



Smart decisions. Lasting value.

Ghorahi Cement Industry Limited

**Auditor's Report & Annual Accounts for
the F/Y 2079-80 (2022-23)**

B.K. Agrawal & Co.
Kathmandu, Nepal

Member Crowe Global

Audit / Tax / Advisory



Independent Auditors' Report to the Members of Ghorahi Cement Industry Limited

Opinion:

We have audited the accompanying Standalone Financial Statements of M/s Ghorahi Cement Industry Limited (hereinafter referred to as 'the Company') which comprise the Statement of Financial Position as at Ashad 31, 2080 (July 16, 2023), and the Statement of Profit or Loss, Statement of Total Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows attached thereto, for the year then ended and notes to the Standalone Financial Statements, including a summary of Significant Accounting Policies and other Explanatory Notes & information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements read together with Notes forming part of the Standalone Financial Statement give the information required by the provisions of Nepal Companies Act, 2063, as amended ("the Act") in the manner so required and, give a true and fair view in conformity with the Nepal Financial Reporting Standards (NFRS), of the state of affairs of the Company as at Ashad 31, 2080 (July 16, 2023), its Profit including its Total Comprehensive Income, Cash Flows and the Changes in Equity for the year ended on that date.

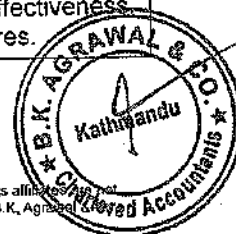
Basis of Opinion:

We conducted our audit in accordance with Nepal Standards on Auditing (NSA). Our responsibilities under those Standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Entity in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal together with the ethical requirements that are relevant to our audit of the Standalone Financial Statement under the provisions of the Companies Act, 2063 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements of the current period. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on the circumstances and facts of the audit, we consider following as key audit matters:

S.N.	Details of Key Audit Matters	How the matters were addressed in our audit
1.	Revenue Recognition (Refer Note 3(e) "Revenue Recognition" and Note 29 of the financial statements) The company applies NFRS 15 for recognition of revenue from sale of goods. The Company generated revenues of NPR.4,625 millions for the year ended Ashad 31, 2080. Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks by overstatement of revenue recognition to increase profitability. Therefore, revenue recognition was considered a key audit matter.	Our audit procedures in this are included, among others, based on our judgment, the following: <ul style="list-style-type: none"> - An examination of the revenue recognition process, taking into account the requirements of the relevant accounting standards, and an assessment of the appropriateness of the accounting policies used. - Test the design and implementation of internal control procedures related to revenue recognition and their operational effectiveness, including anti-fraud control procedures.



S.N.	Details of Key Audit Matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> - Conducting analytical audit procedures for revenues, by comparing sales quantities and prices for the current year with the previous year, and determining whether there are any significant trends or fluctuations that need additional examination in light of our understanding of the current market conditions. - On sample basis, test revenue transactions with the supporting documents, to verify that the revenues are recorded in their correct periods.
2.	<p>Capital Work in Progress</p> <p>Refer to notes 7 to the standalone financial statements.</p> <p>The company has total CWIP as on reporting date stands at NPR.12,095 millions.</p> <p>The Company has made significant capital expenditure on expansion of manufacturing facilities. We identified additions to capital work in progress as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria.</p>	<p>Our audit procedures to assess the additions in capital work in progress included the following:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the process relating to recording of transactions as part of capital work in progress and testing the design, implementation and operating effectiveness of key internal controls; - testing, on a sample basis, the costs incurred on projects with supporting documentation and contracts; - assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting and reporting standards; - assessing the adequacy of presentation and disclosures as required under the accounting and reporting standards as applicable; and - assessing whether the accounting policies for recording of transactions as part of capital work in progress complies with the requirements of accounting and reporting standards as applicable.

Other Information:

The directors are responsible for the other information such as "Report of Board of Director's/Chairman's Statement" to be presented in the Annual Report and Accounts for FY 2079/80 (2022/23) of the Ghorahi Cement Industry Limited. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express any audit opinion or, except as explicitly stated above, any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on audit work done by us on financial statement, the information therein is materially misstated or inconsistent with the financial statements. We have nothing to report in this regard.

Responsibilities of Management and those charged with Governance for the Standalone Financial Statements:

The company's Management and Board of Directors are responsible for the preparation and fair presentation of these Standalone Financial Statements in accordance with Nepal Financial Reporting Standards. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Entity and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.



In preparing the Standalone Financial Statement, the respective management and Board of Directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Standalone Financial Statements

Our responsibility is to express an opinion on these Standalone Financial Statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Financial Statements are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Nepal Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

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

- Identify and assess the risks of material misstatement of Standalone Financial Statement, 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, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. We are also responsible for expressing our opinion on whether the Company has adequate internal financial controls in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 auditors' report to the related disclosures in the Standalone 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statement, including the disclosures, and whether the Standalone Financial Statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current period and are therefore the key audit matters.

We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Report on Other Legal and Regulatory Requirements

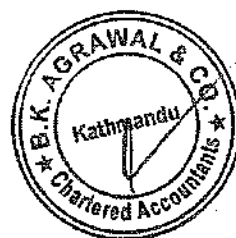
On the basis of our examination, we would like to further report that:

- i. We have obtained information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
- iii. In our opinion, the Statement of Financial Position, Statement of Profit or Loss, Statement of Total Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity attached thereto, for the year then ended and notes to the Standalone Financial Statements, including a summary of Significant Accounting Policies and other Explanatory Notes & information dealt with by this report are in compliance with the provisions of the Companies Act, 2063 and are in agreement with the books of account maintained by the company;
- iv. In our opinion, so far as appeared from our examination of the books, the business of the Company has been conducted satisfactorily; and
- v. To the best of our information and according to the explanations given to us and from our examination of the books of accounts of the Company necessary for the purposes of the audit, we have not come across cases where the Board of Directors or any employees of the Company have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused loss or damage to the company or committed any accounting frauds in the company.

Kathmandu
Date: 2080.09.05



B.K. Agrawal, FCA
Managing Partner
For: **B.K. Agrawal & Co.**
Chartered Accountants
UDIN: 231222CA00018dtmri



Ghorahi Cement Industry Limited
Standalone Statement of Financial Position
As on Ashad 31, 2080 (July 16, 2023)



Particulars	Notes	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
ASSETS			
Non Current Assets:			
Property, Plant and Equipment	4	6,606,461,122	6,668,911,684
Intangible Assets	5	28,343,159	30,568,545
Right of Use Asset	6	1,642,840	1,696,922
Capital Work In Progress	7	12,095,054,469	10,541,517,936
Deferred Tax Assets (Net)		-	-
Investment in subsidiary and associate	8	83,572,800	83,572,800
Current Assets:			
Inventories	9	2,068,060,156	1,930,418,290
Trade Receivables	10	1,770,159,670	1,631,752,267
Contract Assets	11	1,199,007	16,688,992
Cash and Cash Equivalents	12	72,037,468	56,766,325
Other Financial Assets	13	132,026,274	109,894,614
Prepayments	14	47,954,927	55,757,930
Other Current Assets	15	3,541,025,706	528,114,714
Current Tax Asset	16	7,141,902	-
Total Assets		26,454,679,500	21,655,661,019
EQUITY AND LIABILITIES			
Equity:			
Equity Share Capital	17	3,971,900,600	3,177,520,500
Retained Earnings	18	4,006,951,057	3,943,860,520
Other Reserve	19	79,060,000	79,060,000
Share Premium	20	2,658,468,185	-
Total Equity		10,716,379,842	7,200,441,020
Liabilities:			
Non Current Liabilities			
Long term Financing			
- Secured	21	8,395,656,402	7,548,181,507
Non-Current Financial Liability	22	1,345,688,644	760,003,610
Lease liability	23	1,922,715	1,863,401
Deferred Tax Liability (Net)	24	201,792,856	184,260,868
Current Liabilities			
Borrowings - Short Term	25	3,064,523,808	4,311,788,726
Trade Payables	26	1,594,587,194	636,297,672
Other Financial Liabilities	27	1,011,171,942	840,504,910
Contractual Liabilities	28	122,956,097	157,619,731
Current Tax Liabilities	16	-	14,699,574
Total Equity & Liabilities		26,454,679,500	21,655,661,019

Summary of Significant Accounting Policies
Notes to the Financial Statements

1 to 3
4 to 52

For & on behalf of the Board

Shankar Lal Agiwal
GM - Finance

Kathmandu
Date: 2080.09.05



Aditya Sanghai
Director

Purushottam Lal Sanghai
Chairman

As per our attached report
of even date

B.K. Agrawal, FCA
Managing Partner
B.K. Agrawal & Co.
Chartered Accountants



Ghorahi Cement Industry Limited
Standalone Statement of Profit or Loss
For the year ended Ashad 31, 2080 (July 16, 2023)



Amount in NPR

Particulars	Notes	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Income			
Revenue from Operations	29	4,625,454,675	4,801,530,953
Cost of Sales	30	(3,636,695,577)	(3,762,443,446)
Gross Profit		988,759,098	1,039,087,507
Other Income	31	166,009,027	240,119,762
		1,154,768,125	1,279,207,269
Expenses			
Administrative, Selling & Distribution Expenses	32	(310,904,897)	(295,267,338)
Depreciation and Amortization	33	(337,124,718)	(369,802,240)
Profit from Operations		506,738,510	614,137,691
Finance Costs	34	(424,984,665)	(390,080,087)
Profit Before Tax		81,753,845	224,057,604
Income Tax Expense:			
Income Tax	35	(1,068,135)	(3,643,789)
Deferred Tax	35	(17,531,988)	(3,872,228)
Net Profit for the year		63,153,722	216,541,587

Earning Per Equity Share

Basic	36	1.59	6.81
Diluted	36	1.59	5.45

Summary of Significant Accounting Policies
Notes to the Financial Statements

1 to 3
4 to 52

For & on behalf of the Board

As per our attached report
of even date

Shankar Lal Agiwal
GM - Finance

Aditya Sanghai
Director

Purushottam Lal Sanghai
Chairman

B.K. Agrawal, FCA
Managing Partner
B.K. Agrawal & Co.
Chartered Accountants

Kathmandu
Date: 2080.09.05



Ghorahi Cement Industry Limited
Standalone Statement of Other Comprehensive Income
For the Year ended Ashad 31, 2080 (July 16, 2023)



Amount in NPR

<u>Particulars</u>	<u>Year ended Ashad 31, 2080 (July 16, 2023)</u>	<u>Year ended Ashad 32, 2079 (July 16, 2022)</u>
Profit for the year as per statement of profit or loss	63,153,722	216,541,587
Other comprehensive income, net of income tax:		
a. Items that will not be reclassified to profit or loss		
Gains/(losses) from investments in equity instruments measured at fair value	-	-
Gains/(losses) on revaluation	-	-
Actuarial gains/(losses) on defined benefit plans	-	-
Income tax relating to above items	-	-
Net other compressive income that will not be reclassified to profit or loss	-	-
b. Items that are or may be reclassified to profit or loss		
Gains/(losses) on cash flow hedge	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-
Income tax relating to above items	-	-
Reclassify to profit or loss	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the period	63,153,722	216,541,587

For & on behalf of the Board


Shankar Lal Agiwal
 GM - Finance


Aditya Sanghai
 Director


Purushottam Lal Sanghai
 Chairman



As per our attached report of even date


B.K. Agrawal, FCA
 Managing Partner
B.K. Agrawal & Co.
 Chartered Accountants



Kathmandu
 Date: 2080.09.05

Ghorahi Cement Industry Limited
Standalone Statement of Cash Flows
For the Year ended Ashad 31, 2080 (July 16, 2023)



Amount in NPR

Particulars	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
A. Cash Flow From Operating Activities:		
Net Profit Before Tax	81,753,845	224,057,604
Adjustment for:		
Depreciation and amortization	337,124,718	369,802,240
Interest expenses	424,984,665	390,080,087
Interest income	(124,089)	(507,611)
Provision for Corporate Social Responsibility	825,796	2,263,208
CSR Expensed	(808,983)	(4,559,343)
Prior Year Expenses Reversal	-	75,578,429
Gain on initial recognition of financial liability at fair value	(117,448,201)	(208,095,741)
Others Non Cash Expenses	439,586	17,084,653
Operating Profit before changes in Working Capital	726,747,337	865,703,526
(Increase)/Decrease in Inventories	(137,641,866)	(323,820,832)
(Increase)/Decrease in Trade Receivable	(138,846,989)	(370,543,697)
(Increase)/Decrease in Contract Assets	15,489,985	(5,361,618)
(Increase)/Decrease in Other Financial Assets	(22,131,660)	(35,914,894)
(Increase)/Decrease in Prepayments	7,803,003	16,975,274
(Increase)/Decrease in Other Current Assets	(3,012,910,992)	309,256,922
Increase/(Decrease) in Trade Payable	958,289,522	(219,090,606)
Increase/(Decrease) in Other Current Financial Liabilities	170,650,219	(160,778,865)
Increase/(Decrease) in Contractual liabilities	(34,663,634)	76,337,785
Net Cash from/(used in) Operating Activities	(1,467,215,075)	152,762,995
Less: Income Tax Paid	(22,909,611)	25,851,093
Less: Prior year Tax	(63,185)	(30,611,622)
Net cash from/(used in) operating activities	(1,490,187,871)	148,002,466
B. Cash Flow From Investing Activities:		
Purchase of Property, Plant and Equipment	(272,394,688)	(527,785,683)
Purchase of Intangible Asset	-	(2,186,916)
(Increase)/Decrease in Capital Work in Progress	(1,553,536,533)	(1,280,707,336)
Interest Received	124,089	507,611
Net cash from / (used in) investing activities	(1,825,807,132)	(1,810,172,324)
C. Cash Flow From Financing Activities:		
Proceed /(Payment) in Long Term Secured Borrowings	847,474,895	(401,805,467)
Proceed /(Payment) in Long Term unsecured Borrowings	567,350,000	952,259,977
Proceed /(Payment) in Short Term Borrowings	(1,247,264,918)	1,341,002,725
Proceed /(Payment) of Lease Liabilities	(156,000)	(156,000)
Interest (Payment)	(288,986,116)	(374,011,807)
Share Capital Amount Increased (Decreased)	3,452,848,285	-
Net Cash from/(Used in) Financing Activities	3,331,266,146	1,517,289,428
Net Increase/(Decrease) in Cash and Cash Equivalents	15,271,143	(144,880,430)
Cash and Cash equivalents as at the beginning of the year	56,766,325	201,646,755
Cash and Cash equivalents as at the end of the year	72,037,468	56,766,325

