Loans, TR Loans including Foreign Currency Loan and Bank Overdraft has been disbursed by the Consortium of Banks led by Rastriya Banijya Bank Ltd. for meeting the working capital requirements of the company. Such Loans are secured by a way of pari-passu first charge over the Current Assets, both present and future and pari-passu second charge over fixed assets of the company, both present and future. Further, personal guarantee has been given by the promoters/directors viz. Mr. Pawan Golyan, Mr. Shashi Kant Agrawal and Mr. Akshay Golyan.

19 Trade payables

Trade payables are amount payable to creditors for goods and services and are non interest bearing. These trade payables are normally settled on credit period of 30 to 90 days.

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Trade Payables	254,223,658.24	238,328,084.20
Total	254,223,658.24	238,328,084.20

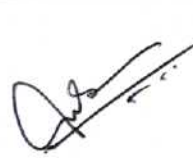
20 Lease Liabilities (Current)

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Current portion of Lease Liabilities (Refer no. 14)	7,351,086.46	-
Total	7,351,086.46	-










Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

21 Other Financial Liabilities (Current)

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
LC payable	1,015,791,524.23	341,833,231.95
Other Payables	18,675,091.35	4,891,013.30
Ordinary Shares Dividend Payable	486,591,900.00	-
Provision for Expenses	40,344,286.36	37,534,682.08
Reliance Welfare Fund	7,153,751.32	7,694,567.86
Security Deposit Payable	6,953,570.96	5,714,303.49
Expenses Payable	17,050,978.00	24,684,882.52
Interest Payable	2,937,984.64	131,007.72
Labour Security Payable	4,646,801.00	4,368,230.00
Salary Payable	17,218,226.13	67,476,833.73
Wages Payable	58,184,230.24	48,724,640.24
Total	1,675,548,344.23	543,053,392.89

22 Other Current Liabilities

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Statutory Dues:		
- Citizen Investment Fund	841,800.00	779,000.00
- Provident Fund	1,156,738.06	1,207,193.06
- TDS	35,774,413.03	14,913,016.77
- VAT Payable	6,849,856.80	-
Advance from Customers	30,531,353.00	41,416,821.72
Total	75,154,160.89	58,316,031.55

23 Provisions (Current)

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Provision for CSR	25,610,493.76	14,686,071.97
Provision for Bonus	117,753,625.85	89,556,425.01
Provision for Leave Encashment	1,575,500.00	2,027,500.00
Closing Balance	144,939,619.61	106,269,996.98

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

23.1 Provisions

Provisions are recognized when the company has a present obligation, legal or constructive, as a result of a past event, it is probable that a transfer of a economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of obligation. If these conditions are not met, no provision is recognized.

The amount of provision recognized is the management's best estimate of expenditure required to settle the present obligation at the reporting date.

Management reviews provisions at each reporting date and is adjusted to reflect the best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

23.2 Non- Current Provisions

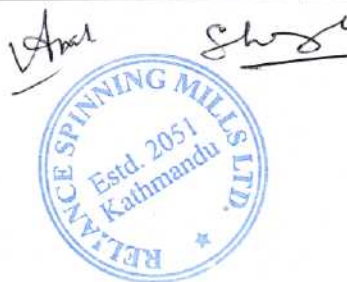
Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
I. Provision for employee benefits		
Provision for Leave Encashment		
Opening Balance	17,628,911.04	-
Additions during the year	77,958.46	17,628,911.04
Payments/adjustments made during the year	-	-
Closing Balance	17,706,869.50	17,628,911.04

23.3 Provisions - Current

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
I. Provision for employee benefits		
Provision for Leave Encashment		
Opening Balance	2,027,500.00	-
Additions during the year	1,880,129.33	2,027,500.00
Payments/adjustments made during the year	2,332,129.33	-
Closing Balance	1,575,500.00	2,027,500.00
Provision for Bonus		
Opening Balance	89,556,425.01	26,073,785.72
Addition	117,753,625.85	89,556,425.01
Payments/adjustments made during the year	89,556,425.01	26,073,785.72
Closing Balance	117,753,625.85	89,556,425.01
II. Provision for Corporate Social Responsibility		
Opening Balance	14,686,071.97	7,830,429.47
Addition	11,775,362.58	8,955,642.50
Payment	850,940.80	2,100,000.00
Closing Balance	25,610,493.75	14,686,071.97
Total	144,939,619.60	106,269,996.98



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

24 Share Capital

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Company after deducting all its liabilities.

