

Name: Reliance Spinning Mills Ltd.
Subject: Financial Statement & Annual Accounts for the FY: 2079-80
As at: Ashad 31, 2080 (16th July, 2023)
Period: Shrawan 1, 2079 to Ashad 31, 2080 (July 17, 2022 to July 16, 2023)

A.P.M. & Associates
(Chartered Accountants)

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RELIANCE SPINNING MILLS LIMITED
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 31, 2080, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity & Statement of Cash Flows for the year ended Ashad 31, 2080, 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 31, 2080, 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. 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.

Insurance Claim Received

Company has received Insurance claim during current financial year for stock damage incurred due to flood in previous financial year 2078-79.

Refer Note 40.

Export Incentives

Company has booked Export Incentive as income on accrual basis.

Export Incentive for the period from Kartik 2079 to Ashad 2080 has been recorded as Income under Other Operating Income which is yet to receive by the company.

Company has fulfilled the required condition as specified in the Guidelines related to Export Incentives 2075, as amended in 2079.

Company has already applied to DOI for verification of export sales.

Refer Note 39.

Contingent Liabilities related to Appeals against Assessments:

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 (If Any).

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 legal matters.
 5. We couldn't quantify the amount of contingent liability against existing case with NEA as NEA has been charging penalty in every invoice since the issue has been raised (due to non-payment by company). The amount is difficult to ascertain also because penalty has been charged in all previous penalties as well.
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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: Kartik 28, 2080
UDIN No.: 231117CA00773nAmiQ

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


CA Pravin Sarawagi
Partner



Reliance Spinning Mills Ltd.

Statement of Financial Position


As at 16th July, 2023 (Ashad 31, 2080)

Amount in NPR

Particulars	Note	As at Ashad 31, 2080	As at Ashad 32, 2079
Assets			
Non Current Assets			
Property, Plant and Equipment	4	9,459,646,013.64	6,766,803,910.55
Capital work-in-progress	4.1	226,757,868.62	203,614,690.61
Right-of-use Assets	4.2	5,196,662.57	9,405,866.80
Intangible assets	5	179,191.83	358,383.68
Financial Assets			
Other financial assets	6	2,395,886.01	1,611,262.10
Total Non Current Assets		9,694,175,622.67	6,981,794,113.74
Current Assets			
Inventories	7	2,564,101,880.23	1,922,316,079.40
Financial Assets			
Trade receivables	8	1,293,948,196.63	1,092,488,845.33
Cash & Cash Equivalents	9	160,811,468.21	113,709,098.94
Other financial assets	10	493,818,963.78	206,174,112.13
Other Current Assets	11	279,957,844.91	77,542,555.16
Current Tax Assets (Net)	12	12,797,314.85	16,122,395.59
Total Current Assets		4,805,435,668.61	3,428,353,086.55
Total Assets		14,499,611,291.28	10,410,147,200.29
Equity and Liabilities			
Liabilities			
Non Current Liabilities			
Financial Liabilities			
Borrowings	13	3,452,555,218.21	1,200,272,764.50
Lease Liabilities	14	6,312,835.98	5,574,238.08
Other financial liabilities	15	1,875,140.71	2,013,590.36
Deferred Tax Liabilities (Net)	16	77,544,322.00	82,479,949.00
Provisions	17	19,732,572.00	17,706,869.50
Total Non Current Liabilities		3,558,020,088.90	1,308,047,411.44
Current Liabilities			
Financial Liabilities			
Borrowings	18	1,433,584,167.83	528,583,686.74
Trade payable	19	326,129,823.83	254,223,658.24
Lease Liabilities	20	1,038,250.47	7,351,086.46
Other financial liabilities	21	1,669,127,098.26	1,675,548,344.23
Other Current Liabilities	22	28,832,365.16	75,154,160.89
Current Tax Liabilities (Net)	12	-	-
Provisions	23	138,759,038.17	144,939,619.61
Total Current Liabilities		3,597,470,743.72	2,685,800,556.17
Total liabilities		7,155,490,832.62	3,993,847,967.61
Equity			
Share Capital	24	1,707,340,000.00	1,707,340,000.00
Other Equity	25	5,636,780,458.66	4,708,959,232.68
Total equity		7,344,120,458.66	6,416,299,232.68
Total liabilities and equity		14,499,611,291.28	10,410,147,200.29

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

For and on Behalf of Board


P.K. Golyan * S.K. Agrawal
Chairman Director
Place: Kathmandu, Nepal
Date: Kartik 23, 2080


Akshay Golyan A.K. Somani
MD CFO


As per our report of even date


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


Reliance Spinning Mills Ltd.


Statement of Profit and Loss For the year ended Ashad 31, 2080

Amount in NPR


Particulars	Note	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Revenue From Operations	26	10,005,809,898.66	10,104,462,840.12
Cost of Sales	27	(8,237,111,294.71)	(8,126,314,246.19)
Gross Profit		1,768,698,603.95	1,978,148,593.93
Other Income	28	37,479,883.48	31,998,154.53
Selling and Distribution Expenses	29	(191,543,942.50)	(332,578,426.58)
Administrative & Other Expenses	30	(374,291,269.26)	(367,076,697.73)
Operating Profit		1,240,343,275.67	1,310,491,624.15
Finance Costs	32	(249,006,376.00)	(144,730,727.29)
Profit/(Loss) Before Tax		991,336,899.67	1,165,760,896.86
Income Tax Expense	33	(63,515,673.69)	(122,240,240.84)
Profit/(Loss) for the year		927,821,225.98	1,043,520,656.02
Earnings Per Share (EPS)			
Basic EPS (Rs)		54.34	61.12
Diluted EPS (Rs)		54.34	61.12