For & on behalf of the Board

As per our attached report
of even date

Shankar Lal Agiwal
 GM - Finance

Kathmandu
 Date: 2080.09.05

Aditya Sanghai
 Director

Purushottam Lal Sanghai
 Chairman

B.K. Agrawal, FCA
 Managing Partner
B.K. Agrawal & Co.
 Chartered Accountants



Ghorahi Cement Industry Limited
Standalone Statement of Changes In Equity
For the Year ended Ashad 31, 2080 (July 16, 2023)



Amount in NPR

Particulars	Equity Share Capital	Retained Earnings	Preference Share Redemption Reserve	Total
Balance as at 1st Shrawan, 2078	3,177,520,500	3,682,352,126	79,060,000	6,938,932,626
Profit for the Period	-	216,541,587	-	216,541,587
Prior Year Adjustments	-	75,578,429	-	75,578,429
Prior Year Tax	-	(30,611,622)	-	(30,611,622)
Balance as at Ashad 32, 2079	3,177,520,500	3,943,860,520	79,060,000	7,200,441,020
Profit for the Period	-	63,153,722	-	63,153,722
Prior Year Adjustments	-	-	-	-
Prior Year Tax	-	(63,185)	-	(63,185)
Share issued 20% To Public	794,380,100	-	-	794,380,100
Share Premium	-	2,658,468,185	-	2,658,468,185
Balance as at Ashad 31,2080	3,971,900,600	6,665,419,242	79,060,000	10,716,379,842

For & on behalf of the Board

Shankar Lal Agiwal
Shankar Lal Agiwal
 GM - Finance

Kathmandu
 Date: 2080.09.05

Purushottam Lal Sanghai
Purushottam Lal Sanghai
 Chairman

Aditya Sanghai
Aditya Sanghai
 Director



As per our attached report
 of even date



B.K. Agrawal
B.K. Agrawal, FCA
 Managing Partner
B.K. Agrawal & Co.
 Chartered Accountants

Ghorahi Cement Industry Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements For the year ended Ashad 31, 2080 (July 16, 2023)



1. Corporate Information:

Ghorahi Cement Industry Limited (The "Company") is incorporated under Companies Act of Nepal as Pvt. Ltd. Co. vide registration no. 47286/064-065 dated 2064.04.21 subsequently converted into Limited Company on 2077.11.23 vide registration no.25879/077/078 and listed with Nepal Stock Exchange, having its registered Office at Ramshah Path, Kathmandu and Plant site at Laxminagar VDC, Dang District, Nepal. Dang District falls under the category of underdeveloped area and the company is eligible for the tax exemptions/rebates as are available under applicable Industrial Enterprises Act and Income Tax Act.

The Company's principal activity is to manufacture cement, clinker and cement related products.

The Company has two units i.e. Main unit and Unit 1 at Laxminagar VDC, Dang District, Nepal. From the Main Unit, commercial production of Clinker & Cement was started from B.S. 2069/05/16 and 2070/02/19 respectively. Unit-1 is still under construction as on the reporting date.

2. Basis of Preparation:

2.1 Statement of Compliance:

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board Nepal. These confirm, in material respect, to International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB). The financial statements have been prepared on a going concern basis. For all periods up to and including the year ended Ashad 32, 2075, the Company prepared its financial statements in accordance with Local Generally Accepted Accounting Practice (Local GAAP)

This section describes the critical accounting judgement that the company has identified as having potentially material impact on the company's financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. The company's accounting policies require the management to exercise judgement in making accounting estimates.

2.2 Reporting period and approval of financial statements:

The Company follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows:

Relevant Financial Statement	Nepalese Calendar Date/ Period	English Calendar Date/Period
Opening SFP* Date	Shrawan 1, 2079	July 17, 2022
Current Reporting Period	Shrawan 1, 2079 – Ashad 31, 2080	July 17, 2022– July 16, 2023

* Statement of Financial Position

Financial Statement of the company has been approved by Board of Directors of the company.

2.3 Accounting Pronouncements:

The Company for its preparation of financial statement has adopted accounting policies to comply with the pronouncements made by The Institute of Chartered Accountants of Nepal (ICAN).

2.4 Accounting Convention:

The Financial Statements of the company have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

New reporting standards which were effective during the year:

There were certain amendments to accounting and reporting standards which are mandatory for the annual accounting period which began on July 16, 2021.

In addition to the above, the following three new standards have become applicable to the Company effective July 16, 2021:

NFRS 9 'Financial instruments' – This standard replaces the provisions of NAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces NAS 39 incurred loss impairment model. On July 16, 2021 (the date of initial application of NFRS 9), the management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate NFRS 9 categories (i.e. mainly financial assets previously classified as 'loans and receivables' have now been classified as 'amortized cost').



Ghorahi Cement Industry Limited
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd....

NFRS 15 'Revenue from contracts with customers' – This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. NFRS 15 replaces the previous revenue standards: NAS 18 Revenue, NAS 11 Construction Contracts, and the related interpretations on revenue recognition.

NFRS 16 'Lease' – July 1, 2019, the Company has adopted NFRS 16, 'Leases' which replaced accounting for leases, including NAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases - Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduced a single, on balance sheet lease accounting model for the Company. The accounting policies relating to Company's right-of-use-asset and lease liability are disclosed in notes 6 & 22.

The changes laid down by these standards (i.e. NFRS 9, NFRS 15 and NFRS 16) do not have any significant impact on these financial statements of the Company except as those stated above. Further, related changes to the accounting policies have been made in these financial statements.

2.5 Standards issued but not yet effective:

The new standard, NFRS 17 'Insurance Contracts' – are mandatory for accounting periods beginning on or after July 16, 2023 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

2.6 Presentation Currency:

The company's financial statement is presented in Nepalese Rupees which is also the company's functional currency.

2.7 Presentations:

The financial statements are prepared in Nepalese Rupees and rounded off to the nearest rupee. The figures for previous years are rearranged and reclassified wherever necessary for the purpose of facilitating comparison. Appropriate disclosures are made wherever necessary.

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. 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
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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
- Held primarily for the purpose of trading
- 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.

All other liabilities as non-current.

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

The company operating cycle has been defined as twelve-month period.

The statement of profit or loss has been prepared using classification "by function" method.

The statement of cash flows has been prepared using indirect method. Cash flows from operating activities, in addition to the adjustments from profit for non-cash and non-operating activities, movements in working capital, interest and taxes, separately include cash flows relating to employee bonus and retirement benefits.

2.8 Use of Estimates, assumptions and judgments:

The preparation of financial information requires the use of estimates and judgments about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items listed below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of this financial statements.



Ghorahi Cement Industry Limited
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd.....

2.9 Going Concern:

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

2.10 Materiality:

The company for the preparation of financial statements determines materiality based on the nature or magnitude, or both. Materiality is a pervasive constraint in financial reporting because it is pertinent to all of the qualitative characteristics.

3 Significant Accounting Policies:

NFRS requires adoption of accounting policies that are most appropriate to the company's circumstances determining and applying accounting policies. Management are required to make judgement in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the company's reported financial position, results or cash flows, stated below:-

a) Property, Plant and Equipment:

Property, plant and equipment are initially measured at cost in the statement of financial position. These are inclusive of all cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable for each class of assets. Property, plant and equipment are recognized as an asset, if and only if it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Cost includes the purchase price and other directly attributable costs of property, plant and equipment.

b) Intangible Assets:

Intangible assets are recognized on the basis of costs incurred to acquire and bring to use the specific intangible assets such as, software, where it is probable that such asset will generate future economic benefits in excess of its cost.

c) Depreciation and Amortization:

i) Depreciation and Amortization is calculated over the estimated useful life of the assets: An item of property, Plant and Equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The useful lives and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate.

ii) The company based its assumptions and estimations on parameters available when the financial statement 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.

Estimated Useful life of assets have been taken as under:

Particulars	Useful Life (Years)
Buildings	10 to 50
Plant and Machinery	8 to 30
Office Equipment & Computer	5 to 15
Furniture & Fixtures	8
Vehicles	10 to 18
Other Assets	8
Packing Plant	30
Software	10

iii) Leasehold improvement is amortized on a straight-line basis using the rates determined with reference to the lease period.

iv) Mines Development Expenses: Various expenses for the development of mines which have been amortized on a straight-line basis using the rates determined with reference to the lease period.



Ghorahi Cement Industry Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd.....

d) Inventories (As taken, valued and certified by the Management):

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

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

Cost of finished goods includes the cost of raw materials, packing materials, direct Labor and appropriate proportion of fixed and variable production overheads incurred in bringing the inventory to their present location and condition.

Particulars

Method

Raw Materials & others	At cost on FIFO basis.
Packing Materials & consumables	At cost on FIFO basis.
Finished Goods	At weighted average cost or Net Realizable Value whichever is lower
Work-in-Progress	At weighted average cost

e) Revenue Recognition:

The Company has adopted NFRS 15 Revenue from contracts with customers, with effect from 16th July, 2021. NFRS 15 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the contracts with its customers and replaces NAS 18 Revenue and NAS 11 Construction Contracts.

The Company has adopted NFRS 15 using the cumulative effect method whereby the effect of applying this standard is recognized at the date of initial application (i.e. July 16, 2021). Accordingly, the comparative information in the Statement of Profit and Loss is restated.

Sale of Goods:

Revenue is recognized upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods.

Revenue from the sale of goods is recognized at the point in time when control is transferred to the customer which is usually on dispatch / delivery.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

Rendering of services:

Revenue from rendering services is recognized over time by measuring progress towards satisfaction of performance obligation for the services rendered. The Company uses output method for measurement of revenue based on milestone reached or units delivered. Input method is used for measurement of revenue from processing and other service as it is directly linked to the expense incurred by the Company.

Interest Income:

Interest income is recognized using the effective interest method as set out in NFRS 9 – Financial Instruments: Recognition and Measurement, when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or Company of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Other incomes:

Other incomes have been recognized on accrual basis in financial statements except for cash flow information.



Ghorahi Cement Industry Limited
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd....

Insurance & Other Claims

Insurance & Other Claims is recognised as amount received of insurance claim which is dependent on the replacement/repairs cost for damaged components of plant and machinery due to accident that occurred during current & earlier years.

Dividend Income:

Dividend Income is recognized on right to receive basis.

f) Employee Benefits:

i) Current employee benefits costs

Short-term employee benefits, such as salaries, paid absences, profit sharing bonus and social security costs such as PF are recognized over the period in which the employees provide the related services.

ii) Post-employment benefits

Gratuity

The gratuity payable to the employees is based on the Employees' service and basic salary of the employees and is determined @ 8.33% of basic salary as per section 53 of Labour Act, 2074 which is charged to the statement of profit or loss.

Leave Encashment

The defined benefit plan includes accumulated leave payment at the time of retirement.

The past service cost, which is charged immediately to the statement of profit or loss, is the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or curtailment (a significant reduction by the entity in the number of employees covered by a plan). A settlement is a transaction that eliminates all further legal and constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions.

The defined benefit asset or liability represents the present value of defined benefit obligations.

Staff Bonus

Staff bonus is accounted in accordance with the provisions of the Bonus Act, 2030 which is 10% of Profit before tax.

g) Borrowing Cost:

Borrowing cost directly attributable to acquisition and construction of assets that necessarily take substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of such assets up to the date when such assets are ready for intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

However, the Company consider initial processing fees as insignificant to determine effective interest rate. Hence, finance expense disclosed are approximately at effective interest rate.

It also includes preference share capital classified as a liability which are redeemable on a specific date and dividends on such is recognized in the statement of profit or loss as finance expense.



Ghorahi Cement Industry Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd.....

h) Cash and cash equivalents:

Cash and cash equivalent include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' original maturities or less from the acquisition date that are subject to an insignificant risk of changes in their value and used by the company in the management of short term commitment. Cash and cash equivalent are classified as financial assets and treated accordingly.

