Name: **Reliance Spinning Mills Ltd.**
Subject: Financial Statement & Annual Accounts for the FY: 2080-81
As at: Ashad 31, 2081 (15th July, 2024)
Period: Shrawan 1, 2080 to Ashad 31, 2081 (July 17, 2023 to July 15, 2024)

M.Verma & Associates
(Chartered Accountants)

M. VERMA & 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, 2081, 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
Useful life of Property, Plant and Equipment: 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. 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.	Our principal audit procedures performed, among other procedures, included the following: 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.

M. Verma & Associates Kathmandu Chartered Accountants

	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.
Export Incentives Company has booked Export Incentive as income on accrual basis.	Company has fulfilled the required condition as specified in the Guidelines related to Export Incentives 2075, as amended in 2079. Company has already got the approval of DOI for verification of export sales. Refer Note 40.
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.

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.

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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.

For: M.Verma & Associates
Chartered Accountants

M. Verma & Associates Kathmandu Chartered Accountants

CA Mukesh Verma
Proprietor

Place: Kathmandu, Nepal
Date: 07/07/2081.
UDIN No.: 241027CA00712feh99

Reliance Spinning Mills Ltd.
Statement of Financial Position
As at 15th July, 2024 (Ashad 31, 2081)

Amount in NPR

Particulars	Note	As at Ashad 31, 2081	As at Ashad 31, 2080
Assets			
Non Current Assets			
Property, Plant and Equipment	4	9,372,667,634.61	9,459,646,013.64
Capital work-in-progress	4.1	111,827,034.03	226,757,868.62
Right-of-use Assets	4.2	22,890,344.81	5,196,662.57
Intangible Assets	5	-	179,191.83
Financial Assets			
Other Financial Assets	6	3,005,925.01	2,395,886.01
Total Non Current Assets		**9,510,390,938.46**	**9,694,175,622.67**
Current Assets			
Inventories	7	2,165,469,108.45	2,564,101,880.23
Financial Assets			
Trade Receivables	8	1,158,639,021.20	1,293,948,196.63
Cash & Cash Equivalents	9	39,291,368.11	160,811,468.21
Other Financial Assets	10	1,296,117,748.08	493,818,963.78
Other Current Assets	11	526,738,519.70	279,957,844.91
Current Tax Assets (Net)	12	8,658,217.44	12,797,314.85
Total Current Assets		**5,194,913,982.98**	**4,805,435,668.61**
Total Assets		**14,705,304,921.44**	**14,499,611,291.28**
Equity and Liabilities			
Liabilities			
Non Current Liabilities			
Financial Liabilities			
Borrowings	13	3,085,149,073.54	3,452,555,218.21
Lease Liabilities	14	21,303,602.46	6,312,835.98
Other Financial Liabilities	15	2,087,443.21	1,875,140.71
Deferred Tax Liabilities (Net)	16	118,842,500.00	77,544,322.00
Provisions	17	14,850,910.00	19,732,572.00
Total Non Current Liabilities		**3,242,233,529.21**	**3,558,020,088.90**
Current Liabilities			
Financial Liabilities			
Borrowings	18	2,025,440,205.96	1,433,584,167.83
Trade payable	19	193,710,084.24	326,129,823.83
Lease Liabilities	20	5,006,120.80	1,038,250.47
Other Financial Liabilities	21	2,120,542,232.97	1,669,127,098.26
Other Current Liabilities	22	16,936,242.76	28,832,365.16
Provisions	23	48,400,253.68	138,759,038.17
Total Current Liabilities		**4,410,035,140.41**	**3,597,470,743.72**
Total Liabilities		**7,652,268,669.62**	**7,155,490,832.62**
Equity			
Share Capital	24	1,707,340,000.00	1,707,340,000.00
Other Equity	25	5,345,696,251.82	5,636,780,458.66
Total equity		**7,053,036,251.82**	**7,344,120,458.66**
Total liabilities and equity		**14,705,304,921.44**	**14,499,611,291.28**

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

For and on Behalf of Board

As per our report of even date

P.K. Golyan
Chairman

S.K. Agrawal
Director

Akshay Golyan
MD

A.K. Somani
CFO

Place: Kathmandu, Nepal
Date: 2024.10.23

CA Mukesh Verma
Proprioter
M.Verma & Associates
Chartered Accountants

RELIANCE SPINNING MILLS LTD. Estd. 2051 Kathmandu

M. Verma & Associates Kathmandu Chartered Accountants

Reliance Spinning Mills Ltd.

Statement of Profit and Loss

For the year ended Ashad 31, 2081

Amount in NPR

Particulars	Note	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Revenue From Operations	26	9,206,000,831.06	10,005,809,898.66
Cost of Sales	27	(8,340,940,505.47)	(8,237,111,294.71)
Gross Profit		**865,060,325.59**	**1,768,698,603.95**
Other Income	28	57,821,680.21	37,479,883.48
Selling and Distribution Expenses	29	(121,122,959.97)	(191,543,942.50)
Administrative & Other Expenses	30	(226,576,144.83)	(374,291,269.26)
Allowance for Expected Credit Loss	31	(2,419,111.68)	-
Operating Profit		**572,763,789.32**	**1,240,343,275.67**
Finance Costs	32	(472,691,458.26)	(249,006,376.00)
Profit/(Loss) Before Tax		**100,072,331.06**	**991,336,899.67**
Income Tax Expense	33	(49,688,537.90)	(63,515,673.69)
Profit/(Loss) for the year		**50,383,793.16**	**927,821,225.98**
Earnings Per Share (EPS)			
Basic EPS (Rs)		2.95	54.34
Diluted EPS (Rs)		2.95	54.34

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: 2024.10.23

As per our report of even date

CA Mukesh Verma
Proprioter
M.Verma & Associates
Chartered Accountants

RELIANCE SPINNING MILLS LTD. Estd. 2051 Kathmandu

Reliance Spinning Mills Ltd.