Accordingly the share capital of the company comprises following:

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Authorised Capital		
26,000,000 Shares of Rs. 100/- each	2,600,000,000	2,600,000,000
	2,600,000,000	2,600,000,000
Issued Capital		
19,000,000 Shares of Rs.100/- each	1,900,000,000	1,900,000,000
	1,900,000,000	1,900,000,000
Subscribed and fully Paid-up		
17,073,400 Ordinary Shares of Rs.100/- each	1,707,340,000	1,707,340,000
Total	1,707,340,000	1,707,340,000

24.1 Reconciliation of the number of ordinary shares outstanding at the beginning and end of the year:

Particulars	As at Ashad 32, 2079		As at Ashad 31, 2078	
	No of Shares	Amount	No of Shares	Amount
Balance as at the beginning of the year	17,073,400	1,707,340,000	13,070,000	1,307,000,000
Add: Shares issued during the year*	-	-	4,003,400	400,340,000
Balance as at the end of the year	17,073,400	1,707,340,000	17,073,400	1,707,340,000

*The company has not issued any shares during the year. However, in the FY 2077-78; 4,003,400 (No.) equity shares were issued at par by way of conversion of preference shares.



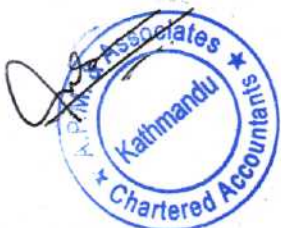

24.2 Rights, preferences and restrictions attached to shares Equity shares

The Company has only one class of equity shares having a par value of Rs. 100/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

24.3 Shareholding pattern of the company

Particulars	As at Ashad 32, 2079		As at Ashad 31, 2078	
	No. of Shares	Amount	No. of Shares	Amount
Mr. Shashi Kant Agrawal	8,536,100	853,610,000	8,536,100	853,610,000
Mr. Pawan Kumar Golyan	4,171,114	417,111,400	4,171,114	417,111,400
Mr. Akshay Golyan	4,365,386	436,538,600	4,365,386	436,538,600
Others	800	80,000	800	80,000
Balance as at the end of the year	17,073,400	1,707,340,000	17,073,400	1,707,340,000

24.4 The Company has approved the fresh issue of 1,926,600 (No.) equity shares through an Initial Public Offering (IPO) by Book Building Method. As part of its proposed IPO, the Company has filed the draft Prospectus with the Securities Exchange Board of Nepal (SEBON) and the same is in the process of approval by SEBON.

Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

25 Other Equity

25.1 Retained Earnings

Amount in NPR

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Balance up to Last Year	1,178,791,966.89	448,615,372.94
Profits for the Year	1,043,520,656.02	754,905,439.09
Other Comprehensive Income for the Year		-
Provision for Gratuity NFRS Adjustment-Charged to Reserve	-	-
Deferred Tax charged directly in Equity due to change in estimate of Provision from Gratuity	-	-
Revaluation Reserve	37,694,481.00	37,694,481.00
NFRS Adjustment - Compound Financial Instruments	-	-
Increase/(Decrease) of Compound Financial Instruments	-	15,996,673.86
Fixed Assets NFRS Adjustment - Charged off to Reserve		
Changes in accounting policy (on account of adoption of NFRS 16, leases)*	(4,256,631.75)	-
Deferred Tax adjustment directly in Equity due to change in estimate of the life of asset	-	-
Total Comprehensive Income	2,255,750,472.16	1,257,211,966.89
Less:		
Earlier Years' Tax	-	-
Earlier Years' Gratuity	-	-
Dividend Distribution	(682,936,000.00)	(78,420,000.00)
Sub-Total (A)	1,572,814,472.16	1,178,791,966.89

*The Company has initially applied NFRS 16, Leases, using the modified retrospective method. Under this method, the comparative information is not restated. Refer note no. 36 for further details.