For the purposes of the cash flow statement, cash and cash equivalent comprise cash and non-mandatory balances with banks and amounts due from banks with a maturity of less than three months.

i) Subsequent Expenditure:

Expenditure incurred to replace a component of an item of fixed assets that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of fixed assets. All other expenditure is recognized in the statement of profit or loss as an expense as incurred.

j) Impairment of Assets:

The Company identifies impairable fixed assets based on cash generating unit concept at the year-end for the purpose of arriving at impairment loss thereon, if any, being the difference between the book value and recoverable value of relevant assets. Impairment loss when crystalized is charged to revenue for the year.

k) Investment in Subsidiaries:

Subsidiaries are entities that are controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted at cost less impairment, if any.

l) Trade and other payables:

Liability for trade and other payables are carried at cost which is the fair value of goods and service received. The Company considers the carrying amount as approximately at fair value due to short term maturity of those instruments.

m) Provisions, Contingent Liability and Contingent Assets:

A provision is recognized for a present obligation (legal or constructive) as a result of past events if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and in respect of which a reliable estimate can be made. The amount recognized as provisions are determined based on best estimate of the amount required to settle the obligation at the balance sheet date. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent asset is not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and is recognized.



Ghorahi Cement Industry Limited
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd....

n) Related party transactions:

All transactions with related parties are carried out by the Company at arm's length price.

o) Trade and other Receivables:

Trade and other Receivables are originated by the Company and are stated at cost less provisions for any uncollectible amount. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

p) Taxation:

Current Tax:

Current Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity. Current tax is the expected tax payable on the taxable income for the year using tax rates at the reporting date and any adjustment to tax payable in respect of previous years.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognized amounts, and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

Deferred Tax:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognized in respect of carried forward tax losses and tax credits.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available.

Therefore, in case of a history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

q) Leases:

The Company mainly has lease arrangements for land and building for offices, warehouse spaces and retail stores and vehicles. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



Ghorahi Cement Industry Limited
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd.....

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use Assets (ROU Assets)

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold Land - 30 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 19 Impairment of non-financial assets

(ii) Lease Liabilities:

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

r) Cash Flow Statements:

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated. The Cash flow statement is separately attached with the Financial Statements of the company.



Ghorahi Cement Industry Limited
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd.....

s) Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies:

The prior period expenses, if any, are charged separately to the statement of profit or loss. There is no change in the accounting policy during the year.

t) Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

i) Initial recognition and measurement:

The Company recognizes a financial asset in its balance sheet when it becomes party to the contractual provisions of the instrument. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss (FVTPL), transaction costs that are attributable to the acquisition of the financial asset.

Where the fair value of a financial asset at initial recognition is different from its transaction price, the difference between the fair value and the transaction price is recognized as a gain or loss in the statement of profit or loss at initial recognition if the fair value is determined through a quoted market price in an active market for an identical asset (i.e. level 1 input) or through a valuation technique that uses data from observable markets (i.e. level 2 input).

In case the fair value is not determined using a level 1 or level 2 input as mentioned above, the difference between the fair value and transaction price is deferred appropriately and recognized as a gain or loss in the statement of profit or loss only to the extent that such gain or loss arises due to a change in factor that market participants take into account when pricing the financial asset.

However, trade receivables that do not contain a significant financing component are measured at transaction price.

ii) Subsequent measurement:

For subsequent measurement, the Company classifies a financial asset in accordance with the below criteria:

The Company's business model for managing the financial asset, and

The contractual cash flow characteristics of the financial asset.

Based on the above criteria, the Company classifies its financial assets into the following categories:

Financial assets measured at amortized cost

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

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

Financial assets measured at amortized cost:

A financial asset is measured at the amortized cost if both the following conditions are met:

a) The Company's business model objective for managing the financial asset is to hold financial assets in order to collect contractual cash flows, and

This category applies to cash and bank balances, trade receivables, loans and other financial assets of the Company. Such financial assets are subsequently measured at amortized cost using the effective interest method.

Under the effective interest method, the future cash receipts are exactly discounted to the initial recognition value using the effective interest rate. The cumulative amortization using the effective interest method of the difference between the initial recognition amount and the maturity amount is added to the initial recognition value (net of principal repayments, if any) of the financial asset over the relevant period of the financial asset to arrive at the amortized cost at each reporting date. The corresponding effect of the amortization under effective interest method is recognized as interest income over the relevant period of the financial asset. The same is included under other income in the statement of profit or loss.

The amortized cost of a financial asset is also adjusted for loss allowance, if any.

Financial assets measured at FVTOCI:

A financial asset is measured at FVTOCI if both of the following conditions are met:

a) The Company's business model objective for managing the financial asset is achieved both by collecting contractual cash flows and selling the financial assets, and

b) 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.



Ghorahi Cement Industry Limited
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd.....

This category applies to certain investments in debt instruments. Such financial assets are subsequently measured at fair value at each reporting date. Fair value changes are recognized in the Other Comprehensive Income (OCI). However, the Company recognizes interest income and impairment losses and its reversals in the statement of profit or loss;

On Derecognition of such financial assets, cumulative gain or loss previously recognized in OCI is reclassified from the equity to statement of profit or loss.

Financial assets measured at FVTPL:

A financial asset is measured at FVTPL unless it is measured at amortized cost or at FVTOCI as explained above. This is a residual category applied to all other investments of the Company excluding investments in subsidiary and associate companies. Such financial assets are subsequently measured at fair value at each reporting date. Fair value changes are recognized in the statement of profit or loss.

Derecognition:

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognized (i.e. removed from the Company's balance sheet) when any of the following occurs:

- i) The contractual rights to cash flows from the financial asset expires;
- ii) The Company transfers its contractual rights to receive cash flows of the financial asset and has substantially transferred all the risks and rewards of ownership of the financial asset;
- iii) The Company retains the contractual rights to receive cash flows but assumes a contractual obligation to pay the cash flows without material delay to one or more recipients under a 'pass through' arrangement (thereby substantially transferring all the risks and rewards of ownership of the financial asset);
- iv) The Company neither transfers nor retains, substantially all risk and rewards of ownership, and does not retain control over the financial asset.

In cases where Company has neither transferred nor retained substantially all of the risks and rewards of the financial asset, but retains control of the financial asset, the Company continues to recognize such financial asset to the extent of its continuing involvement in the financial asset. In that case, the Company also recognizes an associated liability. The financial asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On Derecognition of a financial asset, the difference between the carrying amount and the consideration received is recognized in the statement of profit or loss.

Impairment of financial assets:

The Company applies expected credit losses (ECL) model for measurement and recognition of loss allowance on the following:

- i) Trade receivables and lease receivables,
- ii) Financial assets measured at amortized cost (other than trade receivables and lease receivables)
- iii) Financial assets measured at fair value through other comprehensive income (FVTOCI)

In case of trade receivables and lease receivables, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognized as loss allowance.

In case of other assets (listed as ii and iii above), the Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognized as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognized as loss allowance.

Subsequently, if the credit quality of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognizing impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate.



Ghorahi Cement Industry Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd.....

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect unbiased and probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

As a practical expedient, the Company uses a provision matrix to measure lifetime ECL on its portfolio of trade receivables. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the standalone statement of profit or loss.

Financial Liabilities

Initial recognition and measurement:

The Company recognizes a financial liability in its balance sheet when it becomes party to the contractual provisions of the instrument. All financial liabilities are recognized initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss (FVTPL), transaction costs that are attributable to the acquisition of the financial liability.

Where the fair value of a financial liability at initial recognition is different from its transaction price, the difference between the fair value and the transaction price is recognized as a gain or loss in the statement of profit or loss at initial recognition if the fair value is determined through a quoted market price in an active market for an identical asset (i.e. level 1 input) or through a valuation technique that uses data from observable markets (i.e. level 2 input).

In case the fair value is not determined using a level 1 or level 2 input as mentioned above, the difference between the fair value and transaction price is deferred appropriately and recognized as a gain or loss in the statement of profit or loss only to the extent that such gain or loss arises due to a change in factor that market participants take into account when pricing the financial liability.

Subsequent measurement:

All financial liabilities of the Company are subsequently measured at amortized cost using the effective interest method.

Under the effective interest method, the future cash payments are exactly discounted to the initial recognition value using the effective interest rate. The cumulative amortization using the effective interest method of the difference between the initial recognition amount and the maturity amount is added to the initial recognition value (net of principal repayments, if any) of the financial liability over the relevant period of the financial liability to arrive at the amortized cost at each reporting date. The corresponding effect of the amortization under effective interest method is recognized as interest expense over the relevant period of the financial liability. The same is included under finance cost in the statement of profit or loss.

Derecognition:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the Derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in the statement of profit or loss.



Ghorahi Cement Industry Limited
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd.....

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

De-recognition of financial instrument

A financial asset is primarily derecognized when:

- the rights to receive the cash flows from the asset have expired or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive the cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

u) Fair value measurement:

The Company measures financial instruments, such as, derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between marked participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



Ghorahi Cement Industry Limited
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 31, 2080 (July 16, 2023)



Notes contd.....

v) Share Capital:

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's equity shares are classified as equity instruments.

w) Earning Per Share:

Basic earning per share is calculated by dividing the profit attributable to ordinary equity holders of the company for the period by the weighted average number of ordinary shares outstanding during the year. For the calculation of diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares that arise in respect of convertible instruments, if any.

x) Foreign currency transactions:

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.

Conversion

Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Exchange differences

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss as per NRB Closing Date of SOFP Date.

Expenses/(Income) in Foreign Exchange

The bills for services rendered are raised in Nepalese Rupees. The payment received in foreign currency against these bills is credited and accounted for at the rate/rates prevalent on the date of receipt of payment. The gains/losses arising out of fluctuation in the exchange rates are accounted for on realization from bank.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

4 Property, Plant and Equipment

Particulars	Land	Buildings	Leasehold Development	Plant and Machinery	Office Equipment & Computer Accessories	Furniture & Fixtures	Vehicles	Lease Hold Assets (Packing Plant)	Other Assets	Total
Cost of Assets										
As on 1 Shrawan, 2078	119,431,569	2,820,352,142	51,533,899	5,844,420,809	48,664,040	38,826,930	71,852,355	-	1,048,508	8,996,130,252
Addition during the year	-	-	-	-	-	-	-	-	-	-
Acquisition /Capitalization	-	26,968,576	430,040	338,086,045	4,892,535	932,905	4,409,215	152,066,367	-	527,785,683
Disposal during the Year	-	-	-	-	-	-	-	-	-	-
Adjustment /Revaluations	-	-	-	-	-	-	-	-	-	-
Impairment Reversal	-	-	-	-	-	-	-	-	-	-
Balance as on 32 Ashad, 2079	119,431,569	2,847,320,718	51,963,939	6,182,506,854	53,556,575	39,759,835	76,261,570	152,066,367	1,048,508	9,523,915,935
Addition during the year										
Acquisition /Capitalization	-	8,277,192	-	113,412,408	2,190,662	85,096	376,991	148,052,339	-	272,394,688
Disposal during the Period	-	-	-	-	-	-	-	-	-	-
Adjustment /Revaluations	-	-	-	-	-	-	-	-	-	-
Impairment Reversal	-	-	-	-	-	-	-	-	-	-
Balance as on 31 Ashad, 2080	119,431,569	2,855,597,910	51,963,939	6,295,919,262	55,747,237	39,844,931	76,638,561	300,118,706	1,048,508	9,796,310,623
Depreciation and Impairment										
As on 1 Shrawan, 2078	-	565,586,037	12,009,491	1,828,705,900	24,975,460	31,670,480	23,968,172	-	484,390	2,487,399,930
Depreciation charge for the year	-	97,140,019	2,276,646	253,618,388	5,128,364	1,521,024	5,274,793	2,524,359	120,728	367,604,321
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Adjustment (Charge to Reserve)	-	-	-	-	-	-	-	-	-	-
As on 32 Ashad, 2079	-	662,726,056	14,286,137	2,082,324,288	30,103,824	33,191,504	29,242,965	2,524,359	605,118	2,855,004,251
Depreciation charge for the Period	-	85,912,733	2,296,665	227,164,437	5,097,400	1,602,468	5,339,065	7,311,754	120,728	334,845,250
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment for the Period	-	-	-	-	-	-	-	-	-	-
As on 31 Ashad, 2080	-	748,638,789	16,582,802	2,309,488,725	35,201,224	34,793,972	34,582,030	9,836,113	725,846	3,189,849,501
Net Book Value										
As on Ashad End 2080	119,431,569	2,106,959,121	35,381,137	3,986,430,537	20,546,013	5,050,959	42,056,531	290,282,593	322,662	6,606,461,122
As on Ashad End 2079	119,431,569	2,184,594,662	37,677,802	4,100,182,566	23,452,751	6,568,331	47,018,605	149,542,008	443,390	6,668,911,684