Statement of Cash Flow

For the year ended Ashad 31, 2081

Amount in NPR

Particulars	Note	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
A Cash Flow from Operating Activities:			
Profit Before Income Tax		100,072,331.06	991,336,899.67
Adjustments for Non Cash Items:			
Depreciation & Amortization		448,123,886.42	366,582,691.32
Adjustments for non operating items: -			
Interest Expenses		472,691,458.26	249,006,376.00
Unrealised Exchange (Gain)/Loss		14,920,710.85	(539,492.29)
Profit on Sale of Fixed Assets		-	(574,423.22)
Sundry Balances Written Back		(11,238,559.81)	(1,093,599.95)
Sundry Balances Written Off		-	664,766.06
Interest Income		(21,160,243.58)	(3,309,713.04)
Operating Profit Before Changes to Receivables and Payables		**1,003,409,583.20**	**1,602,073,504.55**
(Increase)/Decrease in Trade & Other Receivables		(913,770,283.66)	(692,184,258.76)
(Increase)/Decrease in Inventories		398,632,771.78	(641,785,800.83)
(Decrease)/Increase in Current Liabilities		804,914,375.32	919,616,115.78
(Increase)/Decrease in Non-Current Assets		(610,039.00)	(784,623.91)
(Decrease)/Increase in Non-Current Liabilities		(4,669,359.50)	1,887,252.85
Cash Generated from Operations		**1,287,907,048.14**	**1,188,822,189.68**
Income Tax Paid		(4,251,262.49)	(65,126,219.95)
Net Cash Inflow from Operating Activities		**1,283,655,785.65**	**1,123,695,969.73**
B Cash Flow from Investing Activities :			
Proceeds From Disposal of Property and Equipment		967,748.44	1,039,823.02
Purchase of Property and Equipment, Capital work-in-progress and Intangible Assets		(241,280,643.21)	(3,078,644,976.14)
Interest Income		21,160,243.58	3,309,713.04
Net Cash Used in Investing Activities		**(219,152,651.19)**	**(3,074,295,440.08)**
C Cash Flow from Financing Activities :			
Equity Share Capital		-	-
Increase / (Decrease) in Long Term Loan		(367,406,144.67)	2,252,282,453.71
Principal component of Lease Liabilities		(4,457,631.63)	(5,574,238.09)
Interest Paid		(472,691,458.26)	(249,006,376.00)
Dividends Paid		(341,468,000.00)	-
Net Cash Flow From Financing Activities		**(1,186,023,234.56)**	**1,997,701,839.62**
Net Increase in Cash & Cash Equivalents	A+B+C	**(121,520,100.10)**	**47,102,369.27**
Opening Cash & Cash Equivalents		160,811,468.21	113,709,098.94
Closing Cash & Cash Equivalents		**39,291,368.11**	**160,811,468.21**

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: 2024.10.23

As per our report of even date

CA Mukesh Verma
Proprioter
M.Verma & Associates
Chartered Accountants

Reliance Spinning Mills Ltd.

Statement of Changes in Equity

For the year ended Ashad 31, 2081

Amount in NPR

Particulars	Equity Share Capital	Equity Component of Compound Financial Instruments	Revaluation Reserve	Retained Earnings	Total
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	-	-	-	-	-
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	-	-	-	-	-
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
For the Year 2080-81					
At start of year	1,707,340,000.00	-	3,098,450,279.52	2,538,330,179.14	7,344,120,458.66
Profit for the year	-	-	-	50,383,793.16	50,383,793.16
Other comprehensive income	-	-	-	-	-
Change in fair value of financial assets through OCI		-	-	-	-
Revaluation of Land and Building through OCI	-	-	-	-	-
Deferred Tax Reserves	-	-	-	-	-
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	-	-	-	(341,468,000.00)	(341,468,000.00)
Ordinary Shares Dividend - Interim	-	-	-	-	-
Preference Shares Dividend	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-
Balance as at Ashad 31, 2081	1,707,340,000.00	-	3,060,755,798.52	2,284,940,453.30	7,053,036,251.82

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: 2024.10.23

As per our report of even date

CA Mukesh Verma
Proprioter
M.Verma & Associates
Chartered Accountants

RELIANCE SPINNING MILLS LTD. Estd. 2051 Kathmandu

M. Verma & Associates Chartered Accountants Kathmandu

Reliance Spinning Mills Ltd.
Statement of Other Comprehensive Income
For the year ended Ashad 31, 2081

Amount in NPR

Particulars	Note	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Profit For The Year		50,383,793.16	927,821,225.98
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		50,383,793.16	927,821,225.98

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: 2024.10.23

As per our report of even date

CA Mukesh Verma
Proprioter
M.Verma & Associates
Chartered Accountants

RELIANCE SPINNING MILLS LTD. Estd. 2051 Kathmandu

M. Verma & Associates Kathmandu Chartered Accountants

Reliance Spinning Mills Ltd.

Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 31, 2081

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 23.10.2024

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.

M. Verma & Associates Chartered Accountants Kathmandu

Reliance Spinning Mills Ltd. Estd. 2051 Kathmandu

Reliance Spinning Mills Ltd.

Significant Accounting Policies and Notes to Financial Statements

For the year ended Ashad 31, 2081

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.

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).

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. NRFS 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 , such exception to NFRS implementation has been noted and disclosed in respective sections.

RELIANCE SPINNING MILLS LTD.
Estd. 2051
Kathmandu

M. Verma & Associates
Kathmandu
Chartered Accountants

Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the year ended Ashad 31, 2081

3 Significant Accounting Policies

3.1 Basis of Measurement

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

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

3.2 Presentation - Current versus Non-Current Classification

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

The Company classifies an asset as current when it is:

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

All other assets are classified as non-current.

The Company classifies a liability as current when:

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

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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.

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.

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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.

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.

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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.

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 an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

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

The Company as a Lessor

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

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

The 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.

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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.
- Income from write-back of payables is recognized under "Miscellaneous Income" when the obligation is extinguished and no longer required to be settled.

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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 if:

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

Cost includes expenditure that is directly attributable lo 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 and removing the items and restoring the site on which they are located; and
- 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.

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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.

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

Particulars	Useful Life
Computer Software	5 years

3.11 Investment property

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

3.12 Financial Instruments : Financial Assets

Financial Asset is any asset that is:

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
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 though 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.

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

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

E) Determination of Fair Value

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

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

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

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

F) Impairment

At each reporting date, the Company assesses the impairment of financial assets using the Expected Credit Loss (ECL) model as required under NFRS 9. The Company recognizes expected credit losses for all financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income (FVOCI).

