

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

### **Opinion:**

We have audited the accompanying Financial Statements of M/s Ghorahi Cement Industry Private Limited (hereinafter referred to as 'the Company') which comprise the Statement of Financial Position as at Ashad 31, 2077 (July 15, 2020), and the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows attached thereto, for the year then ended and notes to the 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 Financial Statement read together with Notes forming part of the financial statement give the information required by the provisions of Nepal Companies Act, 2006, 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, 2077 (July 15, 2020), its Profit/(Loss) including its Total Comprehensive Income, Cash Flows and the Changes in Equity for the year ended on that date.

### **Basis of Opinion:**

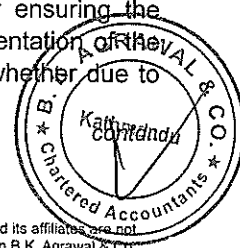
We conducted our audit in accordance with Nepal Standards on Auditing (NSAs) and Guidelines for an Audit during Extra-ordinary Circumstances, including Pandemic, issued by the Auditing Standard Board of Nepal. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities 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 Financial Statement under the provisions of the Companies Act, 2006 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

The company's Management and Board of Directors are responsible for the preparation and fair presentation of these 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 financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.



In preparing the 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 Financial Statements**

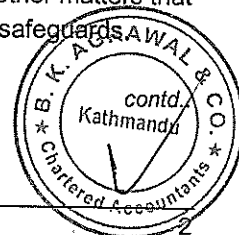
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also 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.

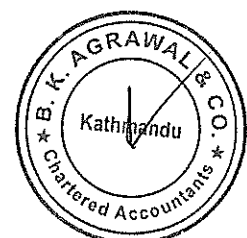
#### **Report on Other Legal and Regulatory Requirements**

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 Other Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity attached thereto, for the year then ended and notes to the 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, 2006 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 fraud in the company.

Kathmandu  
Date: 2077.09.14

  
**B.K. Agrawal, FCA**  
*Managing Partner*  
**For: B.K. Agrawal & Co.**  
Chartered Accountants  
UDIN 210112CA00018X4yhe



**Ghorahi Cement Industry Private Limited**  
**Standalone Statement of Financial Position**  
**As on Ashad 31, 2077 (July 15, 2020)**




Amount in NPR

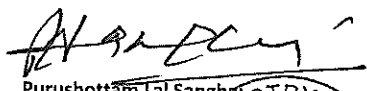
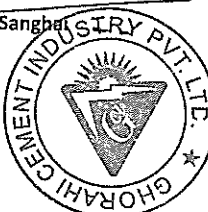
<u>Particulars</u>	<u>Notes</u>	<u>As on</u> <u>Ashad 31, 2077</u> <u>(July 15, 2020)</u>	<u>As on</u> <u>Ashad 31, 2076</u> <u>(July 16, 2019)</u>
<b><u>ASSETS</u></b>			
<b>Non Current Assets:</b>			
Property, Plant and Equipment	4	6,230,526,269	6,431,033,716
Intangible Assets	5	32,395,631	34,295,140
Capital Work In Progress	6	7,378,375,381	3,827,676,348
<b>Financial Assets</b>			
Investments	7	29,322,800	29,322,800
Other Non Current Financial Assets	8	64,222,144	64,254,144
<b>Current Assets:</b>			
Inventories	9	1,529,381,713	1,864,453,178
<b>Financial Assets</b>			
Trade Receivables	10	1,115,923,097	1,301,911,106
Cash and Cash Equivalents	11	175,888,178	185,460,434
Other Current Financial Assets	12	14,527,055	20,984,084
<b>Non Financial Current Assets</b>			
Prepayments	13	48,599,402	83,841,080
Other Non-Financial assets	14	492,594,372	1,010,531,764
Current Tax Asset	15	13,296,608	26,162,627
<b>Total Assets</b>		<b>17,125,052,650</b>	<b>14,879,926,421</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Equity Share Capital	16	3,026,210,000	2,751,100,000
Retained Earnings	17	3,465,098,951	3,528,328,667
Other Reserve	18	79,060,000	79,060,000
<b>Total Equity</b>		<b>6,570,368,951</b>	<b>6,358,488,667</b>
<b>Liabilities</b>			
<b>Non Current Liabilities:</b>			
<b>Financial Liabilities</b>			
Borrowings - Long Term	19	4,289,555,903	2,453,961,193
Other Non-Current Financial Liabilities	20	205,363,821	175,470,765
<b>Non Financial Current Liabilities</b>			
Deferred Tax Liability (Net)	21	173,404,624	136,869,853
<b>Current Liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings - Short Term	22	3,462,037,837	2,307,800,991
Trade Payables	23	1,321,902,589	2,350,646,188
Other Current Financial Liabilities	24	821,570,573	831,271,023
<b>Non Financial Current Liabilities</b>			
Other Non Financial Liabilities	25	280,848,352	265,417,741
<b>Total Equity &amp; Liabilities</b>		<b>17,125,052,650</b>	<b>14,879,926,421</b>

Summary of Significant Accounting Policies and  
Notes to the Financial Statements

1 to 58

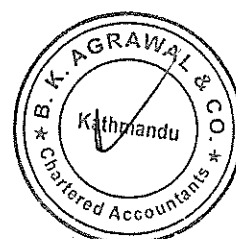
For & on behalf of the Board

  
**Shankar Lal Agiwal**  
General Manager - Finance

  
**Purushottam Lal Sangha**  
Chairman  


As per our attached report  
of even date

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



Kathmandu  
Date: 2077.09.14


**Ghorahi Cement Industry Private Limited**  
**Standalone Statement of Profit or Loss**  
**For the year ended Ashad 31, 2077 (July 15, 2020)**



*Amount in NPR*

<u>Particulars</u>	<u>Notes</u>	<u>Year ended Ashad 31, 2077 (July 15, 2020)</u>	<u>Year ended Ashad 31, 2076 (July 16, 2019)</u>
<b><u>Income</u></b>			
Revenue from Operations	26	5,673,524,941	8,875,297,396
Cost of Sales	27	(4,425,800,603)	(6,272,203,984)
<b>Gross Profit</b>		<b>1,247,724,338</b>	<b>2,603,093,412</b>
Other Income	28	57,512,666	101,023,311
		<b>1,305,237,004</b>	<b>2,704,116,723</b>
<b><u>Expenses</u></b>			
Administrative, Selling & Distribution Expenses	29	(675,527,651)	(777,769,867)
Depreciation and Amortization	30	(323,895,924)	(317,568,166)
<b>Profit from Operations</b>		<b>305,813,429</b>	<b>1,608,778,690</b>
Finance Costs	31	(190,520,133)	(382,997,006)
<b>Profit Before Tax</b>		<b>115,293,296</b>	<b>1,225,781,684</b>
<b>Income Tax Expense:</b>			
Income Tax	32	(22,974,661)	(56,811,848)
Deferred Tax		(36,534,771)	28,892,536
<b>Net Profit for the year</b>		<b>55,783,864</b>	<b>1,197,862,372</b>
<b>Earning Per Equity Share</b>			
Basic	33	1.84	43.54
Diluted	33	1.84	43.54
Summary of Significant Accounting Policies and Notes to the Financial Statements	1 to 58		

For & on behalf of the Board

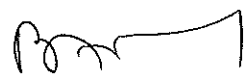
  
**Shankar Lal Agiwal**  
General Manager - Finance

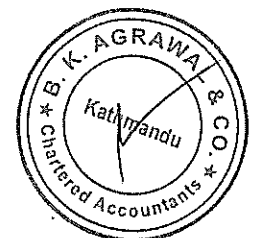
Kathmandu  
Date: 2077.09.14

  
**Purushottam Lal Sangha**  
Chairman



As per our attached report  
of even date

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




**Ghorahi Cement Industry Private Limited**  
**Standalone Statement of Other Comprehensive Income**  
**For the year ended Ashad 31, 2077 (July 15, 2020)**

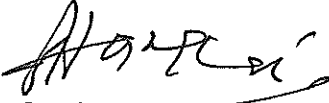


<u>Particulars</u>	<u>Amount in NPR</u>	
	<u>Year ended Ashad 31, 2077 (July 15, 2020)</u>	<u>Year ended Ashad 31, 2076 (July 16, 2019)</u>
Profit for the year as per statement of profit or loss	55,783,864	1,197,862,372
<b><u>Other comprehensive income, net of income tax:</u></b>		
<b>a. Items that will not be reclassified to profit or loss</b>		
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	-	-
<b>Net other compressive income that will not be reclassified to profit or loss</b>	-	-
<b>b. Items that are or may be reclassified to profit or loss</b>		
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	-	-
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>	-	-
<b>Other comprehensive income for the year</b>	-	-
<b>Total comprehensive income for the period</b>	<b>55,783,864</b>	<b>1,197,862,372</b>

For & on behalf of the Board

  
**Shankar Lal Agiwal**  
 General Manager - Finance

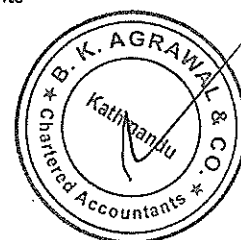
Kathmandu  
 Date: 2077.09.14

  
**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 Private Limited**  
**Standalone Statement of Cash Flows**  
**For the year ended Ashad 31, 2077 (July 15, 2020)**