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



Akshay Golyan
MD


A.K. Somani
CFO

Place: Kathmandu, Nepal
Date: Kartik 23, 2080



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 31, 2080


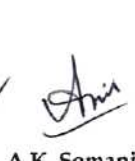
Amount in NPR

Particulars	Note	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
A Cash Flow from Operating Activities:			
Profit before Income Tax		991,336,899.67	1,165,760,896.86
Adjustments for Non Cash Items:			
Depreciation & Amortization		366,582,691.32	326,392,226.92
Adjustments for non operating items: -			
Interest Expenses		249,006,376.00	144,730,727.29
Unrealised Exchange (Gain)/Loss		(539,492.29)	24,875,135.85
Profit on sale of fixed assets		(574,423.22)	-
Sundry Balances written back		(1,093,599.95)	(398,254.88)
Sundry Balances written off		664,766.06	-
Interest Income		(3,309,713.04)	(2,451,508.36)
Operating profit before changes to receivables and payables		1,602,073,504.55	1,658,909,223.68
(Increase)/Decrease in Trade & Other Receivables		(692,184,258.76)	(114,224,066.00)
(Increase)/Decrease in Inventories		(641,785,800.83)	(329,755,180.22)
(Decrease)/Increase in Current Liabilities		919,616,115.78	241,050,087.01
(Increase)/Decrease in Non-Current Assets		(784,623.91)	(20,500.00)
(Decrease)/Increase in Non-Current Liabilities		1,887,252.85	(231,192.23)
Cash Generated from Operations		1,188,822,189.68	1,455,728,372.24
Income Tax Paid		(65,126,219.95)	(148,094,941.87)
Net Cash Inflow from Operating Activities		1,123,695,969.73	1,307,633,430.37
B Cash Flow from Investing Activities :			
Proceeds from disposal of property and equipment		1,039,823.02	-
Purchase of property and equipment, Capital work-in-progress and intangible assets		(3,078,644,976.14)	(376,802,661.68)
Interest Income		3,309,713.04	2,451,508.36
Net Cash Used in Investing Activities		(3,074,295,440.08)	(374,351,153.32)
C Cash Flow from Financing Activities :			
Equity Share Capital		-	-
Increase / (Decrease) in Long Term Loan		2,252,282,453.71	(106,197,738.20)
Principal component of Lease Liabilities		(5,574,238.09)	(4,946,378.21)
Interest paid		(249,006,376.00)	(144,730,727.29)
Dividends paid		-	(682,936,000.00)
Net Cash Flow From Financing Activities		1,997,701,839.62	(938,810,843.70)
Net Increase in cash & cash equivalents	A+B+C	47,102,369.27	(5,528,566.65)
Opening Cash & Cash Equivalents		113,709,098.94	119,237,665.59
Closing Cash & Cash Equivalents		160,811,468.21	113,709,098.94

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


For and on Behalf of Board

 
P.K. Golyan S.K. Agrawal
Chairman Director

 
Akshay Golyan A.K. Somani
MD CFO



As per our report of even date


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



Place: Kathmandu, Nepal
Date: Kartik 23, 2080

Reliance Spinning Mills Ltd.

Statement of Changes in Equity



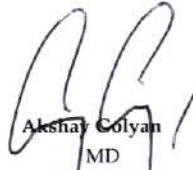

For the year ended Ashad 31, 2080

Amount in NPR

Particulars	Equity Share Capital	Equity Component of Compound Financial Instruments	Revaluation Reserve	Retained Earnings	Total
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
For the Year 2079-80					
At start of year	1,707,340,000.00	-	3,136,144,760.52	1,572,814,472.16	6,416,299,232.68
Profit for the year	-	-	-	927,821,225.98	927,821,225.98
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)*	-	-	-	-	-
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	-	-	-	-	-
Ordinary Shares Dividend - Interim	-	-	-	-	-
Preference Shares Dividend	-	-	-	-	-
Conversion of Preference Shares (Financial Liability)	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-
Balance as at Ashad 31, 2080	1,707,340,000.00	-	3,098,450,279.52	2,538,330,179.14	7,344,120,458.66

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

For and on Behalf of Board

P.K. Golyan S.K. Agrawal Akshay Golyan A.K. Somani
 Chairman Director MD CFO

Place: Kathmandu, Nepal
Date: Kartik 23, 2080



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 31, 2080



Amount in NPR

Particulars	Note	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Profit for the year		927,821,225.98	1,043,520,656.02
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of Land and Building		-	-
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		-	-
Total comprehensive income for the Year		927,821,225.98	1,043,520,656.02

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

For and on Behalf of Board


 
P.K. Golyan S.K. Agrawal
Chairman Director

 
Akshay Golyan A.K. Somani
MD CFO

Place: Kathmandu, Nepal
Date: Kartik 23, 2080



As per our report of even date


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



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

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 Kartik 23 ,2080.

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.








Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

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 31, 2080

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

- 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 period.

The Company classifies all other liabilities as non-current.

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

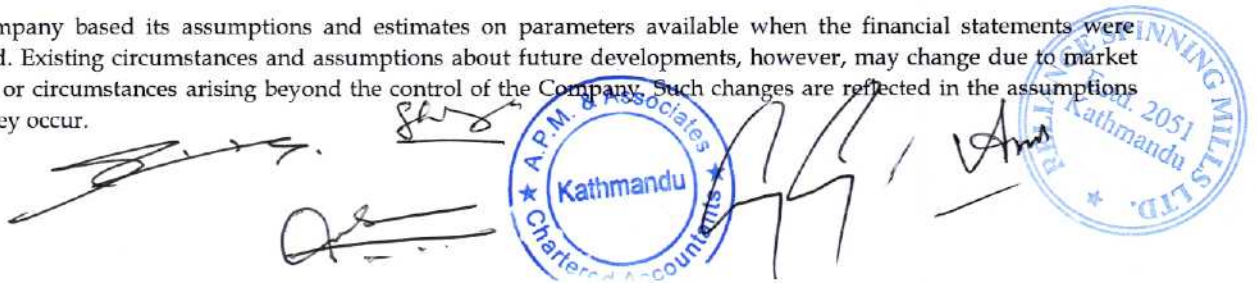
3.3 Critical accounting estimates

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
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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.








Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

3.7 Lease

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

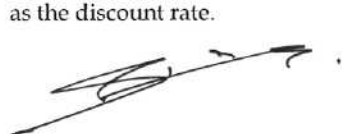



The Company assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis 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.





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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 value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in

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.

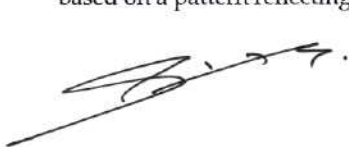
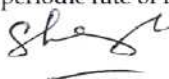





The Company has elected not to apply the requirements of NFRS 16-Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line 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 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.

Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
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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 44,928,092.14/- as per Foreign Commonwealth and Development Office(FCDO) funded UKaid Skills for Employment Programme (सीए) 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
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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

- 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.


A handwritten signature is written over a blue circular stamp. The stamp contains the text "A & Associates", "Kathmandu", and "Chartered Accountants".


A handwritten signature is written over a blue circular stamp. The stamp contains the text "RELIANCE SPINNING MILLS LTD.", "Estd. 2051", and "Kathmandu".