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



5 Intangible Assets

Particulars	Amount in NPR		
	Computer Software	Mines Development Expenses	Total
Cost			
As on 1 Shrawan, 2078	9,299,490	35,569,399	44,868,889
Addition during the year			
Acquisition / Capitalization	1,140,000	1,046,916	2,186,916
Disposal during the Year	-	-	-
Adjustment /Revaluations	-	-	-
Impairment Reversal	-	-	-
Balance as on 32 Ashad, 2079	10,439,490	36,616,315	47,055,805
Addition during the year			
Acquisition / Capitalization	-	-	-
Disposal during the Period	-	-	-
Adjustment /Revaluations	-	-	-
Impairment Reversal	-	-	-
Balance as on 31 Ashad, 2080	10,439,490	36,616,315	47,055,805
Depreciation and Impairment			
As on 1 Shrawan, 2078	4,994,921	9,353,647	14,348,568
Depreciation charge for the Period	755,586	1,383,106	2,138,692
Impairment for the Period	-	-	-
Disposals	-	-	-
Adjustment (Charge to Reserve)	-	-	-
As on 32 Ashad, 2079	5,750,507	10,736,753	16,487,260
Depreciation charge for the Period	811,695	1,413,691	2,225,386
Impairment for the Period	-	-	-
Disposals	-	-	-
As on 31 Ashad, 2080	6,562,202	12,150,444	18,712,646
Net Book Value			
As on Ashad End 2080	3,877,288	24,465,871	28,343,159
As on Ashad End 2079	4,688,983	25,879,562	30,568,545



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



6 Right of Use Assets:

Particulars	Amount in NPR	
	Right of Use Assets Land	Total
Cost		
As on 1 Shrawan, 2078	1,773,085	1,773,085
Addition during the year		
Acquisition / Capitalization	-	-
Disposal during the Year	-	-
Adjustment /Revaluations	-	-
Impairment Reversal	-	-
Balance as on 32 Ashad, 2079	1,773,085	1,773,085
Addition during the year		
Acquisition / Capitalization	-	-
Disposal during the Period	-	-
Adjustment /Revaluations	-	-
Impairment Reversal	-	-
Balance as on 31 Ashad, 2080	1,773,085	1,773,085
Depreciation and Impairment		
As on 1 Shrawan, 2078	16,936	16,936
Depreciation charge for the Period	-	-
Impairment for the Period	59,227	59,227
Disposals	-	-
Adjustment (Charge to Reserve)	-	-
As on 32 Ashad, 2079	76,163	76,163
Depreciation charge for the Period	54,082	54,082
Impairment for the Period	-	-
Disposals	-	-
As on 31 Ashad, 2080	130,245	130,245
Net Book Value		
As on Ashad End 2080	1,642,840	1,642,840
As on Ashad End 2079	1,696,922	1,696,922

The company has lease contracts for land at Kohalpur and Sunwal for packaging plants. The company has constructed buildings and installed plants and machinery on land. Leases of land have lease terms of 30 years from the date of commencement. The company's obligations under its leases are secured by the lessor's title to the leased assets. The company is restricted from assigning and subleasing the leased assets, and some contracts require the company to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments. The company also has certain leases of guest houses with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

7 Capital Work in Progress

Particulars

	Mines Road Development	Buildings	Plant and Machinery	Building Staff Qtr	Lease Hold Assets (Packing Plant)	Total
Capital Work in Progress						
As on 1 Shrawan, 2078	6,288,467	2,335,234,875	6,815,153,541	80,663,591	23,470,126	9,260,810,600
Addition During the year	16,589,796	71,162,398	352,835,315	15,143,052	263,794,911	719,525,472
Add: Interest Capitalization	1,713,528	180,221,890	536,865,431	-	-	718,800,849
Less: Capitalization in Main unit	-	-	-	(8,119,944)	(149,499,041)	(157,618,985)
As on 32 Ashad, 2079	24,591,791	2,586,619,163	7,704,854,287	87,686,699	137,765,996	10,541,517,936
Addition During the Period	24,131,772	123,552,212	352,286,879	1,976,149	8,114,433	510,061,445
Add: Interest Capitalization	5,359,127	297,787,704	886,208,686	-	-	1,189,355,517
Less: Capitalization For the Year	-	-	-	-	(145,880,429)	(145,880,429)
Balance as on 31 Ashad, 2080	54,082,690	3,007,959,079	8,943,349,852	89,662,848	-	12,095,054,469

Net Book Value

As on Ashad End 2080	54,082,690	3,007,959,079	8,943,349,852	89,662,848	-	12,095,054,469
As on Ashad End 2079	24,591,791	2,586,619,163	7,704,854,287	87,686,699	137,765,996	10,541,517,936



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

8 Investments

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Investment - wholly owned subsidiary.		
Ghorahi Cement Developing Company Private Limited 700,000 equity shares Face Value 100, paid up @Rs. 41.1040 (P.Y 41.1040) each	28,772,800	28,772,800
Jhenam Mines Private Limited 25,000 (P.Y 25,000) shares of Face Value 100, Paid-up @ Rs.20 each	500,000	500,000
Malarani Mines & Minerals Private Limited 36000 shares of face value 100 18000 Equity Shares @ Rs.100 (P.Y 18,000 @ Rs.100) Purchase 250 kitta @Rs.40000 (P.Y 2500 @ Rs.40000) Purchase 250 Kitta @Rs.30000 (P.Y 250 @ Rs.30000) Purchase 17500 Kitta @ Rs.100 (P.Y 17,500 @ Rs.100)	21,050,000	21,050,000
Investment - Associates		
Kiran Coal Udhyog Private Limited 28,500 shares of face value 100, purchase @ Rs.1166.6666 (P.Y 28,500 @ Rs.1166.6666)	33,250,000	33,250,000
Total	83,572,800	83,572,800

The all of above Investment in unquoted equity shares which is valued at cost. The Company does not have any quoted investments during the current and previous year.

Ghorahi Cement Developing Company Private Limited:

The Company has equity investment of 100% in Ghorahi Cement Developing Company Private Limited, The main objectives of the Company is to Purchase & sales of land & real estate work.

Jhenam Mines Private Limited:

The Company has equity investment of 100% in Jhenam Mines Private Limited. The main objectives of the company is to explore, excavate and trade into mines & minerals.

Malarani Mines & Minerals Private Limited

The Company has equity investment of 100% (PY 100%) in Malarani Mines & Minerals Private Limited. The main objectives of the company is to explore, excavate and trade into mines & minerals.

Kiran Coal Udhyog Private Limited

The Company has equity investment of 47.5% in Kiran Coal Udhyog Private Limited. The main objectives of the company is to trading the coal, mines and minerals.

9 Inventories

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Raw Material	837,917,921	862,937,983
Packing Material, Store & Spare	441,727,590	457,191,829
Work-in-progress	133,889,879	84,542,679
Finished Goods	654,524,766	525,745,799
Total	2,068,060,156	1,930,418,290



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

10 Trade Receivables

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Trade Receivables		
Trade receivables	1,759,000,515	1,652,332,503
Less: Deferred Sales	(1,199,007)	(16,688,992)
Less: Allowance for expected credit losses	(4,330,830)	(3,891,244)
Add: Deferred Sales (PY)	16,688,992	-
Total	1,770,159,670	1,631,752,267

10.1 Trade Receivable:

Trade receivables includes receivables from debtors during ordinary course of business and are non interest bearing.

10.2 Impairment of Trade Receivables:

For allowances, assets are tested collectively for impairment, and impaired, if necessary. Estimated irrecoverable amounts are based on the ageing of the receivable balances, taking previous cases of default into consideration and historical experiences.

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

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes financial statements, credit agency information, industry information and in some cases bank references. Sales limits are established for each customer and reviewed constantly. Any sales exceeding those limits require approval from the management.

The concentration of credit risk is limited due to the fact that the customer base is large. For trade receivables, as a practical expedient, the Company computes credit loss allowance based on a provision matrix. The provision matrix is prepared based on historically observed default amounts over the expected life of trade receivables and is adjusted for forward-looking estimates.

Allowances of Credit Losses

Movement in expected credit loss allowance on trade receivable

	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Balance at the beginning of the year	3,891,244	2,874,871
Loss allowance measured at lifetime expected credit losses	439,586	1,016,373
Balance at the end of the year	4,330,830	3,891,244

10.3 Expected credit loss (ECL):

The Company recognises loss allowance for Expected Credit Loss on financial assets measured at amortised cost at an amount equal to life time ECLs except for the following, which are measured at life time ECLs:

- other short term receivables that have not demonstrated any increase in credit risk since inception.

The Company has elected to measure loss allowances for trade debts using NFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

Loss allowance for trade receivables are always measured at an amount equal to life time ECLs. Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)

Amount in NPR**10.4 Secured Balance:**

Secured trade receivables are considered secured on the basis of Bank Guarantee provided by the customers to the company and letter of credits in favor of the company..

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Secured, considered good	323,525,164	366,055,204
	<u>323,525,164</u>	<u>366,055,204</u>

10.5 Security:

Trade Receivable are pledged as security by the company against Borrowings.

11 Contract Assets:

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Contract Assets	1,199,007	16,688,992
Total	<u>1,199,007</u>	<u>16,688,992</u>

Contract assets relate to revenue earned from ongoing goods & services specified by customers during the period. As such, the balances of this account vary and depend on the volume of ongoing product & services at the end of the year.

12 Cash and Cash Equivalent:

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Balances with Banks:		
- In current accounts	44,639,152	50,243,530
Cash In Hand (As certified by the Management)	27,398,316	6,522,795
Total	<u>72,037,468</u>	<u>56,766,325</u>

Balance at Bank in Term Deposits includes amount held by bank as fixed deposits having maturity of three months. Accordingly the same is classified as cash & cash equivalents.

Balances at bank in term & Call deposits earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The above balances are considered as the cash & cash equivalents for the purpose of Statement of Cash Flows.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

13 Other financial assets

Particulars		As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Other Advances	13.1	108,373,590	86,349,130
Security Deposits		693,950	586,750
Deposit for statutory authorities with dispute cases		22,958,734	22,958,734
Total		132,026,274	109,894,614

13.1 Other Advances:

Other Advances represents the balance given to subsidiary, associate and other company which is used for investment in shares of the companies by GCL in coming year.

14 Prepayments

Particulars		As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Prepaid Insurance and Expenses		46,629,860	55,401,618
Prepaid Excise Payment		1,325,067	356,312
Total		47,954,927	55,757,930

15 Other Current Assets:

Particulars		As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Bank Guarantee Margin		1,331,403	1,331,403
Custom Margin Deposit		30,000	30,000
Letter of Credits & LC Margins		31,112,385	19,438,800
Advance to vendors & Contractors	15.1	468,295,286	497,939,648
Staff Advances		14,810,449	9,374,863
Net Receivable From Himalayan Capital		3,005,039,850	-
Value Added Tax Receivables		20,406,333	-
Total		3,541,025,706	528,114,714

15.1 Advance to vendors & Contractors:

It represents the advances given to raw material suppliers of main units and civil, mechanical, and electrical contractors for mobilisation and procurement of Unit 1.

16 Current Tax Assets/(Liabilities):

Particulars		As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Opening - Income Tax Refundable/(Payable)		(14,699,574)	14,795,308
Addition During the Period		5,963,838	4,760,529
Less- Prior year Adjustment During the Period		-	(30,611,622)
Provision for Tax - Current Period		(1,068,135)	(3,643,789)
Paid During the Period		16,845,273	-
Closing - Income Tax Refundable/(Payable)		7,141,902	(14,699,574)



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)

Amount in NPR**17 Share Capital**

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Authorized:		
68,000,000 Equity Shares of Rs. 100.00 each	6,800,000,000	6,800,000,000
	6,800,000,000	7,800,000,000
Issued:		
39,719,006 Equity Shares of Rs. 100.00 each	3,971,900,600	3,971,900,600
	3,971,900,600	4,971,900,600
Subscribed & Paid Up:		
39,719,006 (PY 31,775,205) Equity Shares of Rs.100.00 each	3,971,900,600	3,177,520,500
Total	3,971,900,600	3,177,520,500

17.1 Equity Share Capital Movements

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Opening Share Capital	3,177,520,500	3,177,520,500
Share Issued	794,380,100	-
Bonus Share issued	-	-
Right Share issued	-	-
	3,971,900,600	3,177,520,500

Rights, Preferences and Restrictions attached to Equity Share Capital

The Company has only one class of equity shares having a par value of 100 per share. Each shareholder is entitled to one vote per equity share. In the event of liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company, in proportion to their shareholding, after distribution of all preferential amounts.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