*Amount in NPR*

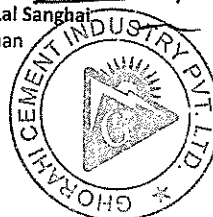
<u>Particulars</u>	<u>Year ended Ashad 31, 2077 (July 15, 2020)</u>	<u>Year ended Ashad 31, 2076 (July 16, 2019)</u>
<b>A. Cash Flow From Operating Activities:</b>		
Net Profit Before Tax	115,293,296	1,225,781,684
<u>Adjustment for:</u>		
Depreciation and amortization	323,895,924	317,568,166
Interest expenses	190,520,133	382,997,006
Interest income	(1,635,710)	(1,398,252)
(Profit)/Loss on Sale/Disposal of Property, Plant and Equipment and Intangible Assets	482,285	770,267
Provision for Corporate Social Responsibility	1,164,579	12,099,620
CSR Expensed	(590,810)	(15,786,682)
Prior Year Expenses Reversal	156,096,420	-
<b>Operating Profit before changes in Working Capital</b>	<b>785,226,117</b>	<b>1,922,031,809</b>
(Increase)/Decrease in Inventories	335,071,465	(1,019,868,038)
(Increase)/Decrease in Trade Receivable	185,988,009	(95,499,925)
(Increase)/Decrease in Other Non Current Financial Assets	32,000	(7,000,000)
(Increase)/Decrease in Other Current Financial Assets	6,457,029	(8,951,479)
(Increase)/Decrease in Prepayments	35,241,678	(76,495,004)
(Increase)/Decrease in Other Non-Financial assets	517,937,392	(34,048,692)
Increase/(Decrease) in Trade Payable	(1,028,743,599)	1,468,634,485
(Increase)/Decrease in Other Non-current financial Liabilities	29,893,056	83,369,170
(Increase)/Decrease in Other Current Financial Liabilities	(19,691,740)	186,153,400
(Increase)/Decrease in Other Non Financial Liabilities	15,430,611	2,516,990
<b>Net Cash from/(used in) Operating Activities</b>	<b>862,842,018</b>	<b>2,420,842,716</b>
Less: Income Tax Paid	(10,108,642)	(56,624,490)
<b>Net cash from/(used in) operating activities</b>	<b>852,733,376</b>	<b>2,364,218,226</b>
<b>B. Cash Flow From Investing Activities:</b>		
Purchase of Property, Plant and Equipment	(128,517,540)	(145,354,558)
Purchase of Intangible Asset	(140,000)	(2,425,227)
Disposal of Property, Plant and Equipment	6,686,287	1,783,186
(Increase)/Decrease in Capital Work in Progress	(3,550,699,033)	(3,207,315,361)
Purchase of Investments	-	(17,522,800)
Interest Received	1,635,710	1,398,252
<b>Net cash from / (used in) investing activities</b>	<b>(3,671,034,576)</b>	<b>(3,369,436,508)</b>
<b>C. Cash Flow From Financing Activities:</b>		
Proceed /(Payment) in Long Term Borrowings	1,835,594,710	1,034,077,783
Proceed /(Payment) in Short Term Borrowings	1,154,236,846	402,483,305
Interest (Payment)	(181,102,612)	(371,013,026)
<b>Net Cash from/(Used in) Financing Activities</b>	<b>2,808,728,944</b>	<b>1,065,548,062</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(9,572,256)</b>	<b>60,329,780</b>
Cash and Cash equivalents as at the beginning of the year	185,460,434	125,130,654
<b>Cash and Cash equivalents as at the end of the year</b>	<b>175,888,178</b>	<b>185,460,434</b>

  
**Shankar Lal Agiwal**  
 General Manager - Finance

Kathmandu  
 Date: 2077.09.14

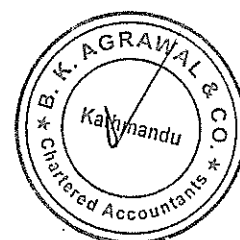
For & on behalf of the Board

  
**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 Private Limited**  
**Standalone Statement of Changes In Equity**  
**For the year ended Ashad 31, 2077 (July 15, 2020)**

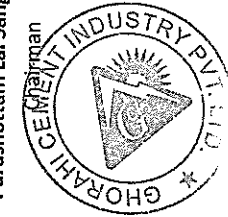


Amount in NPR

<u>Particulars</u>	<u>Equity Share Capital</u>	<u>Preference Share Capital</u>	<u>Retained Earnings</u>	<u>Preference Share Redemption Reserve</u>	<u>Total</u>
Balance as at 1st Shrawan, 2075	2,501,000,000	-	2,580,566,295	79,060,000	5,160,626,295
<u>Adjustment</u>					
Change In Accounting Policies/Other	-	-	-	-	-
Restated Balance for Shrawan 1, 2075	2,501,000,000	-	2,580,566,295	79,060,000	5,160,626,295
Bonus Share issued to Equity shareholders @ 10%	250,100,000	-	(250,100,000)	-	-
Profit for the year 2075-76	-	-	1,197,862,372	-	1,197,862,372
Other Comprehensive Income	-	-	-	-	-
Balance as at Ashad 31, 2076	2,751,100,000	-	3,528,328,667	79,060,000	6,358,488,667
Bonus Share issued to Equity shareholders @ 10%	275,110,000	-	(275,110,000)	-	-
Profit for the year 2076-77	-	-	55,783,864	-	55,783,864
Prior Year Expenses Reversal	-	-	156,096,420	-	156,096,420
Balance as at Ashad 31, 2077	3,026,210,000	-	3,465,098,951	79,060,000	6,570,368,951

For & on behalf of the Board

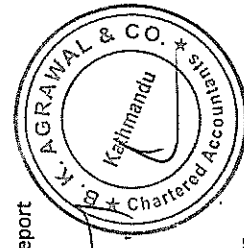
*Shankar Lal Agiwal*  
Purushottam Lal Sanghai



*Shankar Lal Agiwal*  
General Manager - Finance

Kathmandu  
Date: 2077.09.14

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 Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



## 1. Corporate Information:

Ghorahi Cement Industry Private Limited (The "Company") is incorporated under Companies Act of Nepal under Company Act duly licensed from Department of Industry under Industrial Enterprises Act, 2073, having its registered Office at Ram Shah Path, Kathmandu and Plant site at Laxminagar VDC, Dang District, Nepal. Dang District falls under the category of underdeveloped area and 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.

## 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. These financial statements for the year ended Ashad 31, 2077 are the first the Company has prepared in accordance with NFRS.

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	1st Shrawan, 2076	17th July, 2019
Current Reporting Period	1st Shrawan 2076– 31st Ashad 2077	17th July 2019– 15th July 2020

\* Statement of Financial Position

Section 109 of the Companies Act, 2063, prescribes signing of Annual Financial Statement by the Chairperson of the board of directors and at least one director. However Company has only one director, hence financial statement has been approved and signed by Chairman.

Approval of Financial Statement of the company has been made by BOD meeting dated 2077.09.14.

### 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).

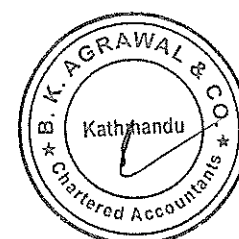
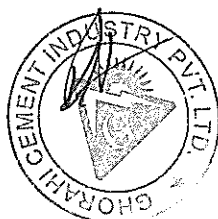
### 2.4 Accounting Convention:

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:

- Financial assets at fair value through other comprehensive income (quoted investments) are measured at fair value.
- Non-Current Assets classified as Held for Sale - measured at the lower of the carrying amounts and fair value less cost to sell.

### 2.5 Presentation Currency:

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



# Ghorahi Cement Industry Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



Notes contd.....

## 2.6 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.

## 2.7 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.

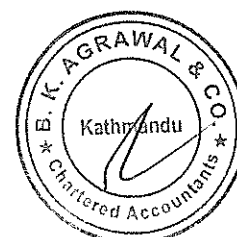
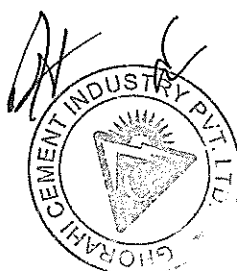
## 2.8 Changes in accounting policies:

NFRS requires the Company to adopt accounting policies that are most appropriate to the Company's circumstances. In determining and applying accounting policies, management is required to make judgements 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, operating results or cash flows. These accounting policies are consistently applied by the Company.

Specific accounting policies have been included in the section 3 of the notes for each items of financial statements which requires disclosures of accounting policies or changes in accounting policies. Effect and nature of the changes, if any, have been disclosed wherever applicable.

## 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.



# Ghorahi Cement Industry Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



Notes contd.....

## 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.

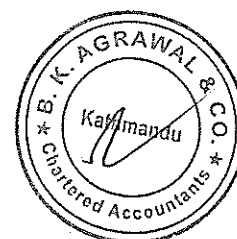
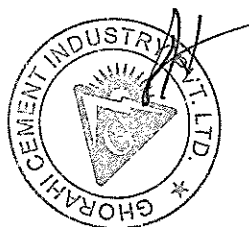
Estimated Useful life of assets have been taken as under:

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
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 has been amortized on a straight-line basis using the rates determined with reference to the lease period.

### 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.



# Ghorahi Cement Industry Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



Notes contd.....

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.

<u>Particulars</u>	<u>Method</u>
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:**

Revenue is 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. Revenue is measured at fair value of the consideration received or receivable net of indirect taxes (excise and vat).

Revenue is recognized upon transfer of ownership of goods to the customers, provided pervasive evidence of an arrangement exists whereby collectability of revenue is reasonably certain and no performance obligation is pending. Revenue from sales of goods or rendering of services is net of Indirect taxes, returns and discounts.

**i) Sale of Product**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer and stated net of indirect taxes (excise and vat), rebates and discounts.

**ii) Interest Income**

Interest income is recognized on a time proportion basis taking into account the principal outstanding and interest rate applicable.

**iii) Dividend Income:**

Dividend Income is recognized on right to receive basis.

**iv) Insurance & Other Claims**

Insurance and other claims, to the extent considered recoverable, are accounted for in the year of claim. However, claims and refunds, whose recovery can not be ascertained with reasonable certainty, are accounted for on acceptance and/or receipt basis.

**f) Employee Benefits:**

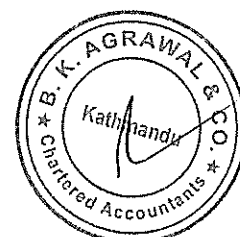
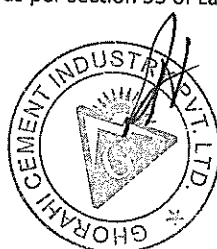
**i) Current employee benefits costs**

Short-term employee benefits, such as salaries, paid absences, performance-based cash rewards, 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.



# Ghorahi Cement Industry Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



Notes contd.....

## 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.

## 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.

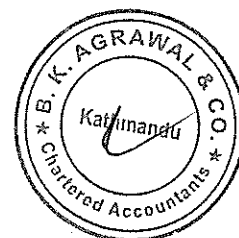
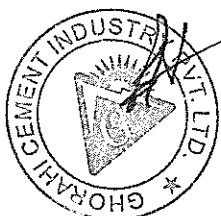
For the purposes of the cash flow statement, cash and cash equivalent comprise cash and non-mandatory balances with banks and amounts due from banks with a maturity of less than three months.

## 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 crystalizes is charged to revenue for the year.



# Ghorahi Cement Industry Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



Notes contd.....

**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.

**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.

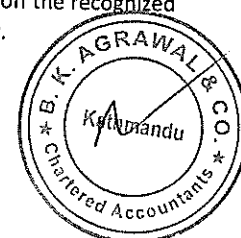
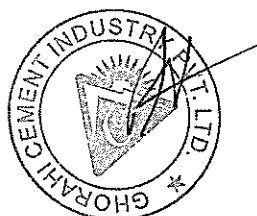
**p) Taxation:**

**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.



## Ghorahi Cement Industry Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



Notes contd.....

### 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:

#### (i) Operating Lease :

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss. The Company has entered into leasing arrangements wherein the Company pays as per terms and conditions of the arrangements which is systematically arranged under general inflation to compensate for the lessor's expected inflationary cost over the period.

#### (ii) Financial Lease :

Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized as they are directly attributable to the asset.