Reliance Spinning Mills Ltd.
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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

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



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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:

- a) Cash
- b) an equity instrument of another entity
- c) a contractual right:
 - i) to receive cash or other financial asset from another entity, or
 - ii) to exchange financial assets or financial liabilities with another equity under conditions that are potentially favourable to the entity, or
- d) 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.

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

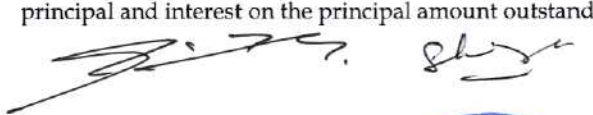


The financial assets are measured at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows:

i) Financial assets measured at amortized cost

Financial asset 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.





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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 are 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.

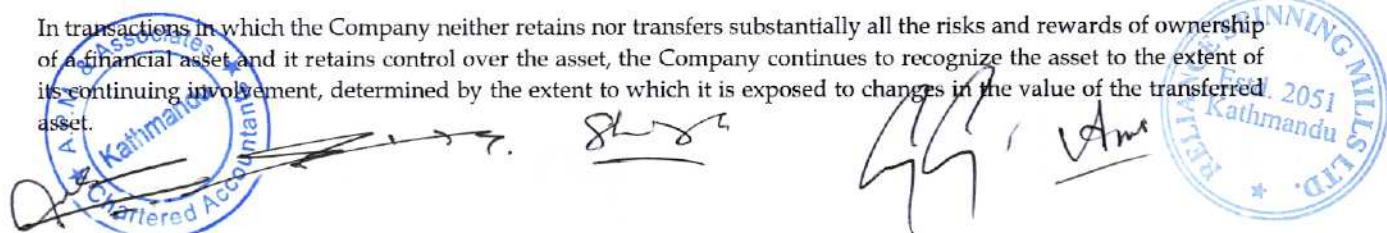
Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are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

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.



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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.

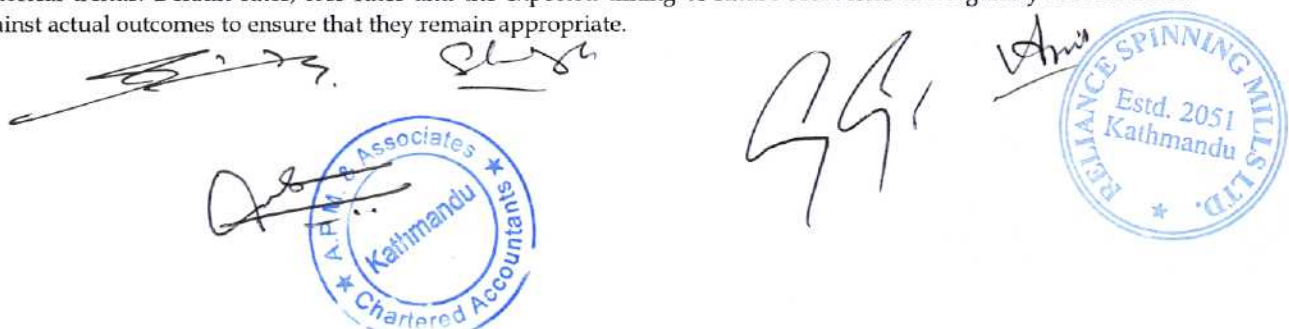
F) Impairment

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.

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.



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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

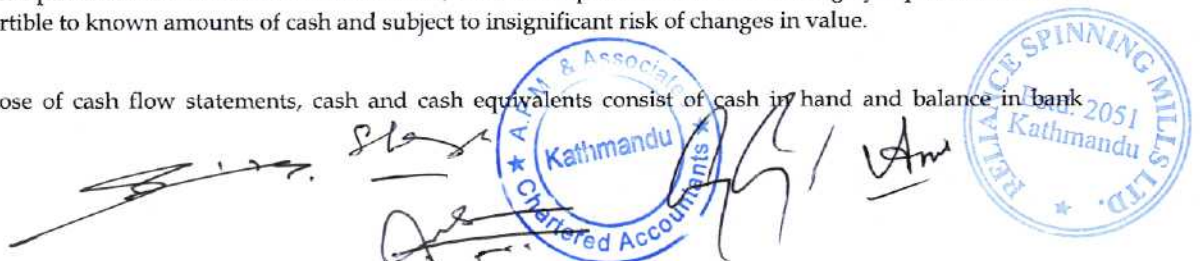
Borrowing cost that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as a part of the cost of such asset till such time the asset is ready for its intended use or sale.

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.

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.



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

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.

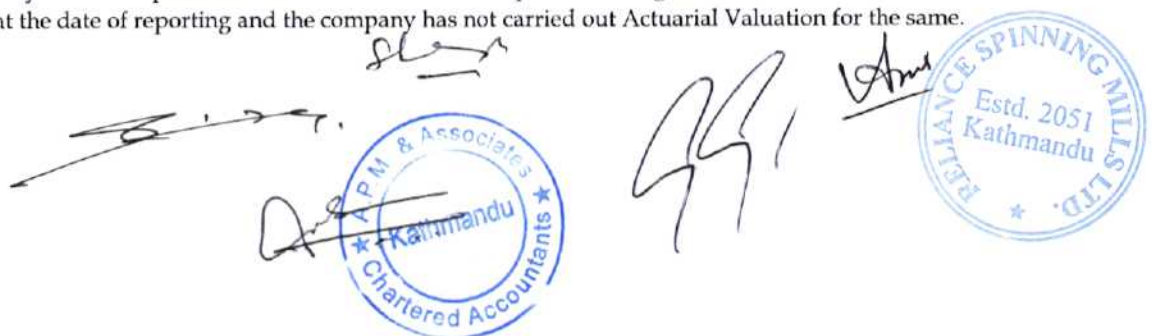
b. Post-employment benefits

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 31, 2080

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.

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

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 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.

3.22 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.