17.2 Equity Shares held by

Name of the Shareholder	%	No. of Share	Equity (Face Value) Amount in NPR	Share premium Amount in NPR
Mr. Birendra Kumar Sanghai	9.92%	3,940,125	394,012,500	-
Mr. Govind Lal Sanghai	9.92%	3,940,125	394,012,500	-
Mr. Purushottam Lal Sanghai	8.16%	3,241,350	324,135,000	-
Mrs. Nilam Sureka Sanghai	6.40%	2,542,018	254,201,800	-
Mr. Subhash Chandra Sanghai	4.90%	1,946,710	194,671,000	-
Mr. Ram Chandra Sanghai	4.90%	1,946,710	194,671,000	-
Mr. Shailesh Sanghai	5.02%	1,993,415	199,341,500	-
Mr. Harsh Vardan Sanghai	5.02%	1,993,415	199,341,500	-
Mrs. Anju Sanghai	4.00%	1,588,761	158,876,100	-
Mr. Trilok Chand Agarwal	3.02%	1,200,622	120,062,200	-
Mr. Jagdish Prasad Agarwal	3.01%	1,194,270	119,427,000	-
Mr. Tulsi Ram Agarwal	2.97%	1,181,565	118,156,500	-
Mr. Ashok Kumar Agarwal	2.14%	851,235	85,123,500	-
Mr. Anuj Agarwal	2.00%	794,063	79,406,300	-
Mr. Vishal Agarwal	1.97%	781,357	78,135,700	-
Mr. Nikunj Agarwal	1.95%	775,005	77,500,500	-
Mr. Aditya Sanghai	0.88%	349,387	34,938,700	-
Mrs. Aditi Chokhani	0.88%	349,388	34,938,800	-
Mr. Vivek Agarwal	0.62%	247,748	24,774,800	-
Mr. Arpit Agarwal	0.62%	247,747	24,774,700	-
Mr. Ashish Kumar Agarwal	0.61%	241,395	24,139,500	-
Mr. Suresh Kumar Agarwal	0.35%	139,755	13,975,500	-
Mr. Ashish Jindal	0.32%	127,050	12,705,000	-
Mrs. Kabita Agrawal	0.41%	161,989	16,198,900	-
Name of the Shareholder - IPO (Amounts including Premium)				
Local	0.19%	77,290	7,729,000	23,187,000
Foreign Employment person	1.53%	606,350	60,635,000	203,127,250
Company Employee	0.05%	19,530	1,953,000	6,542,550
MutualFund	0.83%	328,961	32,896,100	110,201,935
Public (Including share premium of Rs.2,658,468,185)	17.40%	6,911,670	691,167,000	2,315,409,450
Total	100%	39,719,006	3,971,900,600	2,658,468,185



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



18 Retained Earnings

Amount in NPR

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Opening	3,943,860,520	3,682,352,126
Bonus issued	-	-
Profit for the year	63,153,722	216,541,587
Prior Year Adjustment 18.1	-	75,578,429
Prior Year Tax 18.2	(63,185)	(30,611,622)
Total	4,006,951,057	3,943,860,520

18.1 Prior Year Adjustment

During the year, the company has no prior year adjustment other than prior year tax.

During the Previous Year, the company has reversed the undistributed bonus of FY 2074-75 & FY 2075-76 of NPR 75,578,429 which was also reversed in tax assessment of FY 75/76 & 76/77.

18.2 Prior Year Tax

Prior Period tax pertain to FY 2078/79 (PY 2075/76, 2076/77 & 2077/78) amounting to Rs.63,185 (PY Rs.28,544,458, Rs.1,751,771 & Rs.315,393) Respectively as per tax assessment order.

19 Other Reserve

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Preference Share Redemption Reserve	79,060,000	79,060,000
Total	79,060,000	79,060,000

Redemption Reserve:

Redemption Reserve has been created as per requirement of section 65.6 & 65.7 of Company Act, 2063.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

20 Share Premium

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Share Premium	2,658,468,185	-
Total	2,658,468,185	-

Share Premium account has been created as per requirement of section 29.2 of Company Act, 2063.

Nepal Stock Exchange Limited has listed 3 crores 97 lakhs 19 thousand and six unit of shares of Ghorahi Cement Limited under share agreement dated 2080/04/25 as per Securities Act 2075 out of which 79 lakhs 43 thousand eight hundred and one units were allotted to public.

The public has purchased the IPO shares of the company as per detail below:

Particulars	Unit	Rate	Amount Received		Receivable	
			Equity (Face Value)	Share Premium	Equity (Face Value)	Share Premium
Local	77,290	400	7,729,000	23,187,000	-	-
Foreign Employment person	606,350	435	60,635,000	203,127,250	-	-
Company Employee	19,530	435	1,953,000	6,542,550	-	-
Mutual Fund	328,961	435	32,896,100	110,201,935	-	-
Public*	6,911,670	435	-	-	691,167,000	2,315,409,450
Total	7,943,801		103,213,100	343,058,735	691,167,000	2,315,409,450

* Amounts received from Public under the IPO, remains receivable by the Company from the issue manager i.e., Himalayan Capital Ltd.

21 Secured Long term Financing

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
From Banks:		
Term Loan	8,691,676,017	7,933,308,613
HP Loan	97,067,048	122,207,120
Total	8,788,743,065	8,055,515,733
Less:- Current maturities on borrowings from Banks	(393,086,663)	(507,334,226)
	8,395,656,402	7,548,181,507
Total	8,395,656,402	7,548,181,507

21.1 Loan Security:

- The local consortium loan is secured against hypothecation of entire fixed Assets, Current Assets as primary security.
- For the secondary guarantee the Chairman and one director of the company has provided personal guarantee to the bank.

- The company considers the initial interest rate agreed as per consortium agreement is to be the effective interest rate. Hence the finance expenses recognized is approximate to effective interest rate. i.e. The rate of interest on loan from concerned bank is considered as effective rate of interest and accordingly the borrowings are assumed to be at its fair value.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

22 Non-Current Financial Liability

<u>Particulars</u>	<u>As on Ashad 31, 2080 (July 16, 2023)</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>
Opening	760,003,610	-
Advance from Directors & Shareholders	-	952,259,977
Additional Advance	567,350,000	-
Less: Impact of present Value of Future Repayment	(117,448,201)	(208,095,741)
Interest Expenses arising During the year	135,783,235	15,839,374
Total	1,345,688,644	760,003,610

During the Period the company has received further interest free loan from company directors and shareholders amounting to Rs. 567.35 Millions (PY. Rs. 952.26 Millions). As per board minutes decision, the repayment should be done after July 15, 2024.

Accordingly, it has been classified as a non-current financial liability, measured under fair value through profit loss. The fair value of a financial liability, i.e., unsecured long-term financing, is measured at present value of payment made after July 15, 2024. The difference between the fair value and the carrying value is recognized as a gain or loss in the statement of profit or loss at initial recognition amounting to Rs.117.45 million.

Interest expenses on Non current financial liability (Interest Free Directors Loan) has been calculated using the effective interest rate under NFRS 9 Financial Instruments @12% and @13% on present value amounting to Rs.135.78 million.

23 Lease Liability

<u>Particulars</u>	<u>As on Ashad 31, 2080 (July 16, 2023)</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>
Opening	1,863,401	1,790,495
Additions During the year	-	-
Adjustment During the year	59,314	72,906
Total	1,922,715	1,863,401

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate @12% at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

24 Deferred Tax Assets / (Liability)

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Deferred Tax Assets / (Liabilities) as on 1st Sharwan	(184,260,868)	(180,388,640)
Add/ Less:-		
Tax income/(expense) during the period recognized in statement of profit or loss (net)	(17,531,988)	(3,872,228)
Deferred Tax Assets / (Liabilities) as on Period End	<u>(201,792,856)</u>	<u>(184,260,868)</u>

Details of Deferred Tax Assets / (Liability)

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
<u>On account of :</u>		
Property, Plant and Equipment and Intangible Assets	(200,925,079)	(184,005,401)
Defined Benefits Obligations	4,284,914	4,284,914
Right of Use Assets	98,570	101,815
Lease Liability	(115,363)	(111,804)
Inventories	(5,135,898)	(4,530,392)
Total	<u>(201,792,856)</u>	<u>(184,260,868)</u>

Deferred tax is calculated on temporary differences using tax rate of 6.00% (Previous year : 6.00%). Deferred tax has been recognized in respect of temporary differences giving rise to deferred tax asset/(liability).

25 Borrowings - Short Term

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Working Capital (secured)*		
From Banks:		
Short Term, Import Loan TR Loan & Working Capital Loan	2,671,437,145	3,804,454,500
Current maturities of long-term borrowing		
- From Banks	393,086,663	507,334,226
Total	<u>3,064,523,808</u>	<u>4,311,788,726</u>
*Security		

i) The loan is secured against hypothecation of entire fixed Assets, Current Assets as primary security.

ii) For the secondary guarantee the chairman and one director of the company has provided personal guarantee to the bank.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

26 Trade Payables

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Sundry Creditors-Suppliers	1,594,587,194	636,297,672
Total	1,594,587,194	636,297,672

27 Other Financial Liabilities:

<u>Particulars</u>		As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Loan Management & Agency Fee Payable		16,217,599	14,485,237
Bank Interest payable		164,519,347	-
Retention money payable	27.1	47,828,618	55,806,934
Security deposit payable	27.2	40,466,793	40,866,793
Statutory dues			
- Excise Payable		6,859,828	6,188,433
- TDS Payable		13,867,165	14,648,599
- Reverse VAT		3,579,732	867,448
- VAT Payable		-	17,801,347
Corporate social responsibility fund	27.3	2,280,021	2,263,208
Employee Payables			
- Salary & wages payable		46,366,673	43,986,074
- Bonus payable	27.4	8,257,964	22,632,081
- Defined contribution payables	27.5	608,993	196,249
- Employees defined benefit obligations	27.6	71,415,231	71,415,231
- Gratuity		-	-
- Leave Encashment		-	-
Expenses Payable		560,393,477	520,590,525
Audit Fee Payable		985,000	1,231,250
Shree Ganesh Ji Maharaj		1	1
Other Payable		27,525,500	27,525,500
Total		1,011,171,942	840,504,910

27.1 The retention money pertains to the amount payable to contractors/suppliers of Unit 1 expansion project. Such retention is payable on completion of the project. As the maturity of such retention is uncertain the same has not been amortized and has been considered to be carried out at fair value.

27.2 The security deposits pertains to the amount payable to contractors/suppliers of Unit 1 expansion project. Such security deposits is payable on completion of the project. As the maturity of such deposits is uncertain the same has not been amortized and has been considered to be carried out at fair value.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

27.3 Corporate Social Responsibility Fund:

CSR expenses is accounted as per Industrial Enterprises Act 2020 (2076 BS) (the "Act").

Section 54 of Industrial Enterprises Act 2020 (2076 BS) makes it mandatory to allocate 1% of the annual profit to be utilized towards corporate social responsibility (the "CSR Requirement").

The fund created for CSR is to be utilized on the basis of annual plans and programs but in the sectors that are prescribed in the rules framed under the Act.

Accordingly, the company has allocated amounting to Rs.0.83 million during the Period.

The plan and the utilization progress report of the fund is yet to be submitted to the Department of Industries.

The company has utilized CSR fund in following areas specified under Rule 37 of Industrial Enterprise Rules, 2076:

Particulars	Amount
1 Education Sector	535,610
2 Religious Sector	206,469
3 Local infrastructure dev	66,904
Total	808,983

Summary of CSR:

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Opening Balance	2,263,208	4,559,343
Provided During the Year	825,796	2,263,208
Utilized During the Year	(808,983)	(4,559,343)
Closing Balance	<u>2,280,021</u>	<u>2,263,208</u>

27.4 Staff Bonus:

Provision for Staff Bonus has been made at 10% of profit before CSR and tax during the Period which amounts to Rs.8.26 million during the Period.

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Profit before CSR and Tax	90,837,605	248,952,893
Bonus @10% of Profit before Tax	<u>8,257,964</u>	<u>22,632,081</u>

During the year, the company has reversed bonus of FY-2078/79 amounting to Rs22,632,081.

Particulars	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Opening Bonus Payable	22,632,081	117,074,319
Paid During the Year	-	29,100,893
Reversal of bonus provision (Assessment)	-	75,578,429
Reversal of bonus provision of Previous Year	22,632,081	12,394,997
This Year Provision	8,257,964	22,632,081
Balance Bonus Payable	<u>8,257,964</u>	<u>22,632,081</u>

27.5 Defined Contribution Payables:

As per the requirements of the Social Security Act and Labour Act, every employer and employee are required to contribute 20% and 11%, respectively, of basic salary as a SSF and deposit it into the Social Security Fund. The same mandatory government scheme has been defined as a contribution plan in accordance with Nepal Accounting Standard (NAS) 19 'Employee Benefits'.

The company has complied with the same and contributed 10% of the SSF for each employee and employer and deposited it into the SSF.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

27.6 Defined Benefits Payables:

A defined benefit plan is a poste employment benefit plan other than a defined contribution plan. The company recognizes following two types of employee liabilities as defined benefit obligations:

- a) Gratuity Liability
- b) Accumulated Leave Liability

The cost of the defined benefit obligations has not been determined using actuarial valuation from an independent actuary. The company has recognized gratuity obligations @8.33% of basic salary. As on year ended company has outstanding gratuity & leave encasement payable amounting to Rs. 6.19 crore and Rs. 94.62 lakh respectively upto 78/79. However, an actuarial valuation is not carried out considering it immaterial and hence actuarial gains or losses are not recognized. Instead the gratuity liability is fully funded to the corresponding DBP to the extent of gratuity entitlement earned by the employees in the same period. Employer's contribution to DBP is recognized as gratuity expense in profit or loss during the year.