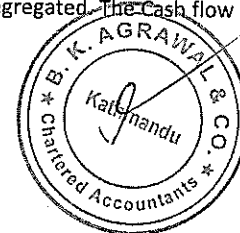
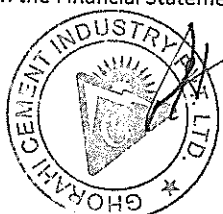
The company does not have any item covered under finance lease which needs disclosure under Nepal Accounting Standards.

A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

There are sub leases income which are being booked under other income.

### 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 Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



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.

**Initial recognition and measurement**

All financial assets are recognized initially at fair value plus, transaction costs that are attributable to the acquisition of the financial asset except in the case of financial assets recorded at fair value through profit or loss.

On initial recognition, a financial asset is classified as measured at

- amortized cost;
- Fair Value through Other Comprehensive Income (FVTOCI) – Debt Investment;
- Fair Value through Other Comprehensive Income (FVTOCI)– Equity Investment; or
- Fair Value through Profit or Loss (FVTPL)

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and deferred payment credit.

**Subsequent measurement**

**(i) Financial assets carried at amortized cost**

A financial asset is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

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

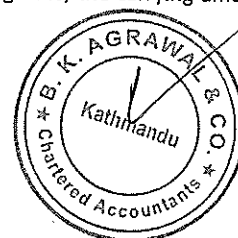
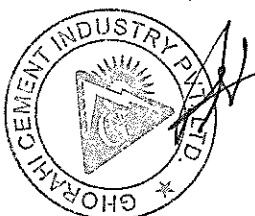
A financial asset which is not classified in any of the above categories are subsequently fair valued through statement of profit or loss.

**(iv) Equity investments**

All equity investments in scope of NFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which NFRS 9 applies are classified as at FVTPL. Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of profit or loss.

**(v) Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit and loss. For trade and other payables maturing within one year from the reporting date, the carrying amounts approximate the fair value due to the short maturity of these instruments.





# Ghorahi Cement Industry Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



Notes contd.....

Interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate method. Gains and losses are recognized in statement of profit or loss when the liabilities are derecognized as well as through the Effective Interest Rate (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

## 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.

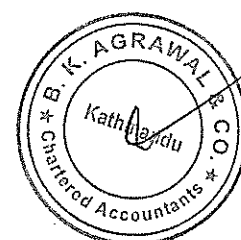
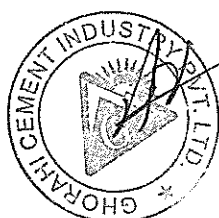
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such 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 economic best interest.



## Ghorahi Cement Industry Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



Notes contd.....

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.

### 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.

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary at the option of the directors. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon is recognized in the statement of profit or loss as interest expense.

### 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.

There are no potential ordinary shares that would dilute basic earnings per share, hence diluted EPS is same as basic EPS.

### 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

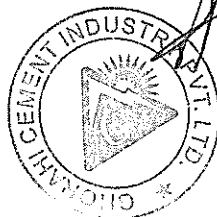
Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

#### Exchange differences

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss.

#### 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 Private Limited

Significant Accounting Policies and Notes to the Standalone Financial Statements  
for the year ended Ashad 31, 2077 (July 15, 2020)



Notes contd.....

## y) Significant estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period, if the revision affects current and future period. Revisions in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are summarized below:

### I. Recognition of Deferred Tax Assets

The recognition of deferred tax assets requires assessment of whether it is probable that sufficient future taxable profit will be available against which the deferred tax assets can be utilized.

### II. Useful life of Property, Plant and Equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the statement of profit and loss. The useful lives of the Company's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

### III. Fair value measurement of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### IV. Classification of Legal Matters and Tax Litigations

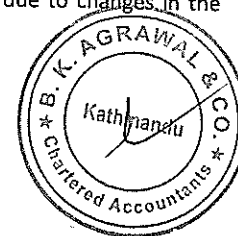
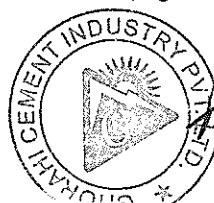
The litigations and claims to which the Company is exposed to are assessed by management with assistance of the legal department. Disclosures related to such provisions, as well as contingent liabilities, also require judgment and estimations if any.

### V. Revenue Recognition

Company provides various discounts, allowances and rebates to the customers. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

### VI. Impairment of Investments in Subsidiaries

Determining whether the investments in subsidiaries are impaired requires an estimate in the value in use of investments. In considering the value in use, the management has anticipated the capacity utilization of plants, operating margins, mineable resources and availability of infrastructure of mines, and other factors of the underlying businesses/operations of the investee companies. Any subsequent changes to the cash flows due to changes in the above mentioned factors could impact the carrying value of investments.



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



## 4 Property, Plant and Equipment

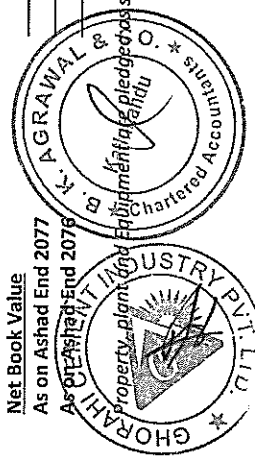
Amount in NPR

Particulars	Land	Buildings	Leasehold Development	Plant and Machinery	Office Equipment & Computer Accessories	Furniture & Fixtures	Vehicles	Other Assets	Total
<b>Cost of Assets</b>									
Balance as on 1st Shrawan, 2075	119,431,569	2,744,227,703	51,533,899	5,085,154,272	35,805,992	35,815,506	57,571,228	1,020,908	8,130,561,077
Addition during the year	-	74,742,070	-	58,282,211	4,807,119	632,170	6,863,388	27,600	145,354,558
Acquisition /Capitalization	-	-	-	-	-	-	(6,318,784)	-	(6,318,784)
Disposal during the Year	-	-	-	-	-	-	-	-	-
Adjustment /Revaluations	-	-	-	-	-	-	-	-	-
Impairment Reversal	-	-	-	-	-	-	-	-	-
Balance as on 31 Ashad, 2076	119,431,569	2,818,969,773	51,533,899	5,143,436,483	40,613,111	36,447,676	58,115,832	1,048,508	8,269,596,851
<b>Addition during the year</b>									
Acquisition /Capitalization	-	-	-	118,115,159	3,879,803	1,080,100	5,442,478	-	128,517,540
Disposal during the Year	-	-	-	(8,169,027)	(129,476)	-	-	-	(8,298,503)
Adjustment /Revaluations	-	-	-	-	-	-	-	-	-
Impairment Reversal	-	-	-	-	-	-	-	-	-
Balance as on 31 Ashad, 2077	119,431,569	2,818,969,773	51,533,899	5,253,382,615	44,363,438	37,527,776	63,558,310	1,048,508	8,389,815,888
<b>Depreciation and Impairment</b>									
As on 1st Shrawan, 2075	-	275,255,144	5,179,881	1,205,682,594	10,589,419	16,205,902	13,774,409	82,371	1,526,769,720
Depreciation charge for the year	-	96,695,269	2,276,536	201,652,729	4,239,483	6,090,203	4,470,508	134,018	315,558,746
Disposals	-	-	-	-	-	-	(3,765,331)	-	(3,765,331)
Impairment for the year	-	-	-	-	-	-	-	-	-
Adjustment (Charge to Reserve)	-	-	-	-	-	-	-	-	-
As on 31 Ashad, 2076	-	371,950,413	7,456,417	1,407,335,323	14,828,902	22,296,105	14,479,586	216,389	1,838,563,135
Depreciation charge for the year	-	96,821,449	2,276,537	206,923,126	4,821,773	6,265,662	4,613,849	134,018	321,856,414
Disposals	-	-	-	(1,126,944)	(2,986)	-	-	-	(1,129,930)
Impairment for the year	-	-	-	-	-	-	-	-	-
Adjustment (Charge to Reserve)	-	-	-	-	-	-	-	-	-
As on 31 Ashad, 2077	-	468,771,862	9,732,954	1,613,131,505	19,647,689	28,561,767	19,093,435	350,407	2,159,289,619

## Net Book Value

As on Ashad End 2077	119,431,569	2,350,197,911	41,800,945	3,640,251,110	24,715,749	8,966,009	44,464,875	698,101	6,230,526,269
As on Ashad End 2076	119,431,569	2,447,019,360	44,077,482	3,736,101,160	25,784,209	14,151,571	43,636,246	832,119	6,431,033,716

Property, plant and equipment pledged as security by the company against Borrowings.



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)

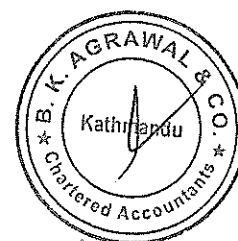
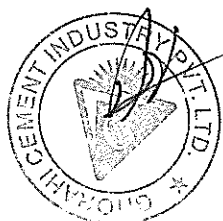


## 5 Intangible Assets

Amount in NPR

Particulars	Computer Software	Mines Development Expenses	Total
Balance as on 1st Shrawn, 2075	8,844,490	33,284,172	42,128,662
Addition during the year			
Acquisition / Capitalization	140,000	2,285,227	2,425,227
Disposal during the Year	-	-	-
Adjustment /Revaluations	-	-	-
Impairment Reversal	-	-	-
Balance as on 31 Ashad, 2076	8,984,490	35,569,399	44,553,889
Addition during the year			
Acquisition / Capitalization	140,000	-	140,000
Disposal during the Year	-	-	-
Adjustment /Revaluations	-	-	-
Impairment Reversal	-	-	-
Balance as on 31 Ashad, 2077	9,124,490	35,569,399	44,693,889
<b>Depreciation and Impairment</b>			
As on 1st Shrawn, 2075	2,976,518	5,272,811	8,249,329
Depreciation charge for the year	664,930	1,344,490	2,009,420
Impairment for the year	-	-	-
Disposals	-	-	-
Adjustment (Charge to Reserve)	-	-	-
As on 31 Ashad, 2076	3,641,448	6,617,301	10,258,749
Depreciation charge for the year	671,336	1,368,173	2,039,509
Impairment for the year	-	-	-
Disposals	-	-	-
Adjustment (Charge to Reserve)	-	-	-
As on 31 Ashad, 2077	4,312,784	7,985,474	12,298,258
<b>Net Book Value</b>			
As on Ashad End 2077	4,811,706	27,583,925	32,395,631
As on Ashad End 2076	5,343,042	28,952,098	34,295,140

Intangible Assets are hypothecate for Borrowings



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Amount in NPR

## 6 Capital Work in Progress

### Particulars

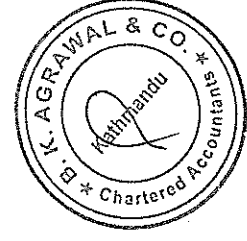
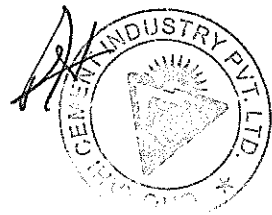
#### Capital Work in Progress

As on Shrawn 1st 2075					
Addition During the year					
Capitalization					
As on Shrawn 1st 2076					
Addition During the year					
Add: Interest Capitalization					
Less: Capitalization					
As on Ashad End 2077					
	Mines Road Development (Line -2)	Buildings (Line - 2)	Plant and Machinery (Line -2)	Building Staff Qtr	Total
	-	536,348,781	14,551,834	69,460,372	620,360,987
	2,208,672	1,058,936,465	2,215,630,596	(25,272)	3,276,750,461
	2,208,672	1,595,285,246	2,230,182,430	(69,435,100)	(69,435,100)
	3,267,250	285,130,339	2,702,803,496	-	3,827,676,348
	409,589	141,526,502	368,901,484	45,245,661	3,036,446,746
	-	-	-	3,414,712	514,252,287
	5,885,511	2,021,942,087	5,301,887,410	48,660,373	7,378,375,381

#### Net Book Value

As on Ashad End 2077	5,885,511	2,021,942,087	5,301,887,410	48,660,373	7,378,375,381
As on Ashad End 2076	2,208,672	1,595,285,246	2,230,182,430	-	3,827,676,348

Property, plant and Equipment are hypothecate for Borrowings.