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

4 Property, Plant & Equipments (PPE)

The changes in the carrying value of Property, Plant & Equipments (PPE) for the period ended Ashad 31, 2080, Ashad 31, 2079 and Ashad 31, 2078 are as follows:

Particulars	Amount in NPR									
	Land & Land Development	Buildings	Plant & Machinery	Office & Electrical Equipment	Furniture & Fixtures	Vehicles	Computers	Total		
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		
Addition during the Year										
Acquisition	74,280,918.00	881,685,172.14	2,093,874,444.75	859,670.43	1,322,804.53	2,870,353.98	608,434.30	3,055,501,798.13		
Capitalization	-	-	-	-	-	-	-	-		
Disposal during the year	-	-	-	-	-	(722,952.80)	-	(722,952.80)		
Adjustment/Revaluation	-	-	-	-	-	-	-	-		
Balance as at Ashad end 2080	2,870,699,918.00	3,021,289,480.19	4,705,598,310.87	6,472,864.27	18,231,197.91	31,464,998.07	5,822,092.38	10,659,578,861.69		
Depreciation & Impairment										
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		
Depreciation charge for the Year	-	93,306,331.44	261,657,322.23	1,081,708.88	1,772,320.90	3,624,073.40	752,538.39	362,194,295.24		
Impairment for the year	-	-	-	-	-	-	-	-		
Disposals	-	-	-	-	-	(257,553.00)	-	(257,553.00)		
Adjustment	-	-	-	-	-	-	-	-		
As at Ashad end 2080	-	329,164,354.40	845,615,604.23	3,780,435.88	5,928,878.90	11,531,654.40	3,911,920.24	1,199,932,848.05		
Net Carrying Amount:										
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		
As at Ashad end 2080	2,870,699,918.00	2,692,125,125.79	3,859,982,706.64	2,692,428.39	12,302,319.01	19,933,343.67	1,910,172.14	9,459,646,013.64		

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.



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

4.1 Capital work-in-progress

The changes in the carrying value of capital work-in-progress for the period ended Ashad 31, 2080 and Ashad 32, 2079 are as follows:

Amount in NPR

Particulars	Buildings	Plant & Machinery	Total
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
Addition during the Year	678,070,481.53	2,320,632,313.37	2,998,702,794.90
Transfer to property, plant and equipment	881,685,172.14	2,093,874,444.75	2,975,559,616.89
Foreign currency translation difference	-	-	-
Balance as at Ashad end 2080	-	226,757,868.62	226,757,868.62

4.2 Right-of-use Assets

The changes in the carrying value of Right-of-use (ROU) of Assets for the year ended Ashad 31,2080 and 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
Additions/disposals/adjustments during the year	-	-	-
Balance as at Ashad end 2080	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
Additions/disposals/adjustments during the year	1,039,332.51	3,169,871.72	4,209,204.23
Elimination on Disposal/ Adjustment of Assets	-	-	-
Balance as at Ashad end 2080	2,078,665.02	6,339,743.43	8,418,408.45
Net Carrying Amount:			
As at Ashad end 2079	6,235,995.08	3,169,871.72	9,405,866.80
As at Ashad end 2080	5,196,662.57	-	5,196,662.57








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

The changes in the carrying value of Intangible Assets for the period ended Ashad 31, 2080 and Ashad 32, 2079 are as follows:

Particulars	<i>Amount in NPR</i>
Cost:	
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
Addition during the Year	
Acquisition	-
Capitalization	-
Disposal During the Year	-
Adjustment/Revaluation	-
As at Ashad end 2080	1,665,000.00
Amortisation and impairment losses	
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
Amortization charge for the Year	179,191.85
Impairment for the Year	
Disposals	
Adjustment	
As on Ashad end 2080	1,485,808.17
Net Carrying Amount:	
As at Ashad end 2079	358,383.68
As at Ashad end 2080	179,191.83

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

6 Other financial assets (Non-Current)

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Security Deposits	2,395,886.01	1,611,262.10
Total	2,395,886.01	1,611,262.10

7 Inventories

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

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Raw materials	774,825,076.26	824,264,355.02
Finished Goods	1,016,701,370.67	665,984,853.43
Work In Process	237,668,471.14	192,151,477.91
Store, Spares and Consumables	154,878,185.91	129,399,628.73
Waste	34,733,645.67	25,465,162.33
Goods in Transit	345,295,130.58	85,050,601.98
Gross Total	2,564,101,880.23	1,922,316,079.40
Less: Allowance for Obsolescence	-	-
Total Inventories*	2,564,101,880.23	1,922,316,079.40

* 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 31, 2080	As at Ashad 32, 2079
Trade Receivable*	1,293,948,196.63	1,092,488,845.33
Total	1,293,948,196.63	1,092,488,845.33

* 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 31, 2080	As at Ashad 32, 2079
Cash In Hand (as certified)	974,384.94	711,745.36
Cheques in Hand	1,446,294.00	-
Balances with Banks	158,390,789.27	112,997,353.58
Total	160,811,468.21	113,709,098.94

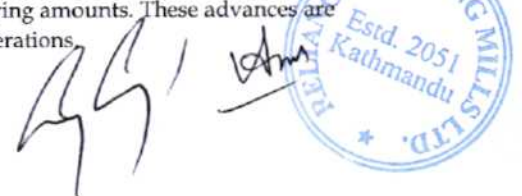
10 Other Financial Assets

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Letter of Credit	21,592,206.00	102,968,759.00
Bank Guarantee Margins & Other Margins	12,292,563.54	11,854,737.42
Insurance & Other Claims Receivable	4,305,664.57	1,257,080.77
Security Deposits	1,127,540.80	1,031,590.80
Government Receivable (Industry Deptment)	-	-
UK Aid-Receivable	21,937,600.52	9,060,270.08
Export Incentive Receivable	432,563,388.35	80,001,674.06
Total	493,818,963.78	206,174,112.13

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.





Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

11 Other Current Assets

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Advance to Labours	245,412.00	218,767.00
Advance to Vendors	12,642,329.73	17,036,557.02
Prepaid Expenses	2,924,813.79	2,119,997.51
Reliance Welfare Loan-Staffs	1,627,630.59	1,290,130.59
Reliance Welfare Loan-Workers	5,553,970.53	5,691,240.53
Advance to Staff	66,779.10	70,954.82
Sundry Advances	43,099,332.71	7,287,580.45
VAT Input	213,797,576.46	43,827,327.24
Total	279,957,844.91	77,542,555.16

12 Current Tax Assets / Liabilities (Net)

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Opening Balance	16,122,395.59	(11,663,553.44)
Less: Current tax payable for the year	67,974,101.10	117,355,503.12
Add: Taxes paid including TDS (Net of adjustments)	64,649,020.36	145,141,452.15
Current Tax Assets / (Liabilities)	12,797,314.85	16,122,395.59