Impairment Assessment: The Company assesses financial assets for impairment at both the individual and collective level, taking into account both 12-month ECL for assets with no significant increase in credit risk and Lifetime ECL for assets with a significant increase in credit risk.

Provision Matrix: For trade receivables and other financial assets, the Company uses a provision matrix to estimate lifetime ECL based on historical loss experience and forward-looking economic conditions.

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Modelling and Adjustments: In assessing credit losses, the Company uses statistical models that incorporate probability of default (PD), loss given default (LGD), and exposure at default (EAD). The Company also adjusts these estimates for management's judgment, incorporating current and forecasted economic conditions.

Regular Review: Default rates, loss rates, and other assumptions are reviewed regularly and benchmarked against actual outcomes to ensure that the ECL estimates remain accurate and appropriate.

3.13 Income Taxes

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

Current Tax

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

Deferred Income Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates (i.e 12.60%) 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

lnventories 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. lnventories of Raw material are carried at Cost.

ln determining the cost of raw materials First ln 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.

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

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

Saleable wastages are carried at the Net realizable value.

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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.

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.

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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.

C. Long-term Employment Benefits

Leave Encashment has been computed using Actuarial Assumptions and these are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the year using the Projected Unit Credit Method. The benefits are discounted using the market yields at the end of the year that have terms approximating to the terms of assumptions.

Key Assumptions:

The following actuarial assumptions were used in measuring the leave encashment liability:

A.Discount rate: 9% (based on market yields on government bonds).

B.Salary growth rate: 5% (based on historical salary increment trends and expected future salary increases).

During the year, an actuarial gain is recognized in the Profit and Loss Statement due to changes in the actuarial assumptions, primarily related to discount rate or salary escalation.

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 equity 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.

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ii) Financial Liabilities measured at amortized cost

All financial liabilities other than measured at fair value though 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.

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.

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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.

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4 Property, Plant & Equipments (PPE)

The changes in the carrying value of Property, Plant & Equipments (PPE) for the year ended Ashad 31, 2081, Ashad 31 2080 and Ashad 32 2079 are as follows:

Particulars	Land & Land Development	Buildings	Plant & Machinery	Office & Electrical Equipment	Furniture & Fixtures	Vehicles	Computers	Total
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
Addition during the Year								-
Acquisition	1,624,838.00	6,715,672.75	345,096,264.01	153,092.91	1,982,220.75	-	639,389.38	356,211,477.80
Capitalization								-
Disposal during the year						(1,843,332.44)		(1,843,332.44)
Balance as at Ashad end 2081	2,872,324,756.00	3,028,005,152.94	5,050,694,574.88	6,625,957.18	20,213,418.66	29,621,665.63	6,461,481.76	11,013,947,007.05
Depreciation & Impairment								
As at Ashad end 2079	-	235,858,022.96	230,018,307.00	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)
As at Ashad end 2080	-	329,164,354.40	491,675,629.23	3,780,435.88	5,928,878.90	11,531,654.40	3,911,920.24	1,199,932,848.05
Depreciation charge for the Year		116,317,634.78	318,306,090.45	1,243,150.86	1,947,168.38	3,491,835.00	916,228.92	442,222,108.39
Impairment for the year								
Disposals						(875,584.00)		(875,584.00)
As at Ashad end 2081	-	445,481,989.18	809,981,719.68	5,023,586.74	7,876,047.28	14,147,905.40	4,828,149.16	1,641,279,372.44
Net Carrying Amount:								
As at Ashad end 2079	2,796,419,000.00	1,903,746,285.09	2,381,705,559.12	2,914,466.84	12,751,835.38	21,152,462.89	2,054,276.23	7,120,743,885.55
As at Ashad end 2080	2,870,699,918.00	2,692,125,125.79	4,213,922,681.64	2,692,428.39	12,302,319.01	19,933,343.67	1,910,172.14	9,459,646,013.64
As at Ashad end 2081	2,872,324,756.00	2,582,523,163.76	4,240,712,855.20	1,602,370.44	12,337,371.38	15,473,760.23	1,633,332.60	9,372,667,634.61

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Property, Plant & Equipment have been mortgaged/hypothecated against Bank Borrowings.
Land acquisition cost during the year consist of amount spend on stamp duty and other registration expenses during exchange of Land with Devaki Devi Bohara to maintain the Border of land

All categories of Property, Plant and Equipment are initially recorded at cost. Property, Plant and Equipment except Land & Building 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 appropraite, 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 appropraite, 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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4.1 Capital work-in-progress

The changes in the carrying value of capital work-in-progress for the year ended Ashad 31, 2081 and Ashad 31, 2080 are as follows:

Amount in NPR

Particulars	Buildings	Plant & Machinery	Total
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**
Addition during the Year	-	111,827,034.03	111,827,034.03
Transfer to property, plant and equipment	-	226,757,868.62	226,757,868.62
Foreign currency translation difference	-	-	-
Balance as at Ashad end 2081	-	**111,827,034.03**	**111,827,034.03**

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, 2081 and Ashad 31,2080 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**
Additions/disposals/adjustments during the year	-	17,076,525.01	17,076,525.01
Balance as at Ashad end 2081	**7,275,327.59**	**23,416,268.44**	**30,691,596.03**
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**
Additions/disposals/adjustments during the year	1,039,332.51	4,683,253.69	5,722,586.20
Elimination on Disposal/Adjustment of Assets	-	6,339,743.43	6,339,743.43
Balance as at Ashad end 2081	**3,117,997.53**	**4,683,253.69**	**7,801,251.22**
Net Carrying Amount:			
As at Ashad end 2080	5,196,662.57	-	5,196,662.57
As at Ashad end 2081	4,157,330.06	18,733,014.75	22,890,344.81

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5 Intangible Assets

The changes in the carrying value of Intangible Assets for the year ended Ashad 31, 2081 and Ashad 31, 2080 are as follows:

Amount in NPR

Particulars	Computer Software
Cost:	
Balance 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**
Addition during the Year	
Acquisition	-
Capitalization	-
Disposal During the Year	-
Adjustment/Revaluation	-
As at Ashad end 2081	**1,665,000.00**
Amortisation and impairment losses	
As at 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**
Amortization charge for the Year	179,191.83
Impairment for the Year	
Disposals	
Adjustment	
As on Ashad end 2081	**1,665,000.00**
Net Carrying Amount:	
As at Ashad end 2080	**179,191.83**
As at Ashad end 2081	-

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6 Other Financial Assets (Non-Current)

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Security Deposits	3,005,925.01	2,395,886.01
Total	**3,005,925.01**	**2,395,886.01**

7 Inventories

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

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Raw Materials	720,693,535.94	774,825,076.26
Finished Goods	571,309,382.38	1,016,701,370.67
Work In Process	282,004,930.93	237,668,471.14
Store, Spares and Consumables	358,422,880.57	154,878,185.91
Waste	57,193,968.32	34,733,645.67
Goods in Transit	175,844,410.31	345,295,130.58
Gross Total	**2,165,469,108.45**	**2,564,101,880.23**
Less: Allowance for Obsolescence	-	-
Total Inventories*	**2,165,469,108.45**	**2,564,101,880.23**

** 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, 2081	As at Ashad 31, 2080
Trade Receivable*	1,161,058,132.88	1,293,948,196.63
Less : ECL provision	(2,419,111.68)	-
Total	**1,158,639,021.20**	**1,293,948,196.63**

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

9 Cash and Cash Equivalents

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Cash In Hand (as certified)	1,112,737.98	974,384.94
Cheques in Hand	-	1,446,294.00
Balances with Banks	38,178,630.13	158,390,789.27
Total	**39,291,368.11**	**160,811,468.21**

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10 Other Financial Assets

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Letter of Credit	25,343,993.77	21,592,206.00
Fixed Deposit	709,723,680.00	-
Bank Guarantee Margins & Other Margins	7,654,554.14	12,292,563.54
Insurance & Other Claims Receivable	149,759.00	4,305,664.57
Security Deposits	475,001.80	1,127,540.80
UK Aid-Receivable	12,483,293.28	21,937,600.52
Export Incentive Receivable	540,287,466.09	432,563,388.35
Total	**1,296,117,748.08**	**493,818,963.78**

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.

11 Other Current Assets

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Advance to Labours	225,912.00	245,412.00
Advance to Vendors	9,832,523.76	12,642,329.73
Prepaid Expenses	12,258,429.91	2,924,813.79
Reliance Welfare Loan-Staffs	1,752,000.00	1,627,630.59
Reliance Welfare Loan-Workers	5,990,105.53	5,553,970.53
Advance to Staff	38,405.15	66,779.10
Sundry Advances	47,839,886.12	43,099,332.71
VAT Input	448,801,257.23	213,797,576.46
Total	**526,738,519.70**	**279,957,844.91**

12 Current Tax Assets / Liabilities (Net)

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Opening Balance	**12,797,314.85**	**16,122,395.59**
Less: Previous Year Taxation	795,750.83	477,199.59
Balance	12,001,564.02	15,645,196.00
Add: Taxes paid including TDS (Net of adjustments)	4,251,262.49	65,126,219.95
Advance tax for the Year	**16,252,826.51**	80,771,415.95
Less: Current tax payable for the year	7,594,609.07	67,974,101.10
Current Tax Assets / (Liabilities)	**8,658,217.44**	**12,797,314.85**

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13 Borrowings (Non Current)

Non Current Borrowings are interest bearing fiancial 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 immaterial and the carrying value is considered approximate amortized cost.

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Secured Loans from Banks*		
- Term Loan	3,463,733,073.54	3,724,568,068.21
Less: Current maturities (Refer Note No 18)	378,584,000.00	272,012,850.00
Total	**3,085,149,073.54**	**3,452,555,218.21**

***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, 2081	As at Ashad 31, 2080
Lease Liability	26,309,723.26	7,351,086.45
Less: Current portion (Refer Note no. 20)	5,006,120.80	1,038,250.47
Total	**21,303,602.46**	**6,312,835.98**

15 Other Non-Current Financial Liabilities

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Security Deposits	2,087,443.21	1,875,140.71
Total	**2,087,443.21**	**1,875,140.71**

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16 Deferred Tax Liabilities (Net)

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Deferred Tax Asset	39,327,379.00	5,979,396.00
Deferred Tax Liability	158,169,879.00	83,523,718.00
Net Deferred Tax Asset / (Liability) at the end of the year	**(118,842,500.00)**	**(77,544,322.00)**
Net Changes	**(41,298,178.00)**	**4,935,627.00**
Deferred Tax charged in OCI	-	-
Deferred Tax charged in Statement of Profit or Loss	**(41,298,178.00)**	**4,935,627.00**
Deferred Tax charged Directly in Equity due to change in estiamte of the life of asset	-	-
Deferred tax Assets:		
Recognized in profit or loss	39,327,379.00	5,979,396.00
Recognized in OCI	-	-
Recognized in Equity	-	-
Deferred tax Assets	**39,327,379.00**	**5,979,396.00**
Deferred tax liability:		
Recognized through profit or loss	158,169,879.00	83,523,718.00
Recognized through OCI	-	-
Deferred tax liability	**158,169,879.00**	**83,523,718.00**

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

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Foreign Exchange Difference	1,614,373.00	-
Tax Loss Carried Forward	27,701,982.00	
Corporate Social Responsibility	4,552,989.00	3,241,784.00
Provision for Leave Encashment	2,143,010.00	2,068,663.00
Lease Liability	3,315,025.00	668,949.00
Property Plant and Equipments	(155,285,696.00)	(83,050,822.00)
Right-of-use Assets	(2,884,183.00)	(472,896.00)
Net Deferred Tax Asset / (Liability) at the end of the year	(118,842,500.00)	(77,544,322.00)

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17 Provisions (Non Current)*

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Provision for Leave Encashment	14,850,910.00	19,732,572.00
Total	**14,850,910.00**	**19,732,572.00**

*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 immaterial and the carrying value is considered approximate amortized cost.