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



## 7 Investments

Amount in NPR

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Ghorahi Cement Developing Company Private Limited 700,000 equity shares @ 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 18,000 (P.Y 18,000) shares of face value 100, paid-up @ Rs.2.778/- each	50,000	50,000
<b>Total</b>	<b>29,322,800</b>	<b>29,322,800</b>

The Company has made an equity investment 100% in M/s Ghorahi Cement Developing Company Private Limited, Jhenam Mines Private Limited & 50% investment in Malarani Mine's Private Limited. Investment in subsidiaries are recognized at cost for the purpose of separate financial statements prepared under NAS 27. The subsidiaries are consolidated as per NFRS 3 and NFRS 10. Investment in subsidiaries is a long-term investment

Investment in subsidiary are not tested for impairment as these are consolidated and assets of subsidiaries have been subject to impairment testing at the entity level.

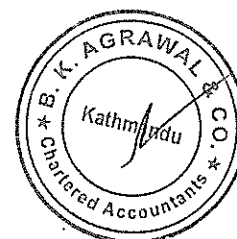
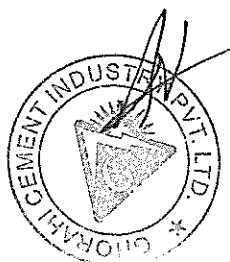
## 8 Other non current financial assets

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Custom Margin Deposit	30,000	30,000
Security Deposits	526,750	558,750
Other Advances	63,665,394	63,665,394
	<b>64,222,144</b>	<b>64,254,144</b>

## 9 Inventories

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Raw Material	439,339,815	568,104,031
Packing Material, Store & Spare	866,984,698	1,057,111,766
Work-in-progress	38,194,894	39,500,888
Finished Goods	184,862,306	199,736,493
	<b>1,529,381,713</b>	<b>1,864,453,178</b>

Inventories are pledged as security by the company against Borrowings.



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Amount in NPR

## 10 Trade Receivables

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
<b>Trade Receivables</b>		
Trade receivables - related parties	201,200,043	150,156,281
Trade receivables - others	914,723,054	1,151,754,825
	<u>1,115,923,097</u>	<u>1,301,911,106</u>
<b>Break-up for receivables details:</b>		
<b>From related parties</b>		
Unsecured, considered good	201,200,043	150,156,281
<b>From others</b>		
Secured, considered good	457,254,738	257,556,294
Unsecured, considered good	457,468,316	894,198,531
<b>Total</b>	<u>1,115,923,097</u>	<u>1,301,911,106</u>

### 10.1 Trade Receivable:

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

### 10.2 Impairment

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.

### 10.3 Basis of Considering Secured:

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..

### 10.4 Security:

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

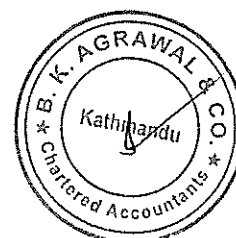
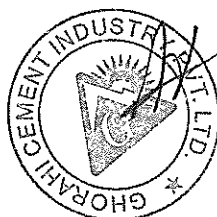
## 11 Cash and Cash Equivalent

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
<b>Balances with Banks:</b>		
- In current accounts	173,329,308	179,086,625
<b>Cash In Hand (As certified by the Management)</b>	2,558,870	6,373,809
<b>Total</b>	<u>175,888,178</u>	<u>185,460,434</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 Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Amount in NPR

## 12 Other Current Financial Assets

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
B/G Margin	1,331,403	1,331,403
Other Advances	4,446,120	13,041,915
Statutory Deposit	8,749,532	6,610,766
<b>Total</b>	<b>14,527,055</b>	<b>20,984,084</b>

## 13 Prepayments

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Prepaid Insurance and Expenses	48,599,402	83,841,080
<b>Total</b>	<b>48,599,402</b>	<b>83,841,080</b>

## 14 Other Non-financial assets

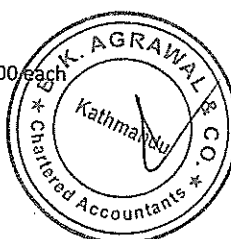
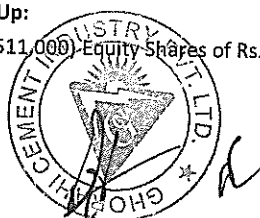
Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Balance with statutory authorities	26,063,254	4,614,801
Deposit for statutory authorities for dispute cases	14,818,926	9,075,896
Letter of Credits & LC Margins	47,240,982	152,770,793
Advance to vendors	400,144,592	840,993,169
Staff Advances	4,326,618	3,077,105
<b>Total</b>	<b>492,594,372</b>	<b>1,010,531,764</b>

## 15 Current Tax Assets/(Liabilities)

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Opening - Income Tax Refundable/(Payable)	26,162,627	26,349,985
Addition- Installment Paid During the Year	10,108,642	56,624,490
Less- Prior year Adjustment During the Year	(14,483,466)	-
Provision for Tax - Current Year	(8,491,195)	(56,811,848)
<b>Closing - Income Tax Refundable/(Payable)</b>	<b>13,296,608</b>	<b>26,162,627</b>

## 16 Share Capital

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
<b>Authorized:</b>		
58,000,000 (PY 58,000,000) Equity Shares of Rs. 100.00 each	5,800,000,000	5,800,000,000
<b>Issued:</b>		
45,000,000 (PY 45,000,000) Equity Shares of Rs. 100.00 each	4,500,000,000	4,500,000,000
<b>Subscribed &amp; Paid Up:</b>		
30,262,100 (PY:27,511,000) Equity Shares of Rs.100.00 each	3,026,210,000	2,751,100,000
	<b>3,026,210,000</b>	<b>2,751,100,000</b>



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Amount in NPR

## 16.1 Equity Share Capital Movements

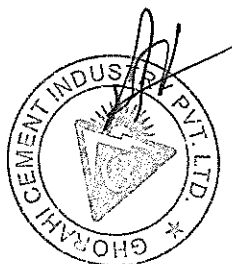
Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Opening Share Capital	2,751,100,000	2,501,000,000
Share Issued - (i)	-	-
Bonus Share issued - (ii)	275,110,000	250,100,000
Right Share issued	-	-
<b>Total</b>	<b>3,026,210,000</b>	<b>2,751,100,000</b>

### Rights, Preferences and Restrictions attached to Equity Share Capital

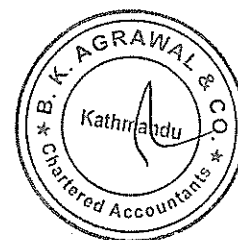
The Company has only one class of equity shares having a par value of 100 per share. Each shareholder is entitled to one vote per equity share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation 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.

### (i) Bonus Share

The Company had issued bonus share 10% of paid up capital to equity shareholder from reserve as per decision made in the Annual General Meetings which was held on 2076.09.25. The company is in process of obtaining Share Lagat from Office of Company Registrar.



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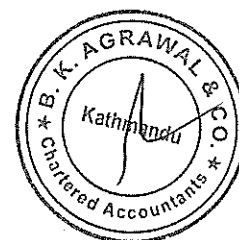
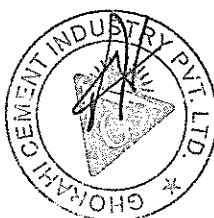


# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



16.2 Equity Shares held by	As on Ashad 31, 2077 (July 15, 2020)		As on Ashad 31, 2076 (July 16, 2019)	
	%	No. of Share	%	No. of Share
<b>Name of the Shareholder</b>				
Birendra Kumar Sanghai	12.40%	3,752,500	12.55%	3,451,800
Govind Lal Sanghai	12.40%	3,752,500	12.55%	3,451,800
Purushottam Lal Sanghai	10.20%	3,087,000	10.39%	2,857,800
Nilam Sureka Sanghai	8.00%	2,420,969	7.84%	2,156,000
Subhash Chandra Sanghai	6.13%	1,854,010	6.27%	1,725,900
Ram Chandra Sanghai	6.13%	1,854,010	6.27%	1,725,900
Shailesh Sanghai	6.27%	1,898,490	6.27%	1,725,900
Harsh Vardan Sanghai	6.27%	1,898,490	6.27%	1,725,900
Anju Sanghai	5.00%	1,513,106	4.90%	1,347,500
Trilok Chand Agarwal	3.78%	1,143,450	3.78%	1,039,500
Jagdish Prasad Agarwal	3.76%	1,137,400	3.76%	1,034,000
Tulsi Ram Agarwal	3.72%	1,125,300	3.72%	1,023,000
Ashok Kumar Agarwal	2.68%	810,700	2.68%	737,000
Anuj Agarwal	2.50%	756,250	2.50%	687,500
Vishal Agarwal	2.46%	744,150	2.46%	676,500
Nikunj Agarwal	2.44%	738,100	2.44%	671,000
Aditya Sanghai	1.10%	332,750	1.10%	302,500
Aditi Chokhani	1.10%	332,750	1.10%	302,500
Vivek Agarwal	0.78%	235,950	0.78%	214,500
Arpit Agarwal	0.78%	235,950	0.78%	214,500
Ashish Kumar Agarwal	0.76%	229,900	0.76%	209,000
Suresh Kumar Agarwal	0.44%	133,100	0.44%	121,000
Ashish Jindal	0.40%	121,000	0.40%	110,000
Kabita Agrawal	0.51%	154,275	0.00%	-
	<b>100%</b>	<b>30,262,100</b>	<b>100%</b>	<b>27,511,000</b>



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Amount in NPR

## 17 Retained Earnings

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Retained earnings	3,465,098,951	3,528,328,667
	<u>3,465,098,951</u>	<u>3,528,328,667</u>

## 18 Other Reserve

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Preference Share Redemption Reserve	79,060,000	79,060,000
	<u>79,060,000</u>	<u>79,060,000</u>

### Redemption Reserve:

The company has created redemption reserve amounting to Rs.11,00,60,000.00 out of the profit of FY 2073/74. In FY - 2074-75, the company has redeemed preference shares amounting to Rs.3,10,00,000. Accordingly the redemption reserve has been reduced to such extent & the same has been transferred to free reserve.