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 31, 2080	As at Ashad 32, 2079
Secured Loans from Banks*		
- Term Loan	3,724,568,068.21	1,325,272,764.50
Less: Current maturities (Refer Note No 18)	272,012,850.00	125,000,000.00
Total	3,452,555,218.21	1,200,272,764.50

***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.

14 Non-Current Lease Liabilities

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Lease Liability	7,351,086.45	12,925,324.54
Less: Current portion (Refer Note no. 20)	1,038,250.47	7,351,086.46
Total	6,312,835.98	5,574,238.08

15 Other Non-Current Financial Liabilities

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Security Deposits	1,875,140.71	2,013,590.36
Total	1,875,140.71	2,013,590.36



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

16 Deferred Tax Liabilities (Net)

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Deferred Tax Asset	5,979,396.00	9,065,668.00
Deferred Tax Liability	83,523,718.00	91,545,617.00
Net Deferred Tax Asset / (Liability) at the end of the year	(77,544,322.00)	(82,479,949.00)
Net Changes	4,935,627.00	(1,931,248.00)
Deferred Tax charged in OCI	-	-
Deferred Tax charged in Statement of Profit or Loss	4,935,627.00	(1,931,248.00)
Deferred Tax charged directly in Equity due to change in estimate of the life of asset	-	-
Deferred tax Assets:		
Recognized in profit or loss	5,979,396.00	9,065,668.00
Recognized in OCI	-	-
Recognized in Equity	-	-
Deferred tax Assets	5,979,396.00	9,065,668.00
Deferred tax liability:		
Recognized through profit or loss	83,523,718.00	91,545,617.00
Recognized through OCI	-	-
Deferred tax liability	83,523,718.00	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 31, 2080

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 31, 2080	Book Value Base	Tax Base	Difference	Deferred Tax Assets	Recognised through profit or loss	Recognised through OCI	Recognised in Equity
Foreign Exchange Difference	-	-	-	-	-	-	-
Corporate Social Responsibility	35,623,997.80	-	35,623,997.80	3,241,784.00	3,241,784.00	-	-
Provision for Leave Encashment	22,732,572.00	-	22,732,572.00	2,068,663.00	2,068,663.00	-	-
Property Plant and Equipments	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-
Lease Liability	7,351,086.45	-	7,351,086.45	668,949.00	668,949.00	-	-
Property Plant and Equipments	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-
Total	65,707,656.25	-	65,707,656.25	5,979,396.00	5,979,396.00	-	-

		Amount in NPR					
As at Ashad 31, 2080	Book Value Base	Tax Base	Difference	Deferred Tax Liabilities	Recognised through profit or loss	Recognised through OCI	Recognised in Equity
Property Plant and Equipments	5,937,823,734.43	5,025,177,334.00	912,646,400.43	83,050,822.00	83,050,822.00	-	-
Right-of-use Assets	5,196,662.57	-	5,196,662.57	472,896.00	472,896.00	-	-
Intangible Assets	-	-	-	-	-	-	-
Fair Value Change on Investment	-	-	-	-	-	-	-
Total	5,943,020,397.00	5,025,177,334.00	917,843,063.00	83,523,718.00	83,523,718.00	-	-

Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

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	-	-
Provision for Gratuity	-	-	-	-	-	-	-
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 31, 2080

17 Provisions (Non Current)*

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Provision for Leave Encashment	19,732,572.00	17,706,869.50
Total	19,732,572.00	17,706,869.50

*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 31, 2080	As at Ashad 32, 2079
Secured Loans from Banks		
Bank Overdraft	2,565,300.12	1,011,783.97
Short Term Loan	1,027,308,017.71	402,571,902.77
TR Loan	131,698,000.00	-
Current maturities of Non-Current Borrowings (Refer Note No 13)	272,012,850.00	125,000,000.00
Total	1,433,584,167.83	528,583,686.74

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 31, 2080	As at Ashad 32, 2079
Trade Payables	326,129,823.83	254,223,658.24
Total	326,129,823.83	254,223,658.24



20 Lease Liabilities (Current)

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Current portion of Lease Liabilities (Refer no. 14)	1,038,250.47	7,351,086.46
Total	1,038,250.47	7,351,086.46





Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

21 Other Financial Liabilities (Current)

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
LC payable	1,448,776,860.55	1,015,791,524.23
Other Payables	26,626,285.68	18,675,091.35
Ordinary Shares Dividend Payable	-	486,591,900.00
Provision for Expenses	58,790,827.80	40,344,286.36
Reliance Welfare Fund	8,275,257.90	7,153,751.32
Security Deposit Payable	26,746,931.81	6,953,570.96
Expenses Payable	4,486,496.18	17,050,978.00
Interest Payable	469,953.86	2,937,984.64
Labour Security Payable	5,256,751.00	4,646,801.00
Salary Payable	21,180,447.98	17,218,226.13
Wages Payable	68,517,285.50	58,184,230.24
Total	1,669,127,098.26	1,675,548,344.23

22 Other Current Liabilities

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Statutory Dues:		
- Citizen Investment Fund	1,082,672.00	841,800.00
- Provident Fund	-	1,156,738.06
- TDS	6,294,987.84	35,774,413.03
- VAT Payable	3,965,980.27	6,849,856.80
Advance from Customers	17,488,725.05	30,531,353.00
Total	28,832,365.16	75,154,160.89

23 Provisions (Current)

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Provision for CSR	35,623,997.80	25,610,493.76
Provision for Bonus	100,135,040.37	117,753,625.85
Provision for Leave Encashment	3,000,000.00	1,575,500.00
Closing Balance	138,759,038.17	144,939,619.61









Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

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 31, 2080	As at Ashad 32, 2079
I. Provision for employee benefits		
Provision for Leave Encashment		
Opening Balance	17,706,869.50	17,628,911.04
Additions during the year	3,438,529.79	77,958.46
Payments/adjustments made during the year	1,412,827.29	-
Closing Balance	19,732,572.00	17,706,869.50

23.3 Provisions - Current

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Provision for Leave Encashment		
Opening Balance	1,575,500.00	2,027,500.00
Additions during the year	1,424,500.00	1,880,129.33
Payments/adjustments made during the year	-	2,332,129.33
Closing Balance	3,000,000.00	1,575,500.00
Provision for Bonus		
Opening Balance	117,753,625.85	89,556,425.01
Addition	100,135,040.37	117,753,625.85
Payments/adjustments made during the year	117,753,625.85	89,556,425.01
Closing Balance	100,135,040.37	117,753,625.85
II. Provision for Corporate Social Responsibility		
Opening Balance	25,610,493.75	14,686,071.97
Addition	10,013,504.04	11,775,362.58
Payment	-	850,940.80
Closing Balance	35,623,997.79	25,610,493.75
Total	138,759,038.16	144,939,619.60

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

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 31, 2080	As at Ashad 32, 2079
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 31, 2080		As at Ashad 32, 2079	
	No of Shares	Amount	No of Shares	Amount
Balance as at the beginning of the year	17,073,400	1,707,340,000	17,073,400	1,707,340,000
Add: Shares issued during the year*	-	-	-	-
Balance as at the end of the year	17,073,400	1,707,340,000	17,073,400	1,707,340,000

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 31, 2080		As at Ashad 32, 2079	
	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.