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Secured Loans from Banks		
Bank Overdraft	53,948,188.25	2,565,300.12
Short Term Loan	1,592,908,017.71	1,027,308,017.71
TR Loan	-	131,698,000.00
Current maturities of Non-Current Borrowings (Refer Note No 13)	378,584,000.00	272,012,850.00
Total	**2,025,440,205.96**	**1,433,584,167.83**

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, 2081	As at Ashad 31, 2080
Trade Payables	193,710,084.24	326,129,823.83
Total	**193,710,084.24**	**326,129,823.83**

20 Lease Liabilities (Current)

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Current Portion of Lease Liabilities (Refer no. 14)	5,006,120.80	1,038,250.47
Total	**5,006,120.80**	**1,038,250.47**

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21 Other Financial Liabilities (Current)

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
LC payable	1,242,710,200.16	1,448,776,860.55
Other Payables	50,309,941.56	26,626,285.68
Provision for Expenses	3,578,595.97	58,790,827.80
Reliance Welfare Fund	8,033,882.01	8,275,257.90
Security Deposit Payable	21,408,526.87	26,746,931.81
Expenses Payable	6,839,317.91	4,486,496.18
Interest Payable	686,839.65	469,953.86
Labour Security Payable	5,367,201.00	5,256,751.00
Salary Payable	17,222,087.68	21,180,447.98
Wages Payable	61,561,960.16	68,517,285.50
Advance for Share Capital (QII)*	702,823,680.00	-
Total	**2,120,542,232.97**	**1,669,127,098.26**

*Refer Note 24.4

22 Other Current Liabilities

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Statutory Dues:		
- Citizen Investment Fund	957,075.00	1,082,672.00
- TDS	4,784,995.71	6,294,987.84
- VAT Payable	2,691,866.89	3,965,980.27
Advance from Customers	8,502,305.16	17,488,725.05
Total	**16,936,242.76**	**28,832,365.16**

23 Provisions (Current)

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Provision for CSR	36,134,829.42	35,623,997.80
Provision for Bonus	10,108,316.26	100,135,040.37
Provision for Leave Encashment	2,157,108.00	3,000,000.00
Closing Balance	**48,400,253.68**	**138,759,038.17**

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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, 2081	As at Ashad 31, 2080
I. Provision for Employee Benefits		
Provision for Leave Encashment		
Opening Balance	19,732,572.00	17,706,869.50
Additions during the year	(3,891,244.12)	3,438,529.79
Payments/Adjustments made during the year	990,417.88	1,412,827.29
Closing Balance	**14,850,910.00**	**19,732,572.00**

23.3 Provisions - Current

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Provision for Leave Encashment		
Opening Balance	3,000,000.00	1,575,500.00
Additions during the year	-	1,424,500.00
Payments/Adjustments made during the year	842,892.00	-
Closing Balance	**2,157,108.00**	**3,000,000.00**
Provision for Bonus		
Opening Balance	100,135,040.37	117,753,625.85
Addition	10,108,316.27	100,135,040.37
Payments/Adjustments made during the year	100,135,040.37	117,753,625.85
Closing Balance	**10,108,316.27**	**100,135,040.37**
II. Provision for Corporate Social Responsibility		
Opening Balance	35,623,997.79	25,610,493.75
Addition	1,010,831.62	10,013,504.04
Payment	500,000.00	-
Closing Balance	**36,134,829.41**	**35,623,997.79**
Total	**48,400,253.68**	**138,759,038.16**

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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, 2081	As at Ashad 31, 2080
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 period of the year:

Particulars	As at Ashad 31, 2081		As at Ashad 31, 2080	
	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 period 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, 2081		As at Ashad 31, 2080	
	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 Period of the Year	**17,073,400**	**1,707,340,000**	**17,073,400**	**1,707,340,000**

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24.4 The Company has approved the issuance of 1,926,600 equity shares through an Initial Public Offering (IPO) using the Book Building Method. A portion of this IPO, totaling 40%, or 770,640 equity shares, has already been issued to Qualified Institutional Investors (QII) at NPR 912 per share. This amount is reflected in "Other Financial Liability (Current)" due to its contingent nature, as the public issue process is still pending.

The Company filed its Prospectus with the Securities Board of Nepal (SEBON), and SEBON approved the prospectus on 2081/03/12. However, the IPO process was temporarily halted. Further information has been provided in Note 42 of these financial statements.

25 Other Equity

25.1 Retained Earnings

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Balance up to Last Year	2,538,330,179.14	1,572,814,472.16
Profits for the Year	50,383,793.16	927,821,225.98
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)	-	-
Deferred Tax adjustment directly in Equity due to change in estimate of the life of asset	-	-
Total Comprehensive Income	**2,626,408,453.30**	**2,538,330,179.14**
Less:		
Earlier Years' Tax	-	-
Earlier Years' Gratuity	-	-
Dividend Distribution	(341,468,000.00)	-
Sub-Total (A)	**2,284,940,453.30**	**2,538,330,179.14**

25.2 Revaluation Reserves

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
<u>**Revaluation of Land & Buildings:**</u>		
Balance up to Last Year	3,098,450,279.52	3,136,144,760.52
NFRS Adjustments-Additions	-	-
Increase/(Decrease) during the year	(37,694,481.00)	(37,694,481.00)
Sub-Total (B)	**3,060,755,798.52**	**3,098,450,279.52**

Grand Total (A+B)	**5,345,696,251.82**	**5,636,780,458.66**

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26 Revenue from Operations

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Sales of Goods		
- Export Sales	6,744,866,433.62	7,243,391,389.82
- Local Sales	1,876,935,349.95	2,232,325,702.80
Other Operating Income		
- Export Incentives*	542,578,625.31	485,976,866.27
- Sale of Scraps & Wastages	41,620,422.18	44,115,939.77
Total	**9,206,000,831.06**	**10,005,809,898.66**

**Refer Note no. 41*

27 Cost of Sales

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Raw Material Consumed	5,424,264,037.65	6,439,600,968.97
Total Raw Material Consumed	**5,424,264,037.65**	**6,439,600,968.97**
Production and Manufacturing Overheads	2,537,998,708.47	2,202,812,502.84
Gross Cost of Production	**7,962,262,746.12**	**8,642,413,471.81**
Cost of Consumable Sold	82,553.50	199,816.71
Cost of Goods	**7,962,345,299.62**	**8,642,613,288.52**
Changes In Inventory Of		
- Finished Goods	445,391,988.29	(350,716,517.24)
- WIP	(44,336,459.79)	(45,516,993.23)
- Usable Waste	(23,867,202.05)	(13,277,217.94)
- Waste	1,406,879.40	4,008,734.60
Total Cost of Sales	**8,340,940,505.47**	**8,237,111,294.71**