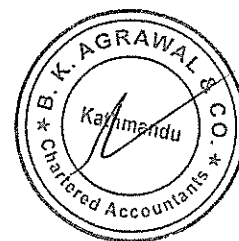
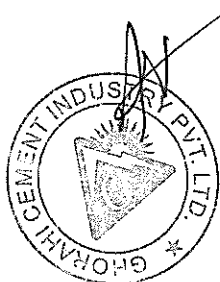
## 19 Borrowings - Long Term

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Consortium Loan - Term loans (secured)		
From Banks:		
Term Loan	4,649,963,859	3,229,871,689
	<u>4,649,963,859</u>	<u>3,229,871,689</u>
Less:- Current maturities on borrowings from Banks	(360,407,956)	(775,910,496)
	<u>4,289,555,903</u>	<u>2,453,961,193</u>
	<u>4,289,555,903</u>	<u>2,453,961,193</u>

### 19.1 Security

- The local consortium loan is secured against hypothecation of entire fixed Assets, Current Assets as primary security.
- For the secondary guarantee the directors 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 Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Amount in NPR

## 20 Other Non Current Financial Liabilities

<u>Particulars</u>	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Non-Convertible, Cumulative, Redeemable Preference Share 790,600 (PY:790,600) 10% Preference Share of Rs. 100 each	79,060,000	79,060,000
Retention Money Payable	42,812,558	31,051,675
Security Deposit Payable	30,718,925	24,400,367
Retirement Benefit Payables		
Gratuity	43,509,849	30,314,852
Leave Encashment	9,262,489	10,643,871
	<u>205,363,821</u>	<u>175,470,765</u>

20.1 The Company had issued 10%, Preference Shares amounts Rs. 110,060,000.00 to various shareholders on 2070.01.29 vide the minutes of the Board Meetings held on 2070.01.29, which are in nature of cumulative, non-convertible, reemblable at par for the maximum period of 10 years. However in FY 2074-75, the company has redeemed the preference share amounting to Rs.3,10,00,000. As the shares are cumulative in nature, the liability to pay dividend will arise when the company has distributable profits to its shareholders, Accordingly the company has provided liability of preference dividend in books up to FY 2076-77 amounting to Rs.78,748,000 which was unpaid till reporting date.

20.2 The retention money pertains to the amount payable to contractors/suppliers of Line-2 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.

20.2 The security deposits pertains to the amount payable to contractors/suppliers of Line-2 expansion project. Such security deposits 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.

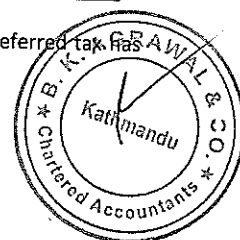
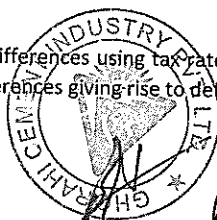
## 21 Deferred Tax Assets / (Liability)

<u>Particulars</u>	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Deferred Tax Assets / (Liabilities) as on 1st Sharwan	(136,869,853)	(165,762,389)
Add/ Less:-		
Tax income/(expense) during the period recognized in statement of profit or loss (net)	(36,534,771)	28,892,536
Deferred Tax Assets / (Liabilities) as on Ashad End	<u>(173,404,624)</u>	<u>(136,869,853)</u>

### Details of Deferred Tax Assets / (Liability)

<u>Particulars</u>	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
<u>On account of :</u>		
Property, Plant and Equipment and Intangible Assets	(175,080,458)	(137,892,362)
Retirement Benefits	3,166,340	1,966,019
Inventories	(1,490,506)	(943,510)
<b>Total</b>	<u>(173,404,624)</u>	<u>(136,869,853)</u>

Deferred tax is calculated using temporary differences using tax rate of 6.00% (Previous year : 4.80%). Deferred tax has been recognized in respect of temporary differences giving rise to deferred tax asset/(liability).



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Amount in NPR

## 22 Borrowings - Short Term

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
<b>Working Capital (secured)*</b>		
From Banks:		
Short Term & Working Capital Loan	3,001,629,881	1,531,890,495
Bridge Gap Loans	100,000,000	-
<b>Current maturities of long-term borrowing</b>		
- From Banks	360,407,956	775,910,496
	<b>3,462,037,837</b>	<b>2,307,800,991</b>

### \*Security

- i) The loan is secured against hypothecation of entire fixed Assets, Current Assets as primary security.  
ii) For the secondary guarantee the directors of the company has provided personal guarantee to the bank.

## 23 Trade Payables

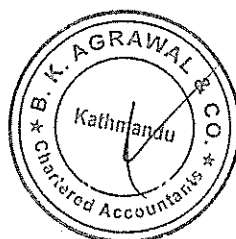
Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Sundry Creditors-Suppliers	1,321,902,589	2,350,646,188
	<b>1,321,902,589</b>	<b>2,350,646,188</b>

## 24 Other Current Financial Liabilities

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Share Application Money Refundable	24,951,936	27,748,000
Dividend Payable on Cumulative Preference Share	78,748,000	70,842,000
Loan Management & Agency Fee Payable	13,279,414	11,767,893
Bank Interest payable	18,644,795	-
Retention Money Payable	8,688,663	7,197,755
Statutory dues	63,594,976	74,321,459
Corporate Social Responsibility Fund	26,612,972	26,039,203
Employee Payables		
- Bonus Payable	145,475,783	395,247,441
- Other Employees Payable	39,156,473	28,991,204
Expenses Payable	374,675,210	161,422,967
Audit Fee Payable	502,350	453,100
Shree Ganesh Ji Maharaj	1	1
Other Payable	27,240,000	27,240,000
	<b>821,570,573</b>	<b>831,271,023</b>

## 25 Other Non Financial Liabilities

Particulars	As on Ashad 31, 2077 (July 15, 2020)	As on Ashad 31, 2076 (July 16, 2019)
Advance from customers	280,848,352	265,417,741
	<b>280,848,352</b>	<b>265,417,741</b>



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



## 26 Revenue from Operations

Amount in NPR

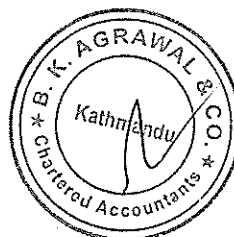
Particulars	Year ended Ashad 31, 2077 (July 15, 2020)	Year ended Ashad 31, 2076 (July 16, 2019)
Sale of Products (Manufacturing - Net of Excise Duty)	5,618,206,276	8,839,950,606
Sale of Raw Material & Other (Trading)	51,438,849	32,916,530
Other operating revenues	3,879,816	2,430,260
	<b>5,673,524,941</b>	<b>8,875,297,396</b>

Revenue is 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. Revenue is measured at fair value of the consideration received or receivable net of Value added tax, Excise Duty, Returns & discounts.

Revenue comprises sale of clinker, OPC and PPC Cements and allied products relating to Cement business.

## 27 Cost of Sales

Particulars	Year ended Ashad 31, 2077 (July 15, 2020)	Year ended Ashad 31, 2076 (July 16, 2019)
<b>Opening Stock of Semi Finished/Finished Goods</b>		
OPC Cement Semi Finished	11,505,902	15,220,423
PPC Cement Semi Finished	27,994,986	29,133,669
Clinker	199,736,493	179,292,175
	<b>239,237,381</b>	<b>223,646,267</b>
<b>Add :</b>		
Raw Material & Stores Spares Consumption	2,659,171,582	4,176,310,574
Fuel & Power Consumption	1,165,866,574	1,339,835,220
<b>Manufacturing Expenses:</b>		
Building Repairs	4,693,717	10,338,957
Factory Miscellaneous Expenses	4,331,073	1,791,113
Factory Canteen Expenses	12,667,404	12,176,549
Factory Insurance	18,403,126	32,134,669
Salary & Wages Expenses	236,404,723	262,968,167
Loader & Excavator Expenses	6,269,330	8,646,000
Repairs & Maintenance Plant & Machinery	204,640,171	212,958,228
Tipper / Tractor Running Expenses	22,616,531	33,921,188
Factory Security Guard Expenses	12,248,519	12,614,626
Certification Expenses	612,657	333,275
Cement-Packing Charge	5,630,506	8,409,765
Gas & Other Lubricants	12,003,511	25,343,900
Gratuity Expenses	11,227,729	26,470,385
Mines Expenses	21,859,336	25,089,577
Employee Bonus	8,920,802	98,452,905
Bulker Running Expenses	2,053,131	-
	<b>4,409,620,422</b>	<b>6,287,795,098</b>
<b>Less:</b>		
<b>Closing Stock of Semi Finished/Finished Goods</b>		
OPC Cement Semi Finished	12,452,594	11,505,902
PPC Cement Semi Finished	25,742,300	27,994,986
Clinker	184,862,306	199,736,493
	<b>223,057,200</b>	<b>239,237,381</b>
	<b>4,425,800,603</b>	<b>6,272,203,984</b>



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Amount in NPR

## 28 Other income

Particulars	Year ended Ashad 31, 2077 (July 15, 2020)	Year ended Ashad 31, 2076 (July 16, 2019)
Interest Income	1,635,710	1,398,252
Rent Income	276,000	331,000
Insurance Claims received	8,448,993	9,825,582
Miscellaneous Income	58,552	3,560,320
Foreign Exchange Gain/Loss	-	21,369,697
Sundry Creditors Written Back	47,093,411	64,538,460
<b>Total</b>	<b>57,512,666</b>	<b>101,023,311</b>

### 28.1 Interest Income

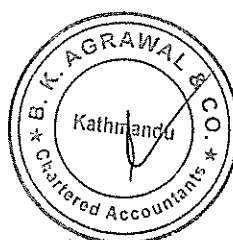
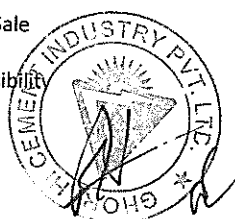
Interest income from Bank Deposits has been recognized using effective interest method as required by NAS 39. The rate of concerned bank from which interest income is earned is considered as effective rate of interest.