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

25 Other Equity

25.1 Retained Earnings

Amount in NPR

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Balance up to Last Year	1,572,814,472.16	1,178,791,966.89
Profits for the Year	927,821,225.98	1,043,520,656.02
Other Comprehensive Income for the Year		-
Revaluation Reserve	37,694,481.00	37,694,481.00
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	2,538,330,179.14	2,255,750,472.16
Less:		
Earlier Years' Tax	-	-
Earlier Years' Gratuity	-	-
Dividend Distribution	-	(682,936,000.00)
Sub-Total (A)	2,538,330,179.14	1,572,814,472.16

25.2 Revaluation Reserves

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Revaluation of Land & Buildings:		
Balance up to Last Year	3,136,144,760.52	3,173,839,241.52
NFRS Adjustments-Additions	-	-
Increase/(Decrease) during the year	(37,694,481.00)	(37,694,481.00)
Sub-Total (B)	3,098,450,279.52	3,136,144,760.52
Grand Total (A+B)	5,636,780,458.66	4,708,959,232.68

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

26 Revenue from Operations

Amount in NPR

Particulars	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Sales of goods		
- Export Sales	7,243,391,389.82	7,306,102,486.81
- Local Sales	2,232,325,702.80	2,550,610,975.28
Other Operating Income		
- Export Incentives*	485,976,866.27	214,293,772.57
- Sale of Scraps & Wastages	44,115,939.77	33,455,605.46
Total	10,005,809,898.66	10,104,462,840.12

*Refer Note no. 39

27 Cost of Sales

Amount in NPR

Particulars	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Raw Material Consumed	6,439,600,968.97	5,913,951,523.88
Total Raw Material Consumed	6,439,600,968.97	5,913,951,523.88
Production and Manufacturing Overheads	2,202,812,502.84	2,368,659,002.35
Gross Cost of Production	8,642,413,471.81	8,282,610,526.23
Cost of Consumable Sold	199,816.71	4,841,352.83
Cost of Goods	8,642,613,288.52	8,287,451,879.06
Changes in inventory of		
- Finished Goods	(350,716,517.24)	(81,023,257.06)
- WIP	(45,516,993.23)	(75,843,110.73)
- Usable Waste	(13,277,217.94)	8,260,673.97
- Waste	4,008,734.60	(12,531,939.05)
Total Cost of Sales	8,237,111,294.71	8,126,314,246.19

27.1 Production and Manufacturing Overheads

Amount in NPR

Particulars	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Consumption of Dyes & Chemicals	83,896,418.67	97,985,933.13
Consumption of Packing Materials	172,194,613.94	161,386,516.22
Consumption of Stores & Spares	88,740,599.50	194,322,214.77
Wages & Salaries	644,963,770.95	665,826,445.57
Labour Welfare	1,401,166.86	1,508,505.67
Power & Fuel	796,275,492.53	711,327,466.72
Insurance Charges	33,924,125.40	30,567,161.34
Repairs & Maintenance-Plant & Machinery	13,597,795.39	125,764,611.88
Repairs & Maintenance-Building	11,674,941.23	63,844,440.11
Laboratory Expenses	47,466.19	22,563.20
Factory General Expenses	1,132,458.51	1,310,497.74
Depreciation	354,963,653.67	314,792,646.00
Total	2,202,812,502.84	2,368,659,002.35

Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

28 Other Income

Amount in NPR

Particulars	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Rental Income	9,277,207.00	10,953,420.00
Interest Income	3,309,713.04	2,451,508.36
UK-Aid Grant*	22,464,046.07	17,728,909.10
Exchange Gain (Net)	-	-
Sundry Balances written back	1,093,599.95	398,254.88
Gain on Sale of Fixed Assets	574,423.22	-
Miscellaneous Income	760,894.20	466,062.19
Total	37,479,883.48	31,998,154.53

* Refer Note No. 3.8(C)

29 Selling and Distribution Expenses

Amount in NPR

Particulars	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Commission on Sales	63,179,775.40	68,674,141.20
Business Promotion Expenses	827,753.18	1,578,236.62
Export Sales Expenses	88,220,027.34	228,057,195.86
Local Sales Expenses	39,316,386.58	34,268,852.90
Total	191,543,942.50	332,578,426.58









Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

30 Administrative & Other Expenses

Amount in NPR

Particulars	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Advertisement Exp	79,122.31	2,292,491.19
Audit Fees	500,000.00	500,000.00
Bank Charges	1,682,952.04	3,393,759.17
Books & Periodicals	42,335.00	28,569.00
Charity & Donation	50,000.00	546,000.00
Electricity	495,704.00	598,686.00
Gardening	167,046.25	104,247.27
General Expenses	2,240,496.17	1,431,673.85
Leave	4,863,029.79	1,958,087.79
Guest Entertainment	2,348,578.53	1,666,176.52
House Keeping Expenses	235,984.00	262,484.00
Legal & Professional Fees	2,580,849.58	8,507,755.74
Membership & Subscription	58,000.00	50,000.00
Postage & Telegram	1,148,495.50	944,238.64
Printing & Stationery	2,216,793.73	2,593,171.16
Pooja Expenses	510,751.57	425,219.06
Rates & Taxes	2,189,110.49	1,743,533.00
Recruitment & Training	-	148,566.80
Rent	1,790,973.85	2,108,973.78
Repairs & Maintenance- Others	1,369,345.71	2,554,449.08
Salaries	108,488,580.51	98,887,648.96
Security Expenses	14,268,579.27	13,722,095.74
Staff Welfare	1,980,719.85	3,243,514.25
Sundry Balance Written off	664,766.06	-
Telephones & Telex	1,922,880.88	1,776,597.34
Travelling & Conveyance	4,571,075.54	3,088,460.63
Exchange Difference (Net)	43,369,972.11	31,596,204.17
UK Aid Training	44,928,092.14	35,457,818.20
Vehicle Repair & Maintenance	2,550,429.50	2,477,029.13
Vehicle Running	5,209,022.82	3,840,677.91
Depreciation	11,619,037.65	11,599,580.92
Bonus to Staff	100,135,040.37	117,753,625.85
CSR Expenses	10,013,504.04	11,775,362.58
Total	374,291,269.26	367,076,697.73









Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

31 Depreciation and Amortisation Expense

Amount in NPR

Particulars	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Depreciation of Tangible Assets	362,194,295.24	322,003,830.85
Depreciation of Right of use Assets	4,209,204.23	4,209,204.22
Amortisation of Intangible Assets	179,191.85	179,191.85
Total	366,582,691.32	326,392,226.92

Depreciation Disclosure:

Particulars	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
- Cost of Sales	354,963,653.67	314,792,646.00
- Administrative Expenses	11,619,037.65	11,599,580.92
Total	366,582,691.32	326,392,226.92

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 31, 2080	For the year ended Ashad 32, 2079
Interest Expense	247,584,590.30	142,764,839.99
Interest on Lease Liabilities	1,421,785.70	1,965,887.30
Total	249,006,376.00	144,730,727.29

Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

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 31, 2080	For the year ended Ashad 32, 2079
Current tax expense		
Provision for income tax	(67,974,101.10)	(117,355,503.12)
Previous years tax	(477,199.59)	(2,953,489.72)
Total Current Tax Expense	(68,451,300.69)	(120,308,992.84)
Deferred Tax		
Origination and reversal of temporary differences	4,935,627.00	(1,931,248.00)
Recognition of previously unrecognized deferred tax assets	-	-
Total Deferred Tax Income / (Expense)	4,935,627.00	(1,931,248.00)
Total Tax (Expense)/Income for the Year	(63,515,673.69)	(122,240,240.84)

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2080

33.1 Reconciliation of tax expense and the accounting profit multiplied by Company's tax rate for 2079-80 and 2078-79:

Amount in NPR

Particulars	For the year ended Ashad 31, 2080	For the year ended Ashad 32, 2079
Profit before income tax	991,336,899.67	1,165,760,896.86
Effects on income tax of:		
Income not subject to income tax	(574,423.22)	-
Expenses (deductible)/ not deductible for tax purposes	(259,240,294.20)	(120,250,092.48)
Prior year under/ (over) provision	-	-
Net effect	(259,814,717.42)	(120,250,092.48)
Taxable Income	731,522,182.25	1,045,510,804.38
Income not subject to income tax		
Miscellaneous Income	574,423.22	-
Exchange gain	-	-
Insurance Claim	-	-
Total	574,423.22	-
Expenses (deductible)/ not deductible for tax purposes		
Difference in Depreciation as per Income tax Act & Books	(247,448,306.40)	(71,970,445.91)
(Allowed)/ Disallowed Other Expenses	10,373,983.24	(43,100,254.71)
(Allowed)/ Disallowed exchange difference	(25,414,628.00)	(21,840,626.97)
Disallowed finance cost	1,421,785.70	2,472,894.30
Disallowed Repairs and Maintenance Expenses	1,826,871.26	14,188,340.81
Total	(259,240,294.20)	(120,250,092.48)
Prior year under/(over) provision		
Prior Period Expenses	-	-
Total	-	-
Tax	-	-

Tax on Taxable Income	For the year ended Ashad 31, 2080		For the year ended Ashad 32, 2079	
	Taxable Income	Tax Amount	Taxable Income	Tax Amount
Manufacturing Income (Export) @ 8% (P.Y.- 10.40%)	559,966,781.58	44,797,342.53	729,139,515.64	75,830,509.63
Manufacturing Income (Local) @ 12.6%	158,968,480.63	20,030,028.56	302,966,360.38	38,173,761.41
Investment Income @ 25%	12,586,920.04	3,146,730.01	13,404,928.36	3,351,232.09
Total Income	731,522,182.25	67,974,101.10	1,045,510,804.38	117,355,503.13

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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 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 31, 2080	For the year ended Ashad 32, 2079
(a) Purchases*			
Shivam Plastics Industries Ltd.	Other Related Parties	25,139,260	25,738,080
MS Trading International	Other Related Parties	1,186,741	1,012,306
(b) Sales*			
Shivam Plastics Industries Ltd.	Other Related Parties	462,565	830,796
Tricot Industries Pvt. Ltd.	Other Related Parties	6,348,362	10,611,736
(c) Rental Income:			
Shivam Plastics Industries Ltd.	Other Related Parties	6,486,000	6,486,000
(d) Salary & Allowances:			
Mr. Anil Kumar Somani	CFO	4,971,553	3,390,342
(d) Payment of Dividend:			
Mr. Pawan Kumar Golyan	Chairman	-	125,133,420
Mr. Akshay Golyan	MD	-	130,961,580

* Amounts are exclusive of taxes

III. Outstanding Balances

Name of Related Parties	As at Ashad 31, 2080	As at Ashad 32, 2079
Payables		
Shivam Plastics Industries Ltd.	3,825,961	2,371,692
MS Trading International	56,365	52,189
Receivables		
Shivam Plastics Industries Ltd.	-	583,193
Tricot Industries Pvt. Ltd.	4,771,762	5,334,641

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 2079-80 :	-
Interim Dividend on Ordinary Shares:	-
Total Dividend Declared	-

35.2 Proposed for approval (not recognised as a liability as at balance sheet date)

Particulars	As at Ashad 31, 2080	As at Ashad 32, 2079
Interim Dividends on Ordinary Shares	341,468,000.00	-
Total Dividend Proposed	341,468,000.00	-

36 Leases

36.1 Company as lessee :

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

36.1.2 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.