27.1 Production and Manufacturing Overheads

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Consumption of Dyes & Chemicals	77,407,836.50	83,896,418.67
Consumption of Packing Materials	164,394,905.14	172,194,613.94
Consumption of Stores & Spares	219,901,294.20	88,740,599.50
Wages & Salaries	738,668,341.16	644,963,770.95
Labour Welfare	2,139,449.02	1,401,166.86
Power & Fuel	828,721,749.38	796,275,492.53
Insurance Charges	42,181,406.65	33,924,125.40
Repairs & Maintainence-Plant & Machinery	22,140,096.71	13,597,795.39
Repairs & Maintainence-Building	5,840,586.19	11,674,941.23
Laboratory Expenses	638,153.12	47,466.19
Factory General Expenses	1,341,165.17	1,132,458.51
Depreciation	434,623,725.23	354,963,653.67
Total	**2,537,998,708.47**	**2,202,812,502.84**

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28 Other Income

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Rental Income	9,218,192.70	9,277,207.00
Interest Income	21,160,243.58	3,309,713.04
UK-Aid Grant	-	22,464,046.07
Gain on Revaluation of long term benefits**	11,681,186.12	-
Sundry Balances written Back	11,238,559.81	1,093,599.95
Gain on Sale of Fixed Assets	-	574,423.22
Miscellaneous Income	4,523,498.00	760,894.20
Total	**57,821,680.21**	**37,479,883.48**

***Refer Note No.3.18 (c)*

29 Selling and Distribution Expenses

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Commission on Sales	54,975,670.61	63,179,775.40
Business Promotion Expenses	3,540,251.00	827,753.18
Export Sales Expenses	26,899,575.19	88,220,027.34
Local Sales Expenses	35,707,463.17	39,316,386.58
Total	**121,122,959.97**	**191,543,942.50**

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30 Administrative & Other Expenses

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Advertisement Exp.	248,227.76	79,122.31
Audit Fees	500,000.00	500,000.00
Bank Charges	2,690,152.97	1,682,952.04
Books & Periodicals	41,429.15	42,335.00
Charity & Donation	143,890.00	50,000.00
Electricity	615,388.49	495,704.00
Gardening	200,699.73	167,046.25
General Expenses	1,259,754.30	2,240,496.17
Leave	7,789,942.00	4,863,029.79
Guest Entertainment	2,127,808.89	2,348,578.53
House Keeping Expenses	258,000.00	235,984.00
Legal & Professional Fees	2,171,550.47	2,580,849.58
Membership & Subscription	45,776.00	58,000.00
Postage & Telegram	1,257,909.33	1,148,495.50
Printing & Stationery	3,050,366.85	2,216,793.73
Pooja Expenses	469,412.10	510,751.57
Rates & Taxes	2,928,655.59	2,189,110.49
Recruitment & Training	483,012.60	-
Rent	1,869,000.26	1,790,973.85
Repairs & Maintainence- Others	2,268,900.42	1,369,345.71
Salaries	110,452,284.03	108,488,580.51
Security Expenses	12,067,178.55	14,268,579.27
Staff Welfare	3,270,708.86	1,980,719.85
Sundry Balance Written off	-	664,766.06
Telephones & Telex	2,015,929.49	1,922,880.88
Travelling & Conveyance	6,212,365.89	4,571,075.54
Exchange Difference (Net)	28,113,607.62	43,369,972.11
UK Aid Training	-	44,928,092.14
Loss on Sale of Assets	613,766.14	-
Vehicle Repair & Maintenance	3,977,561.55	2,550,429.50
Vehicle Running	4,813,556.71	5,209,022.82
Depreciation	13,500,161.19	11,619,037.65
Bonus to Staff	10,108,316.27	100,135,040.37
CSR Expenses	1,010,831.62	10,013,504.04
Total	**226,576,144.83**	**374,291,269.26**

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30A Depreciation and Amortisation Expense

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Depreciation of Tangible Assets	442,222,108.39	362,194,295.24
Depreciation of Right of use Assets	5,722,586.20	4,209,204.23
Amortisation of Intagible Assets	179,191.83	179,191.85
Total	**448,123,886.42**	**366,582,691.32**

Depreciation Disclosure:

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
- Cost of Sales	434,623,725.23	354,963,653.67
- Administrative Expenses	13,500,161.19	11,619,037.65
Total	**448,123,886.42**	**366,582,691.32**

31 Allowance for Expected Credit Loss

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
ECL Allowance	2,419,111.68	
Total	**2,419,111.68**	-

**Refer Note no. 35*

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, 2081	For the year ended Ashad 31, 2080
Interest Expense	469,541,211.91	247,584,590.30
Interest on Lease Liabilities	3,150,246.35	1,421,785.70
Total	**472,691,458.26**	**249,006,376.00**

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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, 2081	For the year ended Ashad 31, 2080
Current Tax Expense		
Provision for income tax	(7,594,609.07)	(67,974,101.10)
Previous years tax	(795,750.83)	(477,199.59)
Total Current Tax Expense	**(8,390,359.90)**	**(68,451,300.69)**
Deferred Tax		
Origination and reversal of temporary differences	(41,298,178.00)	4,935,627.00
Recognition of previously unrecognized deferred tax assets	-	-
Total Deferred Tax Income / (Expense)	**(41,298,178.00)**	**4,935,627.00**
Total Tax (Expense)/Income for the Year	**(49,688,537.90)**	**(63,515,673.69)**

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33.1 Reconciliation of tax expense and the accounting profit multiplied by Company's tax rate for 2080-81 and 2079-80:

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
Profit before income tax	100,072,331.06	991,336,899.67
Effects on income tax of:		
Income not subject to income tax	-	(574,423.22)
Expenses (deductible)/ not deductable for tax purposes	(289,550,895.65)	(259,240,294.20)
Prior year under/(over) provision	-	-
Net effect	**(289,550,895.65)**	**(259,814,717.42)**
Taxable Income	**(189,478,564.59)**	**731,522,182.25**
Income not subject to income tax		
Miscellaneous Income	-	574,423.22
Exchange gain	-	-
Insurance Claim	-	-
Total	-	**574,423.22**
Expenses (deductible)/ not deductable for tax purposes		
Difference in Depreciation as per Income tax Act & Books	(300,166,770.00)	(247,448,306.40)
(Allowed)/Disallowed Other Expenses	(6,581,826.65)	10,373,983.24
(Allowed)/Disallowed exchange difference	12,812,486.00	(25,414,628.00)
Disallowed finance cost	-	1,421,785.70
Disallowed Repairs and Maintenance Expenses	4,385,215.00	1,826,871.26
Total	**(289,550,895.65)**	**(259,240,294.20)**
Prior year under/(over) provision		
Prior Period Expenses	-	-
Total	-	-
Tax	-	-

Tax on Taxable Income	For the year ended Ashad 31, 2081		For the year ended Ashad 31, 2080	
	Taxable Income	Tax Amount	Taxable Income	Tax Amount
Manufacturing Income	(219,857,000.87)	-	718,935,262.21	64,827,371.09
Investment Income	30,378,436.28	7,594,609.07	12,586,920.04	3,146,730.01
Total Income	**(189,478,564.59)**	**7,594,609.07**	**731,522,182.25**	**67,974,101.10**

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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, 2081	For the year ended Ashad 31, 2080
(a) Purchases*			
Shivam Plastics Industries Ltd.	Other Related Parties	23,080,360	25,139,260
MS Trading International	Other Related Parties	3,116,611	1,186,741
(b) Sales*			
Shivam Plastics Industries Ltd.	Other Related Parties	591,030	462,565
Tricot Industries Pvt. Ltd.	Other Related Parties	2,286,322	6,348,362
(c) Rental Income:			
Shivam Plastics Industries Ltd.	Other Related Parties	7,458,900	6,486,000
(d) Salary & Allowances:			
Mr. Anil Kumar Somani	CFO	5,187,747	4,971,553
(d) Payment of Dividend:			
Mr. Pawan Kumar Golyan	Chairman	83,422,280	-
Mr. Akshay Golyan	MD	87,307,720	-

** Amounts are exclusive of taxes*

III. Outstanding Balances

Name of Related Parties	As at Ashad 31, 2081	As at Ashad 31, 2080
<u>**Payables**</u>		
Shivam Plastics Industries Ltd.	3,133,168	3,825,961
MS Trading International	503,460	56,365
<u>**Receivables**</u>		
Shivam Plastics Industries Ltd.	205,859	-
Tricot Industries Pvt. Ltd.	2,158,084	4,771,762

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 Trade Receivables & Other Financial Assets and Expected Credit Loss Provision

Trade Receivables

Trade receivables and other financial assets are initially recognized at their transaction value and subsequently measured at amortized cost, net of any impairment provisions. The company applies the simplified approach for measuring expected credit losses (ECL), which requires the recognition of lifetime ECL from the time the receivables are initially recognized.

Credit Risk Management

The Company's receivables & Other financial assets are exposed to credit risk, the risk that customers will fail to meet their payment obligations as they fall due. To manage this risk, the company applies an ECL model based on both historical data and forward-looking information, such as the macroeconomic environment of customers' countries and industries. The company has divided its receivables into categories based on geographical location and customer credit history, applying different ECL models accordingly.

1. Export Receivables

(a) Export to Third Countries (Cash Against Document Financing & Letter of Credit)

The Company's export receivables to third countries are primarily settled through Cash Against Document (CAD) financing or Letters of Credit (LC) issued by reputable international banks. These financial institutions are considered creditworthy, and the political and economic conditions in the relevant countries are stable. Given the secure nature of CAD and LC financing, the risk of default is deemed minimal. However, a few customers have receivables overdue by more than 365 days, with legal cases currently pending in court, which poses some potential risk.

Probability of Default (PD): Based on the creditworthiness of the banks and the secured nature of CAD financing, the company has determined that the PD is **immaterial**, and no ECL provision has been recognized for normal receivables where as 5% PD has been considered for parties mention in Note 43.

(b) Export to India

The Company's export receivables to India are based on open credit terms. The majority of customers have demonstrated strong payment histories, and India's political and economic conditions are stable, leading to a very low risk of default for most receivables. However, there are few customers whose receivables are overdue by more than 365 days, and these have been identified as higher risk.

For receivables with good credit history and no significant issues: Probability of Default (PD): 0.01%, based on the customer's credit history and favorable political/economic conditions.

For the two overdue customers with payments outstanding for more than 365 days:Probability of Default (PD): 3%, reflecting the increased risk due to the extended overdue period.

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2. Local Receivables & other financial assets

The company applies a provision matrix to measure ECL for local trade receivables & other financial assets, segmented based on the aging of receivables and their associated **Probability of Default (PD)**. The company has determined the PD rates in the range of .01 to 10% on Tire basis :

The Loss Given Default (LGD) is assumed to be 100% for local receivables, as no significant collateral or guarantees are in place.

The total ECL provision for local receivables has been calculated based on these PD rates and recognized in the financial statements.

3. Reconciliation of ECL Provision

A reconciliation of the movement in the ECL provision for the reporting period is as follows:

Category	Opening Balance	Provision for the Period	Utilization/ Write-off	Closing Balance
ECL provision		4,352,767.20	2,419,111.68	1,933,655.52

Credit Risk Disclosure

The company actively monitors its trade receivables and adjusts the ECL model based on customer payment behavior and changes in the macroeconomic environment. The current provisions reflect management's best estimate of expected credit losses based on available information as of the reporting date.

This disclosure addresses both export and local receivables, with specific treatment for **CAD financing** (no ECL), export to India (low PD for most, higher for overdue accounts), and **local receivables** & other financial assets with tiered PD rates based on aging.

36 Changes in Long Term Benefits

Particulars	Current Year
Long Term Benefits as at the beginning of the year	22,732,572.00
Service cost	5,826,510.00
Interest cost	1,963,432.00
Benefit payments during the year	(1,833,310.00)
Actuarial (gain)/ loss - financial assumptions	(11,681,186.00)
Actuarial (gain)/ Loss - experience	
Long Term Benefits as at the year end	**17,008,018.00**

Long Term Benefits as at The Year End	**Amount**
Non Current	14,850,910.00
Current	2,157,108.00
Total	**17,008,018.00**

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37 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.