### 28.2 Insurance Claims received

Insurance Claim Received are claim received against accidental loss claim policy and has been recognized as other income.

## 29 Administrative, Selling & Distribution Expenses

Particulars	Year ended Ashad 31, 2077 (July 15, 2020)	Year ended Ashad 31, 2076 (July 16, 2019)
Salary & Allowances	72,213,179	67,670,504
Staff Welfare	1,020,902	1,141,430
Office & Guest House Rent	4,930,536	6,097,625
Statutory Audit Fees	510,000	460,000
Bank Guarantee Commission	297,337	108,096
Donation	49,185	398,000
DG Running Expenses	85,423	986,170
Electricity & Water Expenses	636,546	703,446
Fine and Penalty	102,980	87,698
Foreign Exchange Gain/Loss	68,716,085	-
Gain/ (Loss) on sale of Assets	482,285	770,267
Legal Expenses	1,503,248	798,573
Office Upkeep Expenses	6,028,719	7,198,785
Mess Expenses	1,804,584	2,091,747
Membership Fee	471,765	905,875
Repairs & Maintenance - Vehicle	3,564,329	1,011,510
Recruitment Expenses	221,279	303,924
Repairs & Maintenance - Computer & Printer	845,770	1,672,519
Printing & Stationery	1,834,005	2,131,826
Prior Period Expenses	-	482,374
Rates & Taxes	18,100	79,750
Telephone, Postage & Internet	4,446,475	4,491,666
Travelling & Conveyance	4,094,323	5,333,293
Leave Encasement Expenses	-	10,643,871
Gratuity Expenses	2,091,057	4,353,239
Vehicle Running	4,543,569	2,679,907
Security Guard Expenses	319,956	-
Miscellaneous Expenses-Sales	4,929,099	646,838
COVID-19 -19 Expenses	1,622,799	-
Advertisement Expenses	112,690,844	101,735,726
Royalty Expenses	2,990,100	971,300
Commission on Cement Sale	368,573,608	514,379,063
Employee Bonus	2,724,985	25,335,225
Corporate Social Responsibility	1,164,579	12,099,620
<b>Total</b>	<b>675,527,651</b>	<b>777,769,867</b>





# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Amount in NPR

## 30 Depreciation and Amortization

<u>Particulars</u>	Year ended Ashad 31, 2077 (July 15, 2020)	Year ended Ashad 31, 2076 (July 16, 2019)
Depreciation of tangible assets	321,856,415	315,558,746
Amortization of Intangible Assets	2,039,509	2,009,420
	<u>323,895,924</u>	<u>317,568,166</u>

## 31 Finance Cost

<u>Particulars</u>	Year ended Ashad 31, 2077 (July 15, 2020)	Year ended Ashad 31, 2076 (July 16, 2019)
Interest expenses on		
- Term Loan	410,082,821	294,306,076
- Working Capital	272,606,197	171,872,123
- Other	-	811
Loan Agency & Management Fees	12,640,422	7,267,893
Bank Charges	1,536,980	2,872,370
Dividend - Cumulative Preference Share		
- Dividend	7,906,000	7,906,000
	<u>704,772,420</u>	<u>484,225,273</u>
Less: Interest Capitalized	<u>(514,252,287)</u>	<u>(101,228,267)</u>
	<u>190,520,133</u>	<u>382,997,006</u>

### 31.1 Finance Cost

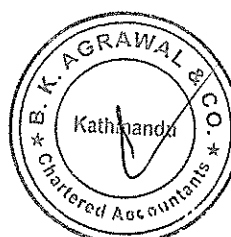
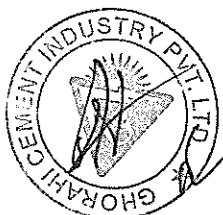
1. It Comprises of interest cost on borrowings, Loan processing charges & Bank Charges and preference dividend on cumulative preference shares.

2. 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.

Loan Amortization fees has not been amortized over the loan period considering the same as to be immaterial.

## 32 Income Tax Expenses

<u>Particulars</u>	Year ended Ashad 31, 2077 (July 15, 2020)	Year ended Ashad 31, 2076 (July 16, 2019)
Current Year	8,491,195	56,811,848
Prior year tax	14,483,466	-
Total Current Tax Expense	<u>22,974,661</u>	<u>56,811,848</u>
Deferred tax Expense		
Origination and Reversal of Temporary Differences	36,534,771	(28,892,536)
Change in tax rate		
Recognition of Previously unrecognized Tax Losses		
Deferred Tax Expense/(Income)	<u>36,534,771</u>	<u>(28,892,536)</u>
Total Income Tax Expense	<u>59,509,432</u>	<u>27,919,312</u>



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



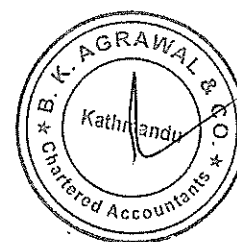
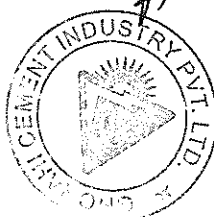
Amount in NPR

## 33 Earning Per Share

### Particulars

	Year ended Ashad 31, 2077 (July 15, 2020)	Year ended Ashad 31, 2076 (July 16, 2019)
Net Profit available for Equity Shareholders for Basic Earnings Per Share	55,783,864	1,197,862,372
Basic - weighted Average Number of Equity Shares Outstanding during the year	30,262,100	27,511,000
Basic Earnings Per Share	1.84	43.54
Net Profit available for Equity Shareholders for Diluted Earnings Per Share*	55,783,864	1,197,862,372
Diluted - weighted Average Number of Equity Shares Outstanding during the year	30,262,100	27,511,000
Diluted Earnings Per Share (P.Y Restated on account of Bonus share Issued)	1.84	43.54

\*The company has not issued any potential equity shares during the year and accordingly, hence, the basic and diluted earnings per share are same. However Bonus Shares has been issued during the year and accordingly the diluted EPS has been restated.



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



## 34 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%	70%	6%
Trading Business	25%		25%-20%		(20% - 70%)
					25%

\*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 Year from the year of commencement of commercial production as per sec 11(3)(Kha) of Income Tax Act, 2058 (as amended by Finance Act, 2074).

## 35 Trading Activities:

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 year 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.

## 36 Staff Bonus:

Provision for Staff Bonus has been made at 10% of profit before CSR and tax during the year which amounts to Rs.11.65 million during the year.

Particulars	2076-77
Profit before CSR and Tax	128,103,662
Bonus	11,645,787

During the year, the company has reversed the undistributed bonus of FY 2073-74 of NPR 156 million which was also reversed in tax assessment of FY 2074-75. The company has paid bonus to employee of NPR 105 million during the year from the provision of earlier years and also provision for the year is NPR 11 million and closing balance amount is NPR 145 million which was unpaid.

Particulars	2076-77
Opening Bonus Payable	395,247,441
Paid During the year	105,321,025
Reversal of 2073-74 bonus provision	156,096,420
This year Provision	11,645,787
Balance Amount	145,475,783

## 37 Corporate Social Responsibility Fund

CSR expenses is accounted as per Industrial Enterprises Act 2020 (2076 BS) (the "Act") introduced with effect from February 11, 2020 repealing the Industrial Enterprises Act 2016 (2073 BS) (the "Previous Act").

Section 54 of Industrial Enterprises Act 2020 (2076 BS) makes it mandatory to allocate 1% of the annual net 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.1164579 during the year.

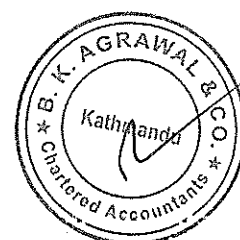
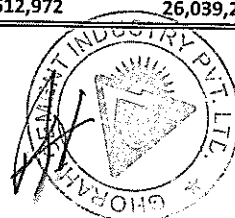
The company has utilized CSR fund in following areas specified under Rule 37 of Industrial Enterprise Rules, 2076:

Particulars	Amount
Scholarships for community schools and	-
Construction of Infrastructure for social welfare	590,810
Total	590,810

## Summary of CSR:

Particulars	FY 2076-77	FY 2075-76
Opening Balance	26,039,203	29,726,265
Provided During the year	1,164,579	12,099,620
Utilized During the year	(590,810)	(15,786,682)
Closing Balance	26,612,972	26,039,203

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# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



## 38 Provision for Retirement Benefits:

As per Labor Act, 2074, with effect from Bhadra 19, 2074 (September 04, 2017), every employer and employee require to contribute 10% of basic salary as a provident fund and 8.33% of basic salary as a gratuity and deposited into the Social Security Fund. The company has provided & deducted provident fund of few staff working in factory side & deposited into the Employee Provident Fund which is against as per requirement.

The Company has made gratuity provision for FY 2076-77 amounting to Rs.13,291,570 However, the same has not been deposited into Social Security Fund. During the Year, the Company has paid the Gratuity amounting to Rs.96,572.76 to the retiring employee and the provision outstanding as on reporting date amounts to Rs.43,509,849

## 39 Provision for Leave Encashment:

The Company has provided liability under leave encashment for FY 2076-77 amounting to Rs Nil. During the year, the company has paid Rs.1,381,382 to the employee and the provision outstanding as on reporting date amounts to Rs.9,262,489.

## 40 New Expansion Line - 2:

The Company has entered into the New Expansion from FY 2074-75 at Dang district on same land of existing plant, Ghorahi Cement Industries Pvt. Ltd. The clinker and cement production capacity shall be 3000 TPD and 1400 TPD respectively. At the reporting date the company has following assets and liabilities, which is related to New Expansion - Line 2.