25.2 Revaluation Reserves

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Revaluation of Land & Buildings:		
Balance up to Last Year	3,173,839,241.52	2,807,057,024.51
NFRS Adjustments-Additions	-	404,476,698.01
Increase/(Decrease) during the year	(37,694,481.00)	(37,694,481.00)
Sub-Total (B)	3,136,144,760.52	3,173,839,241.52

25.3 Equity component of compound financial instruments

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Balance up to Last Year	-	15,996,673.86
NFRS Adjustment - Preference Shares (Equity Component)	-	-
Increase/(Decrease) during the year	-	(15,996,673.86)
Sub-Total (C)	-	-

Grand Total (A+B+C)	4,708,959,232.68	4,352,631,208.41
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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

26 Revenue from Operations

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Sales of goods		
- Export Sales	7,306,102,486.81	5,640,850,808.51
- Local Sales	2,550,610,975.28	1,956,020,625.55
Other Operating Income		
- Export Incentives	214,293,772.57	167,778,474.43
- Sale of Scraps & Wastages	33,455,605.46	27,668,726.77
Total	10,104,462,840.12	7,792,318,635.26

27 Cost of Sales

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Raw Material Consumed	5,913,951,523.88	4,401,076,839.63
Total Raw Material Consumed	5,913,951,523.88	4,401,076,839.63
Production and Manufacturing Overheads	2,368,659,002.35	1,916,599,415.97
Gross Cost of Production	8,282,610,526.23	6,317,676,255.60
Cost of Consumable Sold	4,841,352.83	3,417,593.87
Cost of Goods	8,287,451,879.06	6,321,093,849.47
Changes in inventory of		
- Finished Goods	(81,023,257.06)	29,660,658.72
- WIP	(75,843,110.73)	1,451,460.06
- Usable Waste	8,260,673.97	(8,723,633.74)
- Waste	(12,531,939.05)	2,431,749.50
Total Cost of Sales	8,126,314,246.19	6,345,914,084.01

27.1 Production and Manufacturing Overheads

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Consumption of Dyes & Chemicals	97,985,933.13	107,758,601.80
Consumption of Packing Materials	161,386,516.22	133,179,577.93
Consumption of Stores & Spares	194,322,214.77	171,434,631.70
Wages & Salaries	665,826,445.57	559,732,288.16
Labour Welfare	1,508,505.67	1,460,819.89
Power & Fuel	711,327,466.72	629,748,373.31
Insurance Charges	30,567,161.34	26,906,699.70
Repairs & Maintenance-Plant & Machinery	125,764,611.88	9,935,993.53
Repairs & Maintenance-Building	63,844,440.11	7,804,169.65
Laboratory Expenses	22,563.20	55,435.37
Factory General Expenses	1,310,497.74	1,363,955.95
Depreciation	314,792,646.00	267,218,868.98
Total	2,368,659,002.35	1,916,599,415.97

28 Other Income

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Rental Income	10,953,420.00	9,768,612.00
Interest Income	2,451,508.36	501,997.11
UK-Aid Grant*	17,728,909.10	35,054,112.91
Exchange Gain (Net)		13,066,036.46
Sundry Balances written back	398,254.88	-
Gain on Sale of Fixed Assets		801,387.35
Miscellaneous Income	466,062.00	1,947,967.32
Total	31,998,154.53	61,140,113.15

* Refer Note No. 3.8(C)



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

29 Selling and Distribution Expenses

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Commission on Sales	68,674,141.20	44,360,064.93
Business Promotion Expenses	1,578,236.62	1,257,629.43
Export Sales Expenses	228,057,195.86	81,187,674.27
Local Sales Expenses	34,268,852.90	30,649,995.48
Total	332,578,426.58	157,455,364.11

30 Administrative & Other Expenses

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Advertisement Exp	2,292,491.19	81,272.06
Audit Fees	500,000.00	500,000.00
Bank Charges	3,393,759.17	2,307,023.69
Books & Periodicals	28,569.00	26,356.00
Charity & Donation	546,000.00	1,250,000.00
Dashain	4,530,609.80	3,851,244.96
Electricity	598,686.00	822,007.60
Gardening	104,247.27	61,721.08
General Expenses	1,431,673.85	813,776.26
Gratuity	-	10,143,090.59
Leave	1,958,087.79	19,656,411.04
Guest Entertainment	1,666,176.52	2,004,004.06
House Keeping Expenses	262,484.00	270,712.00
Legal & Professional Fees	8,507,755.74	5,183,677.11
Membership & Subscription	50,000.00	46,000.00
Postage & Telegram	944,238.64	1,257,486.79
Printing & Stationery	2,593,171.16	1,814,573.24
Pooja Expenses	425,219.06	238,666.00
Rates & Taxes	1,743,533.00	1,470,989.43
Recruitment & Training	148,566.80	143,116.00
Rent	2,108,973.78	8,717,714.80
Repairs & Maintenance- Others	2,554,449.08	1,347,202.81
Salaries	94,357,039.16	78,909,047.50
Security Expenses	13,722,095.74	12,096,601.61
Staff Welfare	3,243,514.25	2,908,143.51
Sundry Balance Written off	-	206,689.50
Telephones & Telex	1,776,597.34	1,827,010.42
Travelling & Conveyance	3,088,460.63	1,301,032.00
Exchange Difference (Net)	31,596,204.17	-
UK Aid Training	35,457,818.20	70,108,225.82
Vehicle Repair & Maintenance	2,477,029.13	1,290,772.94
Vehicle Running	3,840,677.91	2,601,671.45
Depreciation	11,599,580.92	6,287,633.85
Bonus to Staff	117,753,625.85	89,556,425.01
CSR Expenses	11,775,362.58	8,955,642.50
Total	367,076,697.73	338,055,941.63