28 Contractual liabilities:

<u>Particulars</u>	As on	As on
	Ashad 31, 2080 (July 16, 2023)	Ashad 32, 2079 (July 16, 2022)
Advance from Customers	121,922,968	143,523,045
Deferred Revenue	1,033,129	14,096,686
Total	122,956,097	157,619,731

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also generally includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

29 Revenue from Operations

<u>Particulars</u>	<u>Year ended Ashad 31, 2080 (July 16, 2023)</u>	<u>Year ended Ashad 32, 2079 (July 16, 2022)</u>
Revenue from contracts with customers	4,631,993,354	4,758,413,198
Other operating revenues	28,387,367	78,665,548
Less: Incentives and Rebates	(47,989,603)	(31,214,946)
Less: Deferred revenue	(1,033,129)	(14,096,686)
Add: Deferred revenue of previous year	14,096,686	9,763,839
Total	4,625,454,675	4,801,530,953

29.1 Sale of goods:

The entity has applied NFRS 15 using the modified retrospective method and the comparative information has been

29.2 Significant accounting policy:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognises revenue when it transfers control over a product or service to a customer. In the comparative period, revenue was measured at the fair value of the consideration received or receivables.

In the comparative period, revenue was recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured and when recognition criteria related to sale of goods activities i.e when the significant risks and rewards of ownership of the goods have transferred to the buyer, with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue include all revenue from ordinary activities of the company that are recorded net off Value Added Taxes and Excise Duty collected from the customer that are remitted or are to be remitted to the government authorities.

The company generates revenue from sale of goods in the ordinary course of business.

29.3 Nature of goods and services:

The company is engaged in the production, manufacture, and sale of cement and clinker under the brand names Sagarmatha, Gorkha, and Vishwakarma. The company is also engaged in supply of own products.

29.4 Timing of revenue recognition:

The entity recognizes revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

29.5 Sales Channel:

The entity sells through intermediaries, i.e., through its dealers and distributors. Also available to consumers and at construction sites directly.

29.6 Transaction price related to remaining performance obligations:

The revenue is recognized when control of the goods is transferred to the customer.

Variable consideration for pending performance obligation at Fiscal Year Closing dates.

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Goods & Services Pending to be deliver	1,033,129	14,096,686
	<u>1,033,129</u>	<u>14,096,686</u>

29.7 Disaggregation of revenue from contracts with customers:

The Company derives revenue from sale of products from following major segments:

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
i) Revenue from contracts with customers:		
Sale of products (Transferred at point in time)		
Manufacturing		
Nepal	4,596,505,991	4,617,042,205
Export	1,891,512	-
Trading	33,595,851	141,370,993
	<u>4,631,993,354</u>	<u>4,758,413,198</u>
ii) Other operating revenue:		
Transportation Services	28,387,367	78,665,548
	<u>28,387,367</u>	<u>78,665,548</u>
iii) Major Product lines		
Clinker	550,753,643	702,359,796
Cement	4,047,643,860	3,914,682,409
	<u>4,598,397,503</u>	<u>4,617,042,205</u>

29.8 Contract balances:

Trade receivables	1,757,801,508	1,635,643,511
Contract assets	1,199,007	16,688,992
Contract liabilities	122,956,097	157,619,731



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)

Amount in NPR**29.9 Segment Balances:**

These financial statements do not include disclosure relating to NFRS 8 "Operating Segments" as the Company's business is considered to be a single operating segment.

30 Cost of Sales

<u>Particulars</u>	<u>Year ended Ashad 31, 2080 (July 16, 2023)</u>	<u>Year ended Ashad 32, 2079 (July 16, 2022)</u>
Opening Stock of Semi Finished/Finished Goods		
OPC Cement Semi Finished	60,714,220	22,147,722
PPC Cement Semi Finished	23,828,459	27,892,613
Clinker	525,745,799	302,847,775
	610,288,478	352,888,110
Add :		
Raw Material & Stores Spares Consumption	2,726,035,937	2,246,632,426
Fuel & Power Consumption	704,140,524	1,230,819,805
Manufacturing Expenses:		
Building Repairs	1,893,106	2,899,478
Factory Miscellaneous Expenses	30.1 2,969,915	5,974,212
Factory Staff Canteen Expenses	11,053,932	15,319,320
Factory Insurance	30.2 28,485,803	19,491,367
Factory Staff Salary & Wages Expenses	30.3 153,261,759	265,400,339
Loader & Excavator Expenses	412,107	2,704,500
Repairs & Maintenance Plant & Machinery	30.4 108,287,167	130,241,802
Tipper / Tractor Running Expenses	23,188,599	35,123,767
Factory Security Guard Expenses	13,945,580	13,720,730
Certification Expenses	30.5 4,396,833	1,364,574
Cement-Packing Charges	7,685,572	4,841,846
Oil, Gas & Other Lubricants	801,146	2,223,279
Gratuity Expenses	-	9,950,899
Leave Encashment Expenses	-	166,156
Mines Expenses	30.6 22,713,012	16,305,495
Employee Bonus	5,550,752	16,663,819
Total	3,814,821,744	4,019,843,814
Less:		
Closing Stock of Semi Finished/Finished Goods		
OPC Cement Semi Finished / Finished	75,620,050	60,714,220
PPC Cement Semi Finished / Finished	58,269,829	23,828,459
Clinker	654,524,766	525,745,799
Total	788,414,645	610,288,478
Total	3,636,695,577	3,762,443,446



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

30.1 Factory Miscellaneous Expenses

Factory miscellaneous expenses is incurred for laboratory expenses, health & safety expenses and various other expenses related to factory.

30.2 Factory Insurance

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Insurance Premium Fire & Machinery Breakdown	21,159,133	15,674,401
Vehicle Insurance (Heavy Vehicles)	7,326,670	3,349,906
Other Insurance	-	467,060
	<u>28,485,803</u>	<u>19,491,367</u>

30.3 Factory Staff Salary & Wages Expenses

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Factory Staff Salary	120,931,462	228,024,014
Factory Labour & wages	32,330,297	37,376,325
	<u>153,261,759</u>	<u>265,400,339</u>

30.4 Repairs & Maintenance Plant & Machinery

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Clinker Machinery Repair	11,623,199	34,157,590
Cement Plant Machinery	7,013,888	4,662,035
Generator's Repair	9,429,893	18,456,120
Heavy Vehicle Repair	73,090,458	56,731,073
Mines Machinery Repair	4,736,471	7,160,431
Other Misc. Machinery Repairs	2,393,258	9,074,553
	<u>108,287,167</u>	<u>130,241,802</u>

30.5 Certification Expenses

Certification expenses is incurred for payment to Ghorahi Sub-Metropolitan Office for Business Registration Tax. Also paid for Trademark Registration & ISO Certification Expenses.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

30.6 Mines Expenses

Particulars	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Mines Staff Wages & Salary	9,232,462	9,687,980
Mines Road upkeep & Maintenance	12,178,569	5,072,322
Mines Mess expenses	1,015,180	1,522,083
Mines other expenses	286,801	23,110
	22,713,012	16,305,495

31 Other income

Particulars	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Interest Income - Call Accounts	124,089	507,611
Rent Income	880,945	651,311
Insurance Claims received	890,223	15,119,984
Gain on initial recognition of financial liability at fair value	117,448,201	208,095,741
Miscellaneous Income	2,842,207	3,350,118
Foreign Exchange Gain/Loss	1,570,053	-
Bonus written Back	22,632,081	12,394,997
Sundry Creditors Written Back	19,621,228	-
Total	166,009,027	240,119,762

31.1 Interest Income - Bank:

Interest income from Bank Deposits has been recognized using effective interest method as required by NAS 39. The rate of concerned bank from which interest income is earned is considered as effective rate of interest.

31.2 Insurance Claims received:

It is recognised as amount received of insurance claim which is dependent on the replacement/repairs cost for damaged components of plant and machinery due to accident that occurred during current & earlier years.

31.3 Gain on initial recognition of financial liability at fair value:

Gain on initial recognition of financial liability at fair value is the income recognized on unwinding of interest free loan received from related party at present value which is in accordance with NFRS 9, Financial Instruments. The fair value of a financial liability, i.e., unsecured long-term financing, is measured at present value of payment made after July 15, 2024. The difference between the fair value and the carrying value is recognized as a gain or loss in the statement of profit or loss at initial recognition amounting to Rs.117.45 million.

31.4 Bonus written Back:

During the year, the company has reversed bonus of Rs. 22.6 million from the provision of FY 2078/79.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

32 Administrative, Selling & Distribution Expenses

Particulars		Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Employee Benefits Expenses	32.1	78,812,643	104,827,494
Short Term Lease Expenses	32.2	3,820,862	4,522,524
Auditors' remuneration	32.3	1,000,000	1,350,000
Donation		192,700	816,350
DG Running Expenses		52,620	45,050
Office Electricity & Water Expenses		694,109	758,180
Fine and Penalty		155,468	887,042
Foreign Exchange Gain/Loss		-	729,093
Legal Expenses	32.4	2,990,967	2,532,020
Office Upkeep Expenses	32.5	4,898,671	5,420,358
IPO Expenses		36,884,762	-
Office Staff Mess Expenses		1,179,064	1,534,736
Membership Fee		133,280	1,547,894
Repairs & Maintenance - Computer, Printer & others		549,635	722,225
Office Vehicle Repairs & Maintenance		2,902,332	2,962,383
Recruitment Expenses		221,413	275,947
Printing & Stationery		2,101,633	1,807,809
Prior Period Expenses		582,054	1,315,561
Rates & Taxes		169,343	471,525
Office Telephone, Postage & Internet	32.6	3,205,686	3,531,930
Office Travelling & Conveyance	32.7	3,891,587	4,433,599
Office Vehicle Running		3,921,063	4,463,764
Office Security Guard Expenses		312,689	318,000
Miscellaneous Expenses-Sales	32.8	44,444,923	37,751,278
Advertisement Expenses		76,958,621	84,331,463
Royalty Expenses		-	5,317,850
Bulker Running Expenses	32.9	38,106,356	19,313,682
Export Expenses		1,457,034	-
Impairment Expenses		439,586	1,016,373
Corporate Social Responsibility		825,796	2,263,208
Total		310,904,897	295,267,338

32.1 Employee Benefits Expenses

Particulars		Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Salary & Allowances		74,748,807	95,054,970
Staff Welfare Expenses		1,356,624	1,007,508
Gratuity Expenses		-	2,796,754
Employee Bonus		2,707,212	5,968,262
		78,812,643	104,827,494



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

32.2 Short Term Lease Expenses:

The Company has certain leases of office space and guest house rent with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

32.3 Auditors' remuneration

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Audit Fee	1,000,000	1,000,000
Interim Period Audit Fee	-	250,000
Other certifications	-	100,000
	<u>1,000,000</u>	<u>1,350,000</u>

32.4 Legal Expenses

Legal expenses is incurred in connection with consultancy fee, Certification Fee, Bank Rating Fee, Lawyer fee etc. for GCIL.

32.5 Office Upkeep Expenses

This expenses is incurred for upkeep & maintenance of GCIL offices at Factory, Head Office & Various offices for Custom & Packing Plant Office.

32.6 Office Telephone, Postage & Internet

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Telephone & Internet	3,105,563	3,418,623
Postage & Courier	100,123	113,307
	<u>3,205,686</u>	<u>3,531,930</u>

32.7 Office Travelling & Conveyance

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Travelling Expenses	3,590,950	4,156,631
Conveyance Expenses	300,637	276,968
	<u>3,891,587</u>	<u>4,433,599</u>



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

32.8 Miscellaneous Expenses-Sales

Particulars	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Sales & Marketing Staff Salary	38,531,223	16,904,306
Sales Vehicle Running Expenses	1,130,692	1,112,726
Delivery & Transfer Expenses	3,847,239	19,085,197
Sales other expenses	935,769	649,049
	44,444,923	37,751,278

32.9 Bulker Running Expenses

The Company has incurred various kind of bulker running expenses i.e. Fuel, repairs, driver salary & other bulker related expenses for use of bulker for cement transportation & cement transfer to packing plants.

Particulars	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Bulker Running Expenses	32,494,983	18,511,620
Bulker Repair & Maintenance Expenses	5,611,373	802,062
	38,106,356	19,313,682

33 Depreciation and Amortization

Particulars	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Depreciation on tangible assets	334,845,250	367,604,321
Amortization on intangible Assets	2,225,386	2,138,692
Depreciation on right of use Assets	54,082	59,227
Total	337,124,718	369,802,240

34 Finance Cost

Particulars	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Interest expenses on		
- Long term finance - secured	34.1 1,140,554,250	754,233,661
- Short term finance - secured	34.1 327,223,222	326,009,329
- Lease Liability	34.2 215,314	228,906
- Financial Liability	34.3 135,783,235	15,839,374
Loan Agency & Management Fees	6,889,187	10,035,237
Guarantee commission	248,606	715,910
Bank Charges	3,426,368	1,818,519
	1,614,340,182	1,108,880,936
Less: Allocated to fixed capital expenditure	(1,189,355,517)	(718,800,849)
Total	424,984,665	390,080,087



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Amount in NPR

34.1 Interest on Long Term & Short Term Finances:

The company considers the initial interest rate agreed as per consortium agreement is to be the effective interest rate. Hence the finance expenses recognized is approximate to effective interest rate. i.e. The rate of interest on loan from concerned bank is considered as effective rate of interest.

34.2 Interest on Lease Liability:

Interest Expenses are the finance expense accrued/recognized on the present value of all the lease payments over the lease period.

34.3 Interest on Financial Liability:

Interest expenses on Non current financial liability (Interest Free Directors Loan) has been calculated using the effective interest rate under NFRS 9 Financial Instruments @12% and @13% on present value amounting to Rs.135.78 million.