Particulars	Assets	Liabilities	Financial Position Reference
Advance Provided to Contractor & Suppliers	184,037,719	-	Other Non-financial assets
Letter of Credit balances	40,361,689	-	Other Current Financial Assets
Capital Nature Inventories	498,740,010	-	Inventories
Retention Money	-	42,278,508	Other Non-current financial Liabilities
Security deposit of Contractor	-	30,718,925	Other Non-current financial Liabilities
Capital Creditors	-	930,231,810	Trade Payable
<b>Total</b>	<b>723,139,418</b>	<b>1,003,229,243</b>	

## 41 Borrowing Cost Capitalized:

The Company has capitalized the interest on borrowing as per best invested in Project Line -2. During the year following interest has been capitalized in Line 2 which is as follows:

Particulars	Interest Capitalized	
	FY 2076-77	FY 2075-76
Interest of Term Loan V & VI for Line 2 Project	514,252,287	101,228,267
<b>Total</b>	<b>514,252,287</b>	<b>101,228,267</b>

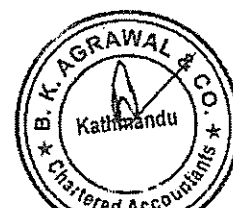
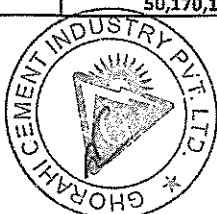
## 42 Capital Work in Progress:

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

Particulars	Opening CWIP	Additions during the Year	Interest Capitalized	Closing CWIP
Mines Development	2,208,672	3,267,250	409,589	5,885,511
Building	1,595,285,246	330,376,000	144,941,214	2,070,602,460
Plant and Machinery	2,230,182,430	2,702,803,496	368,901,484	5,301,887,410
<b>Total</b>	<b>3,827,676,348</b>	<b>3,036,446,746</b>	<b>514,252,287</b>	<b>7,378,375,381</b>

## 43 The Company has capitalized the following direct/indirect expenses in Capital Work In Progress (Line - 2).

Particulars	CY Amount	PY Amount
Electricity Expenses	14,450,722	17,183,248
Bank Charges	5,805,768	6,128,802
Certification Expenses	15,000	385,000
Consultancy Fee	4,520,000	7,466,669
Custom clearing expenses	277,294	5,337,705
Insurance Premium	3,484,997	1,961,805
Loan Agency fee Expenses	4,500,000	4,500,000
Other expenses	8,198,537	623,052
Salary Expenses	8,480,377	10,404,817
Travelling expenses	117,258	-
Reverse VAT	319,242	566,383
<b>Total</b>	<b>50,170,195</b>	<b>54,557,481</b>



## Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



### 44 Events after Reporting Date

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the financial statements, except for the following Note 45.

### 45 i) Proposed Dividend:

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

The Board of Directors has proposed bonus share @ 5% of equity capital existing at Financial Year end.

### ii) Public Limited:

The board of directors had decided to make Public Limited Company from Private Limited Company in Special General Meeting which was held on 19th Mangsir, 2077.

### 46 Contingent Liabilities and Commitments:

S.No.	Particulars	FY 2076-77	FY 2075-76
46.1	Bank Guarantee	25,027,044	25,027,044
46.2	Letter of Credit	913,561,662	1,112,837,669
46.3	Capital commitments	144,511,880	742,990,588
46.4	Litigation - Income Tax	-	-
46.5	Litigation - Custom and Value Added Tax	14,818,926	9,075,896
46.6	Lease Commitment	41,800,945	43,965,215
46.7	Nepal Electricity Authority	742,115,732	671,335,148
	<b>Total</b>	<b>1,881,836,189</b>	<b>2,605,231,560</b>

#### 46.1 Bank Guarantee

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

#### 46.2 Letter of Credit

There are unexpired Letter of Credit amounting to Rs.913.56 (P.Y 1112.84) million at the year end.

#### 46.3 Capital commitments

The company has entered into various agreement for supply of plants and machineries for Plant-II. On account of which remaining capital commitment as on reporting date is Rs.144.51 (P.Y 742.99) million.

#### 46.4 Litigation - Income Tax

The Income Tax assessment has been completed by the tax authorities up to F/Y 2074-75, the company has accepted all the matter raised. There is not any dispute pending with regards to Income Tax.

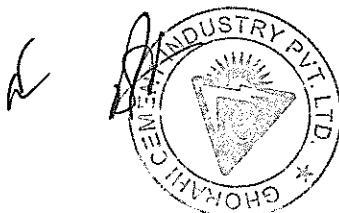
#### 46.5 Litigation - Custom and Value Added Tax

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.24,32,163.00 for Custom Duty and Rs.66,43,733.00 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
<b>Total</b>	<b>14,818,926</b>	<b>14,818,926</b>



## Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



### 46.6 Lease Commitment

All lease agreement are cancellation in nature with terms of prior intimation (short duration, generally 3 to 4 months) to cancel lease agreements.

Future minimum rentals payable under non-cancellable operating leases as at reporting date are, as follows:

Period	2076-77	2075-76
Less than one year	2,276,537	2,276,537
One year to five years	11,382,685	11,580,188
More than five year	28,141,723	30,108,490
Total	41,800,945	43,965,215

### 46.7 Nepal Electricity Authority

In FY 75-76, Nepal Electricity Authority has sent demand in respect of unbilled arrears retrospectively up to Ashad 2076 on account of electricity provided to company from dedicated feeder vide demand notice dated 2076.04.16 amounting to Rs.796,641,987.36 out of which provision has been made for Rs.125,306,839.00 in books in FY 2075-76 which has not been paid till date. The company has appealed for the administrative review, the verdict of which is still awaiting.

During this Financial Year, the company has received electricity bill with increased tariff rate up to Jestha 2077 and the expenses has been booked same as per electricity bill but payment made as per old tariff as result company has payable balance as on Ashad End 2077 is of NPR 351.78 Million.

The company has appealed for the administrative review for the increased tariff rate, the verdict of which is still awaiting.

### 47 Share Application Money -Refundable

The company has received share application money amounting to Rs.24.95 Millions (PY Rs. 27.75) Millions from various persons but the shares has not been allotted till the date of approval of the financial statements, which are refundable. The same has been stated under Other Current Financial Liabilities in the statement of financial position.

### 48 Dividend on Preference Shares:

The Company had issued 10%, Preference Shares amounts Rs. 110,060,000.00 to various shareholders on 2070.01.29 vide the minutes of the Board Meetings held on 2070.01.29, which are in nature of cumulative, non-convertible, redeemable at par for the maximum period of 10 years. However in FY 2074-75, the company has redeemable the preference share amounting to Rs.3,10,00,000. As the shares are cumulative in nature, the liability to pay dividend will arise when the company has distributable profits to its shareholders, Accordingly the company has provided liability of preference dividend in books up to FY 2076-77 amounting to Rs.78,748,000 which was unpaid till reporting date.

### 49 Financial Instruments: Financial Assets

Financial asset is any asset that is:

(a) cash

(b) an equity instrument of another entity;

(c) a contractual right:

i) to receive cash or another financial asset from another entity; or

ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

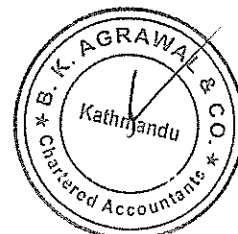
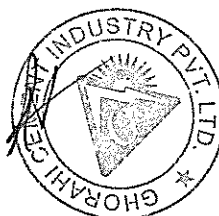
i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or

ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial assets are classified under four categories as required by NAS 39, namely,

- Fair Value through Profit or Loss,
- Held to Maturity,
- Loans & Receivables and
- Available for Sale.

The company only holds financial assets meeting the recognition criteria of Loans & Receivables classification. These instruments are to be recognized at amortized cost using effective interest rate.



## Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



Financial assets of the company comprise of advances, other current assets, Trade Receivables and cash & cash equivalents. These instruments are mostly non-interest bearing and where interest component is present the implicit interest rate approximates effective interest rate. These instruments are expected to be settled or recovered within a year. Therefore, it is assumed that the carrying amount represents the amortized cost of the assets.

### Risks associated with Financial Instrument - Financial Assets

The company has a risk management framework to monitor, access, mitigate and manage risks this risk management framework is given in Note 51.

## 50 Financial Instruments: Financial Liabilities

A financial liability is any liability that is:

a) contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

(i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

The company classifies financial liabilities as Fair Value through Profit or Loss and those Held at Amortized Cost. All financial liabilities held by the company are classified as financial liabilities held at amortized cost using effective interest rate.

Financial liabilities held by the company are both interest bearing and non-interest bearing. The non-interest bearing instruments' carrying value represents the amortized cost. For interest bearing financial liabilities which comprises of the bank loans, interest charged by the bank approximates effective interest rate and the rate is considered for calculation of amortized cost of liability and the finance cost. The effect of initial charges and its impact on effective interest rate is considered not material and the carrying value is considered to approximate the amortized cost.

### Risks associated with Financial Instrument- Financial Liabilities

The company has a risk management framework to monitor, access, mitigate and manage risks. The risk management framework is given in Note 51.

## 51 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 agreed policies for managing each risks which is summarized below:-

### Market Risk

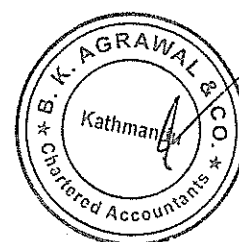
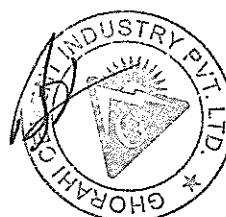
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and economic condition. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity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

2



## Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



### - Consortium Loan

The Company has obtained Consortium Loan from various Banks, except Bridge-gap Loans, and the following amounts were outstanding as on statement of financial position date is confirmed from the commercial banks:

Particulars	2076-77	2075-76
Term Loan I	110,779,705	553,439,296
Term Loan II	44,410,344	88,820,992
Term Loan III	38,187,500	204,937,500
Term Loan VI	450,687,703	572,685,622
Term Loan V	3,131,671,749	1,375,293,649
Term Loan VI	874,226,859	434,694,631
<b>Total</b>	<b>4,649,963,860</b>	<b>3,229,871,690</b>

### 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
- Trust Receipt Loan	Dollar	2,438,464	966,800	1,471,664
- Trade Payable	Dollar	1,267,332	-	1,267,332
- Trade Payable	Euro	363,128	-	363,128

### 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.

The Details of secured and unsecured trade receivable as on 31st Ashad 2077 are as:-

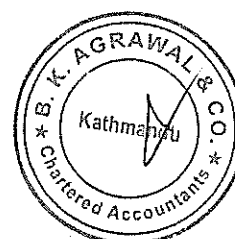
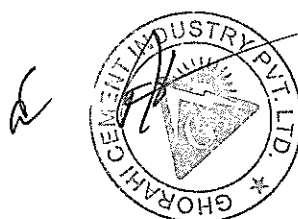
Particulars	Amount	%
From Related Parties	201,200,043	18.03%
From Other - Secured	457,254,738	40.98%
From Other - Unsecured	457,468,316	40.99%
<b>Total</b>	<b>1,115,923,097</b>	<b>100.00%</b>

### 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 Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



### 52 Capital Management:

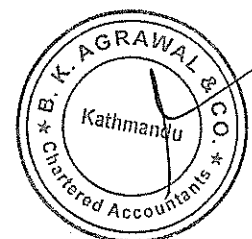
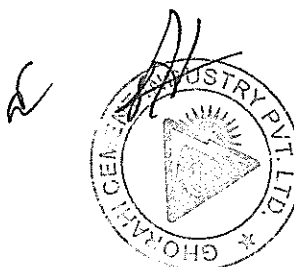
For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders and Redeemable Preference Share capital which is considered as liability under NFRS. The primary objective of the Company's capital 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. The Company includes within net debt, loans and borrowings less cash and cash equivalents.