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

31 Depreciation and Amortisation Expense

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Depreciation of Tangible Assets	322,003,830.85	273,327,310.98
Depreciation of Right of use Assets	4,209,204.22	
Amortisation of Intangible Assets	179,191.85	179,191.85
Total	326,392,226.92	273,506,502.83

Depreciation Disclosure:

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
- Cost of Sales	314,792,646.00	267,218,868.98
- Administrative Expenses	11,599,580.92	6,287,633.85
Total	326,392,226.92	273,506,502.83

32 Finance Cost

Finance Cost comprises of interest on borrowings, lease liabilities and allied charges. All these costs are carried at amortized cost using effective interest rate which is assumed to be bank interest rate.

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Interest Expense*	142,764,839.99	93,996,768.02
Interest on Lease Liabilities	1,965,887.30	-
Preference Shares Dividend	-	31,427,982.99
Total	144,730,727.29	125,424,751.01

* Net of Interest capitalised Rs. 3,682,158.27/- (Previous year; Rs. 25,541,261.71/-)








Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

33 Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

A) Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

B) Deferred Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Current tax expense		
Provision for income tax	(117,355,503.12)	(94,391,370.56)
Previous years tax	(2,953,489.72)	-
Total Current Tax Expense	(120,308,992.84)	(94,391,370.56)
Deferred Tax		
Origination and reversal of temporary differences	(1,931,248.00)	(37,311,798.00)
Recognition of previously unrecognized deferred tax assets	-	-
Total Deferred Tax Income / (Expense)	(1,931,248.00)	(37,311,798.00)
Total Tax (Expense)/Income for the Year	(122,240,240.84)	(131,703,168.56)








Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

33.1 Reconciliation of tax expense and the accounting profit multiplied by Company's tax rate for 2078-79 and 2077-78:

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Profit before income tax	1,165,760,896.86	886,608,607.65
Effects on income tax of:		
Income not subject to income tax	-	(32,727,272.94)
Expenses (deductible)/ not deductible for tax purposes	(120,250,092.48)	(114,851,055.31)
Prior year under/(over) provision	-	-
Net effect	(120,250,092.48)	(147,578,328.25)
Taxable Income	1,045,510,804.38	739,030,279.40
Income not subject to income tax		
Miscellaneous Income	-	801,387.00
Exchange gain	-	31,925,885.94
Insurance Claim	-	-
Total	-	32,727,272.94
Expenses (deductible)/ not deductible for tax purposes		
Difference in Depreciation as per Income tax Act & Books	(71,970,445.91)	(106,265,152.16)
(Allowed)/ Disallowed Other Expenses	(43,100,254.71)	(40,377,739.14)
(Allowed)/ Disallowed exchange difference	(21,840,626.97)	-
Disallowed finance cost	2,472,894.30	31,427,982.99
Disallowed Repairs and Maintenance Expenses	14,188,340.81	363,853.00
Total	(120,250,092.48)	(114,851,055.31)
Prior year under/(over) provision		
Prior Period Expenses	-	-
Total	-	-
Tax	-	-

Tax on Taxable Income	For the year ended Ashad 32, 2079		For the year ended Ashad 31, 2078	
	Taxable Income	Tax Amount	Taxable Income	Tax Amount
Manufacturing Income (Export) @ 10.4%	729,139,515.64	75,830,509.63	-	-
Manufacturing Income (Local) @ 12.6%	302,966,360.38	38,173,761.41	-	-
Manufacturing Income @ 12.6%	-	-	728,759,668.88	91,823,718.00
Investment Income @ 25%	13,404,928.36	3,351,232.09	10,270,609.11	2,567,652.00
Total Income	1,045,510,804.38	117,355,503.13	739,030,277.99	94,391,370.00