37.1 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:	341,468,000.00
Total Dividend Declared	**341,468,000.00**

37.2 Proposed for Approval (Not Recognised as a Liability as at Balance Sheet Date)

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
Interim Dividends on Ordinary Shares	-	341,468,000.00
Total Dividend Proposed	-	**341,468,000.00**

38 Leases

38.1 Company as Lessee :

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

38.1.1 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.

38.1.2 Movement in the Lease Liability During the Year:

Particulars	As at Ashad 31, 2081
Opening Balance	7,351,086.45
Add: Recognition on account of adoption of NFRS 16	-
Add: Additions during the year	23,416,268.44
Add: Interest accrued during the year	3,150,246.35
Less: Payment of lease liabiities	7,607,877.98
Less: Derecognition during the year	-
Total	**26,309,723.26**

38.1.3 Maturity Analysis

Particulars	As at Ashad 31, 2081
Less than one year	5,006,120.80
One to five years	21,303,602.46
More than five years	-
Total	**26,309,723.26**

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38.1.4 Amounts recognised in Statement of Profit and Loss:

Particulars	For the year ended Ashad 31, 2081
Interest on lease liabilities in Finance Cost	3,150,246.35
Lease payments not recognised as a liability	1,869,000.26
Total	**5,019,246.61**

38.1.5 Amounts Recognised in the Statement of Cash Flows

Particulars		For the year ended Ashad 31, 2081
Total cash outflow for leases		7,607,877.98
Total	-	7,607,877.98

38.1.6 Disclosures for Operating Leases Other than Leases Coverd 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, 2081	For the year ended Ashad 31, 2080
Lease expense recognised in the statement of profit and loss for the year	1,869,000.26	1,790,973.85

38.2 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, 2081	For the year ended Ashad 31, 2080
Lease income recognised in the statement of profit and loss for the year	9,218,193	9,277,207
The future minimum lease receivable over the next one year	8,702,334	8,746,643
The future minimum lease receivable later than one year but not later than five years	-	-
The future minimum lease payments payable later than five years	-	-

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

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39 Earnings Per Share

Amount in NPR

Particulars	For the year ended Ashad 31, 2081	For the year ended Ashad 31, 2080
I. Net profit attributable to Shareholders for Basic earnings	50,383,793.16	927,821,225.98
II. Net profit attributable to Shareholders for diluted	-	-
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	**2.95**	**54.34**
Diluted Earnings Per Ordinary Share	**2.95**	**54.34**

Contingently issuable ordinary shares are treated as outstanding and included in the calculation of diluted earnings per share if the conditions are satisfied (i.e., the events have occurred)."
If the IPO is still pending and shares are not yet issued, the conditions for issuance are not met, and these shares should not be included in the diluted EPS calculation.

40 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, 2081	For the year ended Ashad 31, 2080
Gross amount required to be spent by the company during the year	1,010,831.62	10,013,504.04
Less: Amount spent by the company during the year	500,000.00	-
Short/(Excess)	**510,831.62**	**10,013,504.04**

41 In the fiscal year 2080/81, 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 Nepal 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.

Regarding the amount receivable for F.Y 2079/80, the company has received claim amounts from Nepal SBI Bank and Kumari Bank, based on the company's written commitment to settle these amounts if Nepal Rastra Bank (NRB) or the Government of Nepal (GoN) does not pay the banks. However, as of the date of the financial statements, Nepal Rastra Bank has not yet settled the amount with the concerned banks. Therefore, the company's outstanding commitment to the banks remains unchanged.

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42 The Company received approval from the Securities Board of Nepal (SEBON) on June 26, 2024 (Ashad 12, 2081), to issue an IPO to the general public. Following the approval, the Company was prepared to launch the first phase of its public offering for Nepali citizens residing abroad for foreign employment on July 11, 2024 (Ashad 27, 2081). However, the process was interrupted due to a letter from the Parliamentary account Committee to SEBON dated July 9, 2024 (Ashad 25, 2081), requesting information regarding the Company's issuance process. Consequently, on July 10, 2024 (Ashad 26, 2081), SEBON issued a directive instructing the Company to suspend the IPO process until further notice. As a result, the IPO issuance has been temporarily halted, pending further instructions from SEBON.

Further, a writ petition was filed at Patan High Court demanding the cancellation of the IPO process. However, the court denied to issue an interim order. The matter is currently sub judice at the court.

43 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 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.

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44 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:

Amount in NPR

Particulars	As at Ashad 31, 2081	As at Ashad 31, 2080
a) Contingent Liabilities		
(i) Performance Guarantees	613,202,000	833,964,327
(ii) Unexpired Letter of Credit	956,313,374	397,029,485

*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.

Further, the Government of Nepal on January 9, 2024 (Paush 24, 2080) formed an independent probe commission under the chairmanship of former Supreme Court Justice Girish Chandra Lal to resolve the electricity tariff disputes of dedicated and trunk lines of various industries, including the Company. Based on the commission's report, the Nepal Electricity Authority issued a demand letter to the Company requiring payment of NPR 753,684,335 as outstanding electricity tariff. As mentioned, the matter is currently pending resolution at the court

Considering that the Grid Connection Agreement explicitly states that the power shall be supplied as per the load shedding schedule and NEA has failed to furnish data from TOD Meter to prove that the Company received uninterrupted power supply, the Company, in its good faith assessment, believes that it has a strong case against NEA.

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45 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.

45.1 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.

45.1.1 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, 2081	As at Ashad 31, 2080
a) Payables			
- Borrowings	USD	5,104,043.00	5,309,043.53
- Other Payables	USD	9,359,958.39	10,942,862.45
- Trade Payables	USD	9,455.36	71,769.38
- Advance from Customers	USD	33,600.00	56,463.81
b) Receivables			
- Trade Receivables	USD	464,138.78	1,665,952.26

45.1.2 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 company and the Company has long term relation with the supplier.

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45.2 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.

45.2.1 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.

45.2.2 Cash Deposits

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

45.3 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 reguIady 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.

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