<u>Particulars</u>	As on	As on
	Ashad 31, 2077 (July 15, 2020)	Ashad 31, 2076 (July 16, 2019)
Borrowings	7,751,593,740	4,761,762,184
Cash and cash equivalents	(175,888,178)	(185,460,434)
Net debts	7,575,705,562	4,576,301,750
Equity	6,570,368,951	6,358,488,667
Debt/Equity Ratio	1.15	0.72

In order to achieve this overall objective, the Company's capital management, amongst 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 and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st Ashad 2077



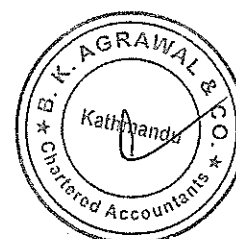
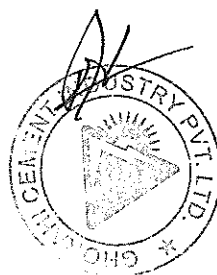
# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



## 53 Classification of Assets and Liability based on Maturity

As on Ashad 2077					
Amount in NPR					
Particulars	Less than 1 year/ On Demand	1 to 5 Years	More Than 5 Years	No Stated Maturity	Total Amount
<b>Non Current Assets:</b>					
Financial Assets					
Investment		-	-	29,322,800	29,322,800
Other non current financial assets	63,665,394	-	-	556,750	64,222,144
<b>Current Assets:</b>					
Financial Assets					
Trade Receivable	1,115,923,097	-	-	-	1,115,923,097
Cash and Cash Equivalents	175,888,178	-	-	-	175,888,178
Other Current Financial Assets	14,527,055	-	-	-	14,527,055
<b>Total Financial Assets (A)</b>	<b>1,370,003,724</b>	<b>-</b>	<b>-</b>	<b>29,879,550</b>	<b>1,399,883,274</b>
<b>Non Current Liabilities:</b>					
Financial Liabilities					
Borrowings - Long Term		328,687,703	3,960,868,200	-	4,289,555,903
Other Non-current financial Liabilities	79,060,000	-	-	126,303,821	205,363,821
<b>Current Liabilities</b>					
Financial Liabilities					
Borrowings	3,462,037,837	-	-	-	3,462,037,837
Trade Payables	1,321,902,589	-	-	-	1,321,902,589
Other Current Financial Liabilities	821,570,573	-	-	-	821,570,573
<b>Total Financial Liabilities (B)</b>	<b>5,684,570,999</b>	<b>328,687,703</b>	<b>3,960,868,200</b>	<b>126,303,821</b>	<b>10,100,430,723</b>
<b>Net Financial Assets / (Liabilities) (A-B)</b>	<b>(4,314,567,275)</b>	<b>(328,687,703)</b>	<b>(3,960,868,200)</b>	<b>(96,424,271)</b>	<b>(8,700,547,449)</b>



## Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



### 54 Segment Information

#### 54.1 Segment Information

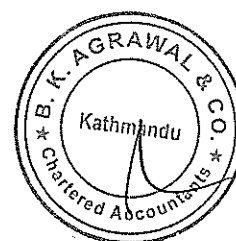
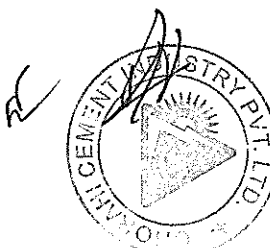
The Company is primarily engaged in the business of "Cement" for Nepali market which mainly involves sale of "Packaged Cement", "Loose Cement" and "Clinker", which is governed by the same set of risks and returns. Hence there is only one business and geographical segment. Accordingly, segment information 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.

#### 54.2 Information about major customers

Information about the extent of its reliance on its major customers, if revenue from a single external customer amounts to 10 percent or more of the entity's revenue.

The Company majorly manages its sales operation network through distributors. Company have following distributor where revenue from single external distributor accounts for 10% or more of the revenue.

Particular	Revenue	Percentage of Total
Mangal Hardware	1,326,473,238	23.61%
Sagarmatha Traders	644,554,945	11.47%
Shree Shukreswori Enterprises	571,147,644	10.17%
<b>Total</b>	<b>2,542,175,827</b>	<b>45.25%</b>



## Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



### 55 Related party disclosures:

#### 55.1 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 group 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

#### Subsidiary Company

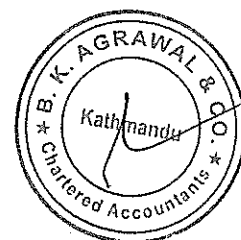
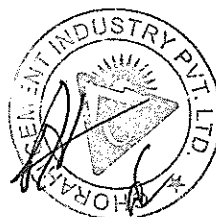
Ghorahi Cement Developing Company Private Limited  
Jhenam Mines Private Limited  
Malarani Mines & Minerals Private Limited

#### Key Managerial Personnel:

Purushottam Lal Sanghai - *Chairman & Director*  
Aditya Sanghai - *Sale and Marketing Head*  
Sanjay Bansal - *Operation Head*  
Anil Kumar Agrawal - *CFO*  
Shankar Lal Agiwal - *General Manager Finance*  
Satyavir Prasad Gupta - *Executive Director*  
Harish Chandra - *Project Head*

Entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, by Key Managerial Personnel

Bishwakarma Mines & Minerals Private Limited  
Infusion Private Limited  
Kapilvastu Cement Udyog Private Limited  
Manakamana Mines & Minerals Private Limited  
Morang Cement Industries Private Limited  
Tiram Real Estate Private Limited  
Unique Reality Private Limited  
Jhenam Land Developers Private Limited  
Riddhi Siddhi Developers Private Limited  
Sunpur Agrofarm Private Limited  
Shree Pashupati Cement Private Limited  
Vishwakarma Cements Private Limited  
Sagarmatha Sports and Event Private Limited  
Sagarmatha Ready Mix Concrete Private Limited  
Sagarmatha Precast Solutions Private Limited



**Ghorahi Cement Industry Private Limited**

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



55.2 Following transactions were carried out with related parties in the ordinary course of business.

Description	For the year ended 2077		For the year ended 2076	
	Key Management Personnel	Enterprises over which KMP exercise significant influence	Key Management Personnel and their relatives	Enterprises over which KMP exercise significant influence
<b>Purchase of Goods</b>				
Manakamana Mines & Minerals Private Limited	-	2,160,000	-	8,640,000
Bishwakarma Mines & Minerals Private Limited	-	98,545,962	-	126,120,751
Sagarmatha Sports and Event Private Limited	-	-	-	2,500,000
<b>Total</b>	-	100,705,962	-	137,260,751

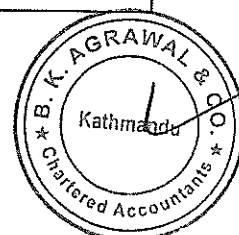
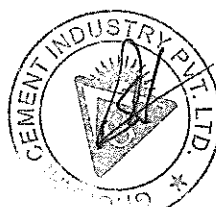
<b>Sale of Goods (Net of Excise Duty)</b>				
Shree Pashupati Cement Private Limited	-	448,315,775	-	817,638,665
Vishwakarma Cements Private Limited	-	254,167,625	-	629,795,523
Sagarmatha Ready Mix Concrete Private Limited	-	39,206,315	-	14,490,912
Sagarmatha Precast Solutions Private Limited	-	13,840,918	-	76,710,940
<b>Total</b>	-	755,530,633	-	1,538,636,040

<b>Purchase of Capital Goods</b>				
Kapilvastu Cement Udyog Private Limited	-	-	-	507,350
Manakamana Mines & Minerals Private Limited	-	15,000,000	-	-
Sagarmatha Ready Mix Concrete Private Limited	-	1,672,169	-	707,965
Sagarmatha Precast Solutions Private Limited	-	4,930,100	-	-
<b>Total</b>	-	21,602,269	-	1,215,315

<b>Rent Income</b>				
Kapilvastu Cement Udyog Private Limited	-	60,000	-	120,000
Sagarmatha Ready Mix Concrete Pvt. Ltd.	-	60,000	-	60,000
Sagarmatha Precast Solutions Pvt. Ltd.	-	60,000	-	55,000
Manakamana Mines & Minerals Pvt. Ltd.	-	48,000	-	48,000
Vishwakarma Mines & Minerals Pvt. Ltd.	-	48,000	-	48,000
<b>Total</b>	-	276,000	-	331,000

<b>Balances Recoverable / (Payable)</b>				
Ghorahi Cement Developing Company Private Limited	-	600,000	-	-
Jhenam Mines Private Limited	-	-	-	-
Malarani Mines & Minerals Private Limited	-	2,802,310	-	-
Bishwakarma Mines & Minerals Private Limited	-	69,928	-	(13,593,350)
Infusion Private Limited	-	-	-	375,901
Kapilvastu Cement Udyog Private Limited	-	162,000	-	(357,305)
Manakamana Mines & Minerals Private Limited	-	43,200	-	10,108,069
Morang Cement Industries Private Limited	-	1,378,843	-	1,378,843
Tiram Real Estate Private Limited	-	6,130,000	-	6,130,000
Unique Reality Private Limited	-	6,742,810	-	6,742,810
Jhenam Land Developers Private Limited	-	-	-	5,000,000
Riddhi Siddhi Developers Private Limited	-	63,665,394	-	63,665,393
Shree Pashupati Cement Private Limited	-	33,661,440	-	6,637,450
Vishwakarma Cements Private Limited	-	39,730,216	-	868,353
Sagarmatha Sports and Event Private Limited	-	3,062,570	-	2,825,000
Sagarmatha Ready Mix Concrete Private Limited	-	117,855,374	-	87,136,822
Sagarmatha Precast Solutions Private Limited	-	6,890,443	-	52,688,656
<b>Total</b>	-	282,794,528	-	229,606,642

Description	For the year ended 2077		For the year ended 2076	
	Key Management Personnel	Enterprises over which KMP exercise significant influence	Key Management Personnel and their relatives	Enterprises over which KMP exercise significant influence
<b>Remuneration paid to KMP's</b>				
<b>(a) Short-term employee benefits:</b>				
Aditya Sanghai	363,636		363,636	
Sanjay Bansal	600,000		600,000	
Satyavir Prasad Gupta	19,046,100		18,475,006	
Anil Kumar Agrawal	7,436,725		3,084,381	
Shankar Lal Agiwal	5,816,744		2,037,837	
Harish Chandra	3,996,250		4,757,969	
<b>Total</b>	37,259,455		29,318,829	



# Ghorahi Cement Industry Private Limited

Notes forming part of the Standalone Financial Statements as on Ashad 31, 2077 (July 15, 2020)



**56 Impact of COVID 19 on financial statements:**

The spread of COVID-19 Pandemic has severely impacted many economies around the globe including Nepal where businesses are being forced to cease or limit operations resulting in an economic slowdown. Although, the government and central bank have responded with monetary and fiscal measures to stabilize