35 Income Tax Expenses

<u>Particulars</u>	<u>Year ended</u> <u>Ashad 31, 2080</u> <u>(July 16, 2023)</u>	<u>Year ended</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>
Current Period	1,068,135	3,643,789
Total Current Tax Expense	1,068,135	3,643,789
Deferred tax Expense		
Origination and Reversal of Temporary Differences	17,531,988	3,872,228
Deferred Tax Expense/(Income)	17,531,988	3,872,228
Total Tax Expense	18,600,123	7,516,017

36 Earning Per Share

<u>Particulars</u>	<u>Year ended</u> <u>Ashad 31, 2080</u> <u>(July 16, 2023)</u>	<u>Year ended</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>
Net Profit available for Equity Shareholders for Basic Earnings Per Share	63,153,722	216,541,587
Basic - weighted Average Number of Equity Shares Outstanding during the year	39,719,006	31,775,205
Basic Earnings Per Share	1.59	6.81
Net Profit available for Equity Shareholders for Diluted Earnings Per Share	63,153,722	216,541,587
Diluted - weighted Average No. of Equity Shares during the Period	39,719,006	39,719,006
Diluted Earnings Per Share	1.59	5.45



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



37 Income Tax:

Provision for Income Tax has been made as per the provisions of Income Tax Act, 2058 after availing the concession/ rebate as per section 11(3) (Kha) of Income Tax Act, 2058 as follows:

Nature of Business	Tax Rate as per Income Tax Act, 2058	Rebate available U/s 11(2kha) of IT Act 2058	Effective Tax Rate after availing rebate u/s 11(Kha) of IT Act 2058	Rebate available U/s 11(3) of IT Act, 2058*	Applicable Tax Rate as per IT Act, 2058
Manufacturing-Local	25%	20%	20% 25%-20%	70%	6% (20% - 70%)
Trading Business	25%				25%
Manufacturing - Export	25%	20%	20% (25% - 5%)	20% (20% x 20% = 4%) 50% (20% - 4% = 16% x 50% = 8%)	8.00% (20%-4%-8%)

*The Company is eligible to claim 70% rebate on the applicable tax rate (i.e. applicable tax rate of 6%) on the taxable income from manufacturing activity for the period of 10 Period from the Period of commencement of commercial production as per sec 11(3)(Kha) of Income Tax Act, 2058.

The Income Tax assessment has been completed by the tax authorities up to F/Y 2078-79, the company has accepted all the matter raised. There is not any dispute pending with regards to Income Tax.

Although the Company is a manufacturing industry registered with Department of Industries, it has undertaken trading activity and has sold raw materials and diesel during the Period to various sub contractors/vendors at Mines Site where the same is not easily available & sale of some raw material is also undertaken to avoid degradation of its quality. The Company has paid tax on profit arising due to trading activities at 25% as per the provisions of prevailing taxation laws.

38 New Expansion Unit 1:

From fiscal year 2074-75, the company has begun a new expansion in the Dang district on the compound of its main unit, Ghorahi Cement Industries Ltd. The annual clinker and grinding production capacities will be 957,000 MT and 420,000 MT, respectively. At the reporting date, the company has the following assets and liabilities, which are related to New Expansion-Unit 1.

Particulars	Assets	Liabilities	Financial Position Reference
Advance Provided to Contractor & Suppliers	170,136,357	-	Other Current Assets
Letter of Credit balances	2,576,129	-	Other Current Assets
Capital Nature Inventories	49,862,101	-	Inventories
Retention Money	-	42,196,268	Other Financial Liabilities
Security deposit of Contractor	-	31,552,687	Other Financial Liabilities
Capital Creditors	-	109,968,590	Trade Payable
Total	222,574,587	183,717,545	

39 Borrowing Cost Capitalized:

The Company has capitalized the interest on borrowing as per best invested in Project unit 1. During the year following interest has been capitalized in Unit 1 which is as follows:

Particulars	Interest Capitalized	
	FY 2079-80	FY 2078-79
Interest of dedicated Term loan for project	1,189,355,517	718,800,849
Total	1,189,355,517	718,800,849

40 Capital Work in Progress:

The movements in Capital Work-in-progress are as follows:

Particulars	Opening CWIP	Additions during the year	Interest Capitalized	Less: Capitalization	Closing CWIP
Mines Development	24,591,791	24,131,772	5,359,127	-	54,082,690
Building	2,586,619,163	123,552,212	297,787,704	-	3,007,959,079
Plant and Machinery	7,704,854,287	352,286,879	886,208,686	-	8,943,349,852
Building Staff Qtr	87,686,699	1,976,149	-	-	89,662,848
Lease Hold Assets (Packing Plant)	137,765,996	8,114,433	-	(145,880,429)	-
Total	10,541,517,936	510,061,445	1,189,355,517	(145,880,429)	12,095,054,469



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



41 The Company has capitalized the following direct/indirect expenses in Capital Work In Progress (Unit 1).

Particulars	Current Year Amount	Previous Year Amount
Electricity Expenses	24,741,942	19,443,232
Bank Charges	-	33,485
Certification Expenses	-	15,000
Other Expenses	22,409	-
Insurance Premium	25,648,305	22,862,260
Loan Agency / Management fee Expenses	5,632,675	4,500,000
Salary & Wages Expenses	113,432,259	39,226,903
Reverse VAT	2,775,685	154,626
Diesel	7,966,457	-
Total	180,219,732	86,235,506

42 Events after Reporting Date

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the financial statements.

43 Contingent Liabilities and Commitments:

S.No.	Particulars	FY 2079-80	FY 2078-79
43.1	Bank Guarantee	28,027,044	25,027,044
43.2	Letter of Credit	679,628,852	233,811,115
43.3	Litigation - Custom and Value Added Tax	14,818,926	14,818,926
43.4	Nepal Electricity Authority	1,332,338,644	1,241,365,823
	Total	2,054,813,466	1,515,022,908

43.1 Bank Guarantee

The company has given Bank Guarantee for Rs.28.03 (P.Y 25.03) million in ordinary course of business.

43.2 Letter of Credit

There are unexpired Letter of Credit amounting to Rs.679.63 (P.Y 233.81) million at the year end.

43.3 Litigation - Custom and Value Added Tax

i The Krishnagar Custom office has assessed the Custom Duty and Value Added Tax on differential amount of value between notified rate for customs valuation as prescribed by department of Custom and actual invoice submitted by company on Coal import. Additional demand notice of Rs.24,32,163 for Custom Duty and Rs.66,43,733 for Value Added Tax has been served against company. The company has not accepted the valuation determined by Krishnagar Custom office and deposited the equivalent amount & has gone for appeal.

ii The Nepalgunj Custom office has assessed the Custom Duty, Excise duty and Value Added Tax on differential Import duty & Excise duty rate between declaration rate in Pragyapatra and tariff rate prescribed by Department of Custom for Bulker import. Additional demand, vide notice dated 2076.07.26 chalani no.3987 of Rs.39,85,044 for Custom Duty, Rs.10,97,283 for excise duty and Rs.6,60,703 for Value Added Tax has been served against company. The company has not accepted the valuation determined by Krishnagar Custom office and deposited the equivalent amount & has gone for appeal in Revenue Tribunal.

Dispute on account on Custom Valuation

Financial year	Under Dispute	Deposit for Dispute
2072-73 Coal	9,075,896	9,075,896
2076-77 Bulker	5,743,030	5,743,030
Total	14,818,926	14,818,926



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



43.4 Nepal Electricity Authority

The Company has received electricity bill arrears up to Ashad 2080 amounting to Rs. 133.23 cr in Shrawan 2080 Bill, out of which company has booked the liability of Rs.35.28 cr. This is subjected to un-resolved matter with Nepal Electricity Authority which includes additional fee of dedicated trunk line, difference of old & increased tariff rates upto Ashad 2077 not considered monthly rebate of timely payment due to arrears Ashad 2080 i.e. 133.23 cr. has been treated as Contingent liability.

However, company has not paid and only provided in books of accounts Rs. 35.28 Cr. The company has appealed for the administrative review at NEA, Ministry of Energy, Water Resources and Irrigation, Government of Nepal. No decision has been made regarding this matter by any Authorities. Also the above matter is pending in the Jurisdiction of Honourable Court.

44 Financial Risk Management Objectives And it's Policies

The Company's financial assets majorly comprise of trade receivables, other receivables, margin money, deposits and cash & cash equivalents. The Company's financial liabilities majorly comprise of deferred payment credit, trade payables, and other commitments.

The Company is exposed to credit risk and liquidity risk arising out of operations and the use of financial instruments. The Board of Directors have overall responsibility for establishment and review of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions affecting business operations and the Company's activities. The company is exposed to market risk, credit risk and liquidity risk for which BOD reviews and agrees policies for managing each risks which is summarized below:-

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 and economic condition. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank terms loan, overdraft and short term deposits.

The Company manages its interest rate risk by negotiating with highly reputed commercial banks.

- Consortium Loan

The Company has obtained consortium loans from various banks except hire purchase loans. The following amounts were outstanding as on the statement of financial position date:

Particulars	2079-80	2078-79
Term Loan IV	84,686,598	206,687,417
Term Loan V	4,720,046,408	4,888,101,880
Term Loan VI	870,668,896	903,519,316
Term Loan VII	1,866,875,000	1,935,000,000
Term Loan IX	1,149,399,114	-
Total	8,691,676,016	7,933,308,613



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



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 manages major currency exposures within prescribed limits, through use of forward exchange contracts.

The details of forward exchange contracts for balance outstanding at year end are as follows:-

Particulars	Currency	Payable Amount	Hedged	Unhedged
- Trade Payable	USD	2,634,187	-	2,634,187

Commodity Price Risk

The Company is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of coal, limestone, gypsum, fly ash bauxite, Iron ore, pet coke, furnace oil, diesel etc. and therefore require a continuous supply of the same.

The Company manages this risk by purchasing coal, bauxite, Iron ore, pet coke, furnace oil, diesel etc. from the suppliers identified by the management and the Company has long term relation with the suppliers.

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. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade Receivables

Customer credit risk is being driven by Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

Cash Deposits

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

Liquidity Risk

The Company's monitors its risk to a shortage of funds on a regular basis through cash forecast. The Company's objective is to maintain a balance continuity of funding and flexibility through the use of bank overdrafts and term loans. Access to source of funding is sufficient.



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



45 Classification of Assets and Liability based on Maturity

Amount in NPR

As on Ashad 2080

Particulars	Less than 1 year/ On Demand	1 to 5 Years	More Than 5 Years	No Stated Maturity	Total Amount
Financial Assets					
Trade Receivable	1,770,159,670	-	-	-	1,770,159,670
Contract Assets	1,199,007	-	-	-	1,199,007
Cash and Cash Equivalents	72,037,468	-	-	-	72,037,468
Other Financial Assets	132,026,274	-	-	-	132,026,274
Total Financial Assets (A)	1,975,422,419	-	-	-	1,975,422,419
Non Current Liabilities:					
Financial Liabilities					
Secured Long term Financing	-	5,301,009,839	3,094,646,563	-	8,395,656,402
Unsecured Long term Financing	-	1,345,688,644	-	-	1,345,688,644
Lease liability	156,000	876,720	889,995	-	1,922,715
Current Liabilities					
Financial Liabilities					
Borrowings	3,064,523,808	-	-	-	3,064,523,808
Trade Payables	1,594,587,194	-	-	-	1,594,587,194
Other Financial Liabilities	1,011,171,942	-	-	-	1,011,171,942
Total Financial Liabilities (B)	5,670,438,944	6,647,575,203	3,095,536,558	-	15,413,550,705
Net Financial Assets/(Liabilities) (A-B)	(3,695,016,525)	(6,647,575,203)	(3,095,536,558)	-	(13,438,128,286)



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



46 Financial Instruments:

The fair value of the assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

a) Fair Value of cash and short-term deposits, trade and other short term receivables, trade payables, other current liabilities, short term loans from banks and other financial instruments approximate their carrying amounts largely due to the short term maturities of these instruments

b) Financial instruments with fixed and variable interest rates are evaluated by the company based on parameters such as interest rates and individual credit worthiness of the counterparty. Based on this evaluation, allowances are taken to the account for the expected losses of these receivables.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data;

The carrying amounts and fair values of financial instruments by class are as follows:

Particulars	Carrying value			Fair value measurement using		
	Fair value through profit and loss ('FVTPL')	Fair value through other comprehensive income ('FVOCI')	Amortised cost	Level 1	Level 2	Level 3
Financial Assets						
Trade Receivable	-	-	1,770,159,670	-	-	1,770,159,670
Contract Assets	-	-	1,199,007	-	-	1,199,007
Cash and Cash Equivalents	-	-	72,037,468	-	-	72,037,468
Other Financial Assets	-	-	132,026,274	-	-	132,026,274
Total Financial Assets (A)	-	-	1,975,422,419	-	-	1,975,422,419
Non Current Liabilities:						
Financial Liabilities						
Secured Long term Financing	-	-	8,395,656,402	-	-	8,395,656,402
Unsecured Long term Financing	1,345,688,644	-	-	-	-	1,345,688,644
Lease Liability	-	-	1,922,715	-	-	1,922,715
Current Liabilities						
Financial Liabilities						
Borrowings	-	-	3,064,523,808	-	-	3,064,523,808
Trade Payables	-	-	1,594,587,194	-	-	1,594,587,194
Other Financial Liabilities	-	-	1,011,171,942	-	-	1,011,171,942
Total Financial Liabilities (B)	1,345,688,644	-	14,067,862,061	-	-	15,413,550,705



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



47 Capital Management:

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders and Redeemable Preference Share capital which is considered as liability under NFRS. 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, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by equity.