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34 Related Party Disclosure

I. List of related parties where control exists and also other related parties with whom transactions have taken place and relationships:

S. No.	Name of Related Parties	Nature of Relationship
(a)	Key Management Personnel (KMP):	
	Mr. Pawan Kumar Golyan	Chairman
	Mr. Akshay Golyan	MD
	Mr. Anil Kumar Somani	CFO
(b)	Others:	
	Shivam Plastics Industries Pvt. Ltd.	Other Related Parties
	MS Trading International	Other Related Parties
	Tricot Industries Pvt. Ltd.	Other Related Parties

II. The following transactions were carried out with the related parties in the ordinary course of business:

Name of Related Parties	Relationship	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
(a) Purchases*			
Shivam Plastics Industries Pvt. Ltd.	Other Related Parties	25,738,080	21,845,120
MS Trading International	Other Related Parties	1,012,306	2,262,482
(b) Sales*			
Shivam Plastics Industries Pvt. Ltd.	Other Related Parties	830,796	851,598
Tricot Industries Pvt. Ltd.	Other Related Parties	10,611,736	1,758,245
(c) Rental Income:			
Shivam Plastics Industries Pvt. Ltd.	Other Related Parties	6,486,000	5,640,000
(d) Salary & Allowances:			
Mr. Anil Kumar Somani	CFO	3,390,342	2,559,996
(d) Payment of Dividend:			
Mr. Pawan Kumar Golyan	Chairman	125,133,420	41,711,140
Mr. Akshay Golyan	MD	130,961,580	43,653,860

* Amounts are exclusive of taxes

III. Outstanding Balances

Name of Related Parties	As at Ashad 32, 2079	As at Ashad 31, 2078
Payables		
Shivam Plastics Industries Pvt. Ltd.	2,371,692	4,043,240
MS Trading International	52,189	515,914
Receivables		
Shivam Plastics Industries Pvt. Ltd.	583,193	728,581
Tricot Industries Pvt. Ltd.	5,334,641	233,155

Terms and Conditions of Transactions with related parties

Outstanding Balances at the year end are unsecured and settlement occurs in cash. There have been no guarantee provided or received for any related party receivables or payables. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.







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35 Declared and Proposed Dividends

Dividends payable to the Company's shareholders are charged to equity in the period in which they are declared. Proposed dividends are disclosed in notes separately until declared.

35.1 Declared and Approved during the year

Amount in NPR

Particulars	Amount
Dividend on Ordinary Shares for the FY 2077-78 : Rs. 10/- per share	170,734,000.00
Interim Dividend on Ordinary Shares: Rs. 30/- per share	512,202,000.00
Total Dividend Declared	682,936,000.00

35.2 Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date)

Particulars	As at Ashad 32, 2079	As at Ashad 31, 2078
Dividends on Ordinary Shares for the FY : 2077-78: Rs. 10/- per share	-	170,734,000.00
Total Dividend Proposed	-	170,734,000.00

36 Leases

36.1 Company as lessee :

36.1.1 Changes in accounting policies:

Except as specified below, the company has consistently applied the accounting policies to all periods presented in this financial statement. The company has applied NFRS 16 with the date of initial application of Shrawan 1, 2078. As a result, the company has changed its accounting policy for lease contracts as detailed below.

The company has applied NFRS 16 using the modified retrospective approach using incremental borrow rate, under which the cumulative effect of initial application is recognized in retained earnings at Shrawan 1, 2078.