36.1.3 Movement in the lease liability during the year:

Particulars	As at Ashad 31, 2080
Opening Balance	12,925,324.55
Add: Recognition on account of adoption of NFRS 16	-
Add: Additions during the year	-
Add: Interest accrued during the year	1,421,785.70
Less: Payment of lease liabilities	6,996,023.80
Less: Derogation during the year	-
Total	7,351,086.45

36.1.4 Maturity Analysis

Particulars	As at Ashad 31, 2080
Less than one year	1,038,250.47
One to five years	6,312,835.98
More than five years	-
Total	7,351,086.45



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36.1.5 Amounts recognised in Statement of profit and loss:

Particulars	For the year ended Ashad 31, 2080
Interest on lease liabilities in Finance Cost	1,421,785.70
Lease payments not recognised as a liability	1,790,973.85
Total	3,212,759.55

36.1.6 Amounts recognised in the statement of cash flows

Particulars	For the year ended Ashad 31, 2080
Total cash outflow for leases	6,996,023.80
Total	-
	6,996,023.80

36.1.7 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 31, 2080	For the year ended Ashad 32, 2079
Lease expense recognised in the statement of profit and loss for the year	1,790,973.85	2,108,973.78

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 31, 2080	For the year ended Ashad 32, 2079
Lease income recognised in the statement of profit and loss for the year	9,277,207	10,953,420
The future minimum lease receivable over the next one year	8,746,643	9,574,020
The future minimum lease receivable later than one year but not later than five years	-	8,866,433
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 31, 2080	For the year ended Ashad 32, 2079
I. Net profit attributable to Shareholders for Basic earnings	927,821,225.98	1,043,520,656.02
II. Net profit attributable to Shareholders for diluted earnings	-	-
III. Weighted average number of Ordinary Shares for basic EPS	17,073,400.00	17,073,400.00
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	17,073,400.00
Basic earnings per ordinary share	54.34	61.12
Diluted earnings per ordinary share	54.34	61.12

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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 31, 2080	For the year ended Ashad 32, 2079
Gross amount required to be spent by the company during the year	10,013,504.04	11,775,362.58
Less: Amount spent by the company during the year	-	850,940.80
Short/(Excess)	10,013,504.04	10,924,421.78

39 In the fiscal year 2079/80, the Company recognizes export incentives as part of its Other Operating Income. The recognition is based on several conditions being met. Firstly, the amount of revenue must be reliably measured. Secondly, it should be probable that future economic benefits will flow to the entity. Thirdly, the Company has made export sales of more than fifty crore rupees during the period.


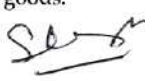

As per Sub-section 4 of Section 3 of the Guidelines relating to Export Incentives (Second Amendment) 2079, which was amended from the Guidelines relating to Export Incentives, 2075, by a notice issued by the Ministry of Industry, Commerce, and Supplies, published in the Nepali Gazette on the 31st of Asoj, 2079: If an industry exports more than fifty crore rupees in a financial year, it may be eligible for a cash subsidy of up to a maximum of eight percent.



The company has obtained value addition approval from Department of Industries (DOI) in Tripureshwor, on 1st of Kartik, 2080, for the purpose of obtaining exports incentives for the period spanning from Kartik 1, 2079, to Ashad 31, 2080. The total claim amount during this period is NRs. 432,105,903.58.

The bank has disbursed an export incentive of NPR 34,950,185.89 related to the last two months of the fiscal year 2078/79 and the first three months of 2079/80. This amount has been used to offset the receivables for that specific period. It's important to note that the final reimbursement settlement from the Nepal Rastra Bank to the bank has not yet been received

40 During the fiscal year 2078-79, the company's assets were significantly affected by flooding caused by heavy rainfall in the month of Kartik, 2078. At the time of reporting, the insurance claim for damages to assets, such as Property, Plant & Equipment, Finished Goods, Work-in-Progress, Raw Material, waste, and more, was still in the process of assessment. The claim amount had not yet been confirmed by the Surveyor. However, the company had received one installment of the claim on a provisional basis, and this had been reflected in the company's financial books. The final claim amount would become receivable once the Surveyor completed the final assessment of the damage. It's important to note that the loss caused by the flood is fully insured and fully recoverable, and the company had duly informed the Tax Office under Section 39A of the Value-Added Tax Act, 2052, regarding this matter.

In the current fiscal year 2079-80, the company received the remaining portion of the insurance claim. As quantity loss and complete loss had already been accounted for in the financial year 2078-79, the claim related to quality loss during the previous year was not included in that period's financial records. This decision was based on the fact that these goods did not result in a gross loss, the surveyor's report had not been finalized, and the precise amount of loss was undetermined at that time. Consequently, the amount associated with stock, encompassing finished goods, raw materials, work-in-progress, and other items, was separately recorded. This action reduced the cost of goods sold in the fiscal year 2079-80 without affecting the costing of finished goods.

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- 41 During the fiscal year 2078-79, our company exported goods with a consignment value of USD 134,851.54 to M/s. Maximus Synergy Limited. Unfortunately, the party failed to adhere to the applicable rules of their country during the importation of these goods. As a result, the outstanding balance of USD 99,861.54 was not received by our company. To address this issue, we took legal action against the alleged party in the High Court of the Republic of Kenya. Additionally, the Central Bank of Kenya has initiated a criminal case against the same party.

In the current fiscal year 2079-80, the High Court granted permission to resell second container to another party, which allowed us to recover USD 23,021. However, it's important to note that there were additional expenses related to shipping, demurrage, certificates of conformity (CoC), and other charges amounting USD 26,399.50 that our company had to bear. Consequently, we filed a case to seek reimbursement for these expenses, in addition to the outstanding amount related to the first container, which is USD 53,221.

As of the present moment, the case is still pending in court. Despite this, our management remains optimistic based on the evidence and facts presented in the case that we will fully recover the outstanding amount. Therefore, the management believes that there is no need to make a provision for this matter in our financial statements. We will continue to monitor the progress of the case closely and take necessary actions as required.

42 **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 31, 2080	As at Ashad 32, 2079
a) Contingent Liabilities		
(i) Performance Guarantees	833,964,327	559,398,559
(ii) Unexpired Letter of Credit	397,029,485	2,276,400,203

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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43 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.

43.1 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.

43.1.1 Foreign currency risk


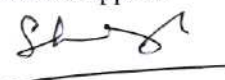


Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue 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 Ashad 31, 2080	As at Ashad 32, 2079
a) Payables			
- Borrowings	USD	5,309,043.53	-
- Other Payables	USD	10,942,862.45	8,146,207.72
- Trade Payables	USD	71,769.38	98,119.30
- Advance from Customers	USD	56,463.81	42,600.00
b) Receivables			
- Trade Receivables	USD	1,665,952.26	1,855,250.23

43.1.2 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.

Reliance Spinning Mills Ltd.
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43.2 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 Gurantees and Sales Usage Letter of Credit where appropriate as a means of mitigating the risk of financial loss from defaults.

43.2.1 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.

43.2.2 Cash deposits

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

43.3 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 regulady 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 pregulaqpasis 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.