<u>Particulars</u>	As on Ashad 31, 2080 (July 16, 2023)	As on Ashad 32, 2079 (July 16, 2022)
Borrowings	11,460,180,210	11,859,970,233
Less: Cash and bank balances	(72,037,468)	(56,766,325)
Net debts	11,388,142,742	11,803,203,908
 Equity	 10,716,379,842	 7,200,441,020
 Debt/Equity Ratio	 1.06	 1.64

In order to achieve this overall objective, the company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans or borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31, Ashad-2080

48 Lease:

The following are the amounts recognised in profit or loss:

<u>Particulars</u>	Year ended Ashad 31, 2080 (July 16, 2023)	Year ended Ashad 32, 2079 (July 16, 2022)
Depreciation expense of right-of-use assets	54,082	59,227
Interest expense on lease liabilities	215,314	228,906
Expense relating to short-term leases & low-value assets	3,820,862	4,522,524
	4,090,258	4,810,657



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



49 Segment Information

49.1 Segment Information

The Company is primarily engaged in the business of "Cement" for Nepali market which mainly involves sale of "Packaged Cement", "Loose Cement" and "Clinker", which is governed by the same set of risks and returns. Hence there is only one business and geographical segment. Accordingly, segment information has not been disclosed except information about major customer. All these products have similar risks and returns because of similar nature of products and similar production processes. The chief operating decision maker and all functional managers reviews the operating results of the business as a whole. Further, internal organizational and management structure of the Company is not based on product differentiation.

49.2 Information about major customers

Information about the extent of its reliance on its major customers, if revenue from a single external customer/distributors amounts to 5 percent or more of the entity's revenue.

The Company majorly manages its sales operation network through distributors. Company have following major distributor:-

Particular	Revenue	Percentage of Total
Mangal Hardware	1,345,416,642	29.26%
Sagarmatha Traders	363,893,352	7.91%
Shree Shukreswori Enterprises	524,832,301	11.41%
Total	2,234,142,295	48.58%



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



50 Related party disclosures:

50.1 Identification of Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements

a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity
- (ii) has significant influence over the reporting entity or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Company identifies the following as the related parties under the requirement of NAS 24.

Holding Company:

None

Wholly Owned Subsidiary Company

Ghorahi Cement Developing Company Private Limited
Jhenam Mines Private Limited
Malarani Mines & Minerals Private Limited

Associates Company

Kiran Coal Udhog Private Limited

Key Managerial Personnel:

Purushottam Lal Sanghai - *Chairman & Director*
Trilok Chand Agarwal - *Director*
Aditya Sanghai - *Director*
Anju Sanghai - *Director*
Vivek Agrawal - *Director*
Shankar Lal Agiwal - *General Manager Finance*
Devendra Sinha - *Executive Director*



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



50.2 Following transactions were carried out with related parties in the ordinary course of business:

Description	For the year ended Ashad 31, 2080		For the year ended Ashad 32, 2079	
	Key Management Personnel	Enterprises over which KMP exercise significant influence	Key Management Personnel and their relatives	Enterprises over which KMP exercise significant influence

Purchase of Goods

Bishwakarma Mines & Minerals Private Limited	-	28,616,510	-	84,344,153
Vishwakarma Cements Private Limited	-	1,531,920	-	45,798,258
Sagarmatha Ready Mix Concrete Private Limited	-	2,597,736	-	16,527,545
Sagarmatha Precast Solutions Private Limited	-	769,703	-	21,911,261
Kapilvastu Cement Udyog Pvt. Ltd.	-	6,800	-	-
Shree Pashupati Cement Pvt. Ltd.	-	3,291,003	-	7,070,474
Shiva Swaroop Khanij Udhog Pvt. Ltd.	-	5,122,424	-	-
Rolpa Chundhunga Khani Pvt. Ltd.	-	22,509,039	-	4,317,019
Triveni Synpacks Pvt. Ltd.	-	157,840,725	-	160,916,175
Gopal Rai Purushotamlal Trading Pvt. Ltd.	-	14,024,617	-	1,920,600
S.D.P.L. Trade Pvt. Ltd.	-	1,742,818	-	764,979
Triveni Byapar Company Pvt. Ltd.	-	757,198	-	746,048
Triveni spinning Mills Pvt. Ltd.	-	4,765,020	-	-
Triveni Plasto Polymers Pvt. Ltd.	-	1,990	-	16,040
V.G. Lube Pvt. Ltd.	-	1,670,040	-	2,351,440
The Village Pvt. Ltd.	-	1,901,267	-	2,002,592
Pooja Construction Nepal Pvt. Ltd.	-	674,626	-	5,021,813
Kamala Rolling Mills Pvt. Ltd.	-	929,711	-	-
Mainawati Steel Industries Pvt. Ltd.	-	1,203,796	-	41,167,326
Triveni Properties P. Ltd.	-	399,996	-	314,004
Total	-	250,356,939	-	395,189,727

Sale of Goods (Net of Excise Duty)

Shree Pashupati Cement Private Limited	-	107,713,084	-	332,838,906
Vishwakarma Cements Private Limited	-	7,114,743	-	50,707,630
Sagarmatha Ready Mix Concrete Private Limited	-	57,351,947	-	65,202,941
Sagarmatha Precast Solutions Private Limited	-	24,275,710	-	31,150,833
S.D.P.L. Trade Pvt. Ltd.	-	154,249	-	-
Total	-	196,609,733	-	479,900,310

Purchase of Capital Goods

Vishwakarma Cements Private Limited	-	1,673,450	-	18,554,966
Total	-	1,673,450	-	18,554,966

Rent Income

Kapilvastu Cement Udyog Private Limited	-	60,000	-	60,000
Sagarmatha Ready Mix Concrete Pvt. Ltd.	-	60,000	-	60,000
Sagarmatha Precast Solutions Pvt. Ltd.	-	60,000	-	60,000
Manakamana Mines & Minerals Pvt. Ltd.	-	48,000	-	48,000
Bishwakarma Mines & Minerals Pvt. Ltd.	-	48,000	-	48,000
Shree Pashupati Cement Private Limited	-	120,000	-	120,000
Vishwakarma Cements Private Limited	-	120,000	-	120,000
Total	-	516,000	-	516,000



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Balances Recoverable/(Payable)

Ghorahi Cement Developing Company Private Limited	-	18,735,806	-	18,390,806
Malarani Mines & Minerals Private Limited	-	2,901,730	-	2,801,420
Bishwakarma Mines & Minerals Private Limited	-	16,856,305	-	1,972,713
Infusion Private Limited	-	956,494	-	487,585
Kapilvastu Cement Udyog Private Limited	-	-	-	102,000
Manakamana Mines & Minerals Private Limited	-	3,018,965	-	2,899,539
Morang Cement Industries Private Limited	-	-	-	(1,157)
Unique Reality Private Limited	-	6,752,291	-	6,752,291
Shree Pashupati Cement Private Limited	-	80,456,920	-	65,110,409
Vishwakarma Cements Private Limited	-	(70,249,938)	-	(4,036,449)
Sagarmatha Sports and Event Private Limited	-	4,933,628	-	5,000,000
Sagarmatha Ready Mix Concrete Private Limited	-	184,411,452	-	158,032,912
Sagarmatha Precast Solutions Private Limited	-	42,643,600	-	17,442,165
N & C Minerals Pvt. Ltd.	-	-	-	(182,500)
Swargdwari Mines & Minerals Pvt. Ltd.	-	1,322,560	-	1,298,030
Shikharpur Khanij Udyog Pvt. Ltd.	-	990,688	-	990,688
Shiva Swaroop Khanij Udyog Pvt. Ltd.	-	4,212,754	-	4,677,220
Rolpa Chundhunga Khani Pvt. Ltd.	-	21,800,850	-	5,345,823
Crescent Industries Nepal Pvt. Ltd.	-	(27,240,000)	-	(27,240,000)
Sunwal Cement Udyog Pvt. Ltd.	-	(55,990)	-	(43,200)
Tapa Forest Development Pvt. Ltd.	-	3,230,760	-	3,230,760
Paschimanchal Agro Farm Pvt. Ltd.	-	(37,990)	-	(32,400)
Duruwa Land Developers Pvt. Ltd.	-	9,089,000	-	4,450,000
Mul Tapa Chundhunga Udyog Pvt. Ltd.	-	14,582,501	-	7,156,636
Nerpa Real Estate Pvt. Ltd.	-	14,840,000	-	14,840,000
Tapa Farming Pvt. Ltd.	-	9,716,347	-	8,088,097
Tapa Land Development Pvt. Ltd.	-	9,447,558	-	6,506,558
Tapa Mines Company Pvt. Ltd.	-	9,990,000	-	7,900,000
Tapa Mines Dumping Yard Pvt. Ltd.	-	9,073,648	-	8,075,648
Tapa Mines Expansion Pvt. Ltd.	-	9,192,000	-	6,200,000
Avni Real Estate Developers Pvt. Ltd.	-	605,000	-	-
Triveni Properties P. Ltd.	-	(1,478,250)	-	(1,118,254)
T. G. Trade Concern Pvt. Ltd.	-	-	-	17,176
Triveni Synpacks Pvt. Ltd.	-	(112,724,943)	-	(99,180,249)
Gopal Rai Purushotamlal Trading Pvt. Ltd.	-	(9,399,863)	-	(2,170,278)
S.D.P.L. Trade Pvt. Ltd.	-	-	-	1,795,078
Triveni Byapar Company Pvt. Ltd.	-	(293,191)	-	(359,051)
Triveni spinning Mills Pvt. Ltd.	-	(5,384,473)	-	-
V.G. Lube Pvt. Ltd.	-	(849,195)	-	(571,604)
The Village Pvt. Ltd.	-	(1,517,275)	-	(1,331,214)
Pooja Construction Nepal Pvt. Ltd.	-	(558,581)	-	(1,530,036)
Kamala Rolling Mills Pvt. Ltd.	-	(1,050,573)	-	-
Mainawati Steel Industries Pvt. Ltd.	-	(1,002,604)	-	(1,675,333)
Total	-	247,917,991	-	220,091,829

Description	For the year ended Ashad 31, 2080		For the year ended Ashad 32, 2079	
	Key Management	Enterprises over	Key Management	Enterprises over
Remuneration paid to KMP's				
Short-term employee benefits:				
Satyavir Prasad Gupta	-	-	9,011,058	-
Devendra Sinha	5,100,000	-	2,125,000	-
Shankar Lal Agiwal	6,062,454	-	6,972,650	-
Harish Chandra	-	-	3,340,766	-
Total	11,162,454	-	21,449,474	-



Ghorahi Cement Industry Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2080 (July 16, 2023)



Advance from Directors & Shareholders

From Chairman:

Purushottam Lal Sanghai	183,605,574	-	107,103,074	-
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From Directors:

Aditya Sanghai	19,797,455	-	11,548,455	-
Anju Sanghai	40,000,000	-	40,000,000	-
Vivek Agrawal	126,500,000	-	46,500,000	-
Total	186,297,455	-	98,048,455	-

From Shareholders:

Aditi Chokhani	19,796,966	-	11,548,466	-
Govind Lal Sanghai	167,399,995	-	130,199,995	-
Harshwardhan Sanghai	112,952,723	-	65,882,223	-
Birendra kumar Sanghai	182,399,995	-	130,199,995	-
Kabita Sanghai	37,500,000	-	21,000,000	-

Ashish Kumar Agarwal	30,000,000	-	30,000,000	-
Ashok Kumar Agrawal	25,000,000	-	10,000,000	-
Nikunj Agrawal	29,250,000	-	18,500,000	-
Vishal Agarwal	30,750,000	-	16,500,000	-

Arpit Agrawal	27,000,000	-	25,000,000	-
Anuj Agrawal	51,500,000	-	48,500,000	-
Ram Chandra Sanghai	110,297,273	-	64,367,773	-
Sailesh Sanghai	112,952,723	-	65,882,223	-
Subhash Chandra Sanghai	110,297,273	-	64,367,773	-
Ashish Jindal	16,500,000	-	16,500,000	-
Neelam Surekan	72,610,000	-	28,660,000	-
Trilok Chandrar Agarwal	4,500,000	-	-	-
Tulsi Ram Agarwal	8,000,000	-	-	-
Jagdish Prasad Agrawal	1,000,000	-	-	-
Total	1,149,706,948	-	747,108,448	-
Sub Total	1,519,609,977	-	952,259,977	-

51 Regrouping & Restatement of previous year Figures:

Previous Period's figures' have been restated, regrouped & rearranged wherever necessary as per requirement of New Standard.

52 Miscellaneous:

- Balance confirmation certificate of all payables and receivables are confirmed in few cases rest are in the process of obtaining from them.
- Notes 1 to 52 form an integral part of the Statement of financial position and Statement of profit or loss.