36.1.2 The impact of change in accounting policy on account on adoption of NFRS 16 is as follows :

Particulars	Amount
Increase in Lease Liability	17,871,702.77
Increase in Rights of Use	13,615,071.01
Net Impact on retained earnings	4,256,631.76

36.1.3 Practical expedients applied:

In applying NFRS 16 for the first time, the Company has used the following practical expedients:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounting for operating leases with a remaining lease term of less than 12 months as at Shrawan 1, 2078 as short-term leases
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

36.1.4 Movement in the lease liability during the year:

Particulars	As at Ashad 32, 2079
Opening Balance	-
Add: Recognition on account of adoption of NFRS 16	17,871,702.77
Add: Additions during the year	-
Add: Interest accrued during the year	1,965,887.30
Less: Payment of lease liabilities	6,912,265.52
Less: Derogation during the year	-
Total	12,925,324.55

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36.1.5 Maturity Analysis

Particulars	As at Ashad 32, 2079
Less than one year	7,351,086.46
One to five years	5,574,238.09
More than five years	-
Total	12,925,324.55

36.1.6 Amounts recognised in Statement of profit and loss:

Particulars	For the year ended Ashad 32, 2079
Interest on lease liabilities in Finance Cost	1,965,887.30
Lease payments not recognised as a liability	2,108,973.78
Total	4,074,861.08

36.1.7 Amounts recognised in the statement of cash flows

Particulars	For the year ended Ashad 32, 2079
Total cash outflow for leases	6,912,265.52
Total	6,912,265.52

No Disclosure has been made for the previous year as the NFRS 16 is applicable with effect from Shrawan 1, 2078.

36.1.8 Disclosures for operating leases other than leases covered in NFRS 16

The Company has entered into cancellable operating leases and transactions for leasing of residential units. The tenure of lease is generally one to two years.

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Lease expense recognised in the statement of profit and loss for the year	2,108,973.78	8,717,714.80

36.2 Company as lessor :

The Company is not required to make any adjustments on transition to NFRS 16, Leases, for leases in which it acts as a lessor.

The Company has given Land & godown on operating lease. The lease term is for non cancellable period of one to five years and renewable at the option of the Lessor.

Future minimum lease receipts over non cancellable period of operating leases are as follows :

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Lease income recognised in the statement of profit and loss for the year	10,953,420	9,768,612
The future minimum lease receivable over the next one year	9,574,020	6,486,000
The future minimum lease receivable later than one year but not later than five years	8,866,433	7,458,900
The future minimum lease payments payable later than five years	-	-

There are no any finance lease entered into by the company during the year.

37 Earnings Per Share

Amount in NPR

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
I. Net profit attributable to Shareholders for Basic earnings	1,043,520,656.02	754,905,439.09
II. Net profit attributable to Shareholders for diluted earnings	-	-
III. Weighted average number of Ordinary Shares for basic EPS	17,073,400.00	14,002,298.63
Effects of dilution:		
IV. Preference Shares outstanding for conversion	-	-
V. Weighted average number of ordinary shares adjusted for the effect of dilution	17,073,400.00	14,002,298.63
Basic earnings per ordinary share	61.12	53.91
Diluted earnings per ordinary share	61.12	53.91

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 32, 2079

38 Corporate Social Responsibility (CSR)

In accordance to the requirement of section 54 of the The Industrial Enterprise Act, 2076 and Rule 34 of The Industrial Enterprise Rules, 2078, the company is required to comply with the provisions of Corporate Social Responsibility (CSR). The amount required to be contributed and spend under CSR is as under:-

Particulars	For the year ended Ashad 32, 2079	For the year ended Ashad 31, 2078
Gross amount required to be spent by the company during the year	11,775,362.58	8,955,642.50
Less: Amount spent by the company during the year	850,940.80	2,100,000.00
Short/(Excess)	10,924,421.78	6,855,642.50

39 During the FY 2078-79, the assets of the company have been highly affected by the flood due to heavy rainfall in the month of Kartik, 2078. In this regard, the Insurance claim towards the damages caused to the assets viz. Property, Plant & Equipment, Finished Goods, Work-in-Progress, Raw Material, waste etc. is still under process and the claim amount has still not been confirmed by the Surveyor as at the date of reporting. However, the company has received one installment of claim on provisional basis and the financial impact has been given in the books accordingly. The final amount shall be receivable after the final assessment of damage by the surveyor. Loss caused due to flood is fully insured and fully recoverable. The company has duly intimated the Tax Office under Section 39A of the Value-Added Tax Act, 2052 about the same.

40 During the year, the company had exported the goods of consignment value USD 134,851.54 to M/s. Maximus Synergy Limited, but the party has failed to comply with applicable rules of its country while importing such goods, due to which the balance amount (USD 99,861.54) is yet to be received by company as at the date of reporting. The company has filed the legal case against the alleged party in the High Court of Republic of Kenya and the Central Bank of Kenya has also filed the criminal case against the same party. The management, based on the documents & facts of the case, is quite hopeful the amount shall be recovered fully. Therefore, the management is of view that no provision is required to be made in the financial statement in this respect.

41 Contingent Liabilities and Commitments

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

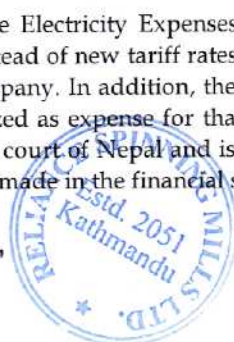
The Company believes that none of the contingencies described below would have a material adverse effect on the Company's financial condition, results of operations or cash flows. It is not practicable for the Company to estimate the timings of the cash outflows, if any, pending resolution of the respective proceedings. The Company does not expect any reimbursements in respect of the same.

All the contingent liabilities and the commitments given by the Company are disclosed below:

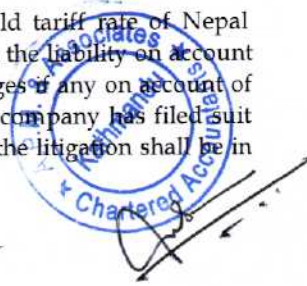
Particulars	<i>Amount in NPR</i>	
	As at Ashad 32, 2079	As at Ashad 31, 2078
a) Contingent Liabilities		
(i) Performance Guarantees	559,398,559	445,804,000
(ii) Unexpired Letter of Credit	2,276,400,203	822,416,000

The management of the company has opted to book the Electricity Expenses as per the old tariff rate of Nepal Electricity Authority from Bhadra 2072 to Asadh 2077, instead of new tariff rates due to which the liability on account of Electricity expenses have been understated by the Company. In addition, the penalty charges if any on account of non-payment as per new tariff rate has not been recognized as expense for that period. The company has filed suit against the Nepal Electricity Authority in the appropriate court of Nepal and is of view that the litigation shall be in the company's favor and therefore no provision has been made in the financial statement.

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
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42 Financial risk management objectives and policies

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets comprise trade and other receivables, investment in fixed deposits and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

42.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk.

42.1.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency). The Company, as per its risk management policy, uses foreign exchange and other derivative instruments primarily to hedge foreign exchange and interest rate exposure. Any weakening of the functional currency may impact the Company's cost of imports and cost of borrowings and consequently may increase the cost of financing the Company's capital expenditures. Further, the Company manages its foreign currency risk by not holding the receivables and payables in foreign currencies for long durations.

Nature of Exposure	Currency	As at	As at
		Ashad 32, 2079	Ashad 31, 2078
a) Payables			
- Borrowings	USD	-	9,192,969.92
- Other Payables	USD	8,146,207.72	2,893,903.00
- Trade Payables	USD	98,119.30	45,721.67
- Advance from Customers	USD	42,600.00	420,069.37
b) Receivables			
- Trade Receivables	USD	1,855,250.23	1,172,329.35

42.1.2 Commodity price risk

The Company is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of raw materials for Yarn production and therefore require a continuous supply of the same.

The Company manages this risk by purchasing materials and supplies from the supplier identified by the group and the Company has long term relation with the supplier.

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
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42.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk is the risk of financial loss arising from counter-party failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both the direct risk of default and the risk of deterioration of credit worthiness as well as concentration risks.

The Company has a policy of dealing only with credit worthy counter parties and obtaining sufficient collateral, Bank Guarantees and Sales Usage Letter of Credit where appropriate as a means of mitigating the risk of financial loss from defaults.

42.2.1 Trade receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and shipments to majority customers are covered by bank guarantees, Letter of Credit and other credit assurance facilities.

42.2.2 Cash deposits

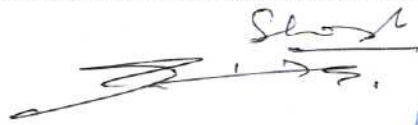
Credit risk From balances with banks and financial institutions are managed by maintaining the balances with highly reputed Commercial banks only.

42.3 Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. A material and sustained shortfall in the cash flow could undermine the Company's credit rating, impair investor confidence and also restrict the Company's ability to raise funds.

The Company maintains a cautious funding strategy to mitigate the liquidity risk. The Company's Finance Department regularly monitors the liquidity position to ensure it has sufficient liquidity on going basis to meet the operational needs. The Company monitors its risk to a shortage of funds on pre-gulapasis through cash forecast.

The Company maintains a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to sources of funding is sufficient.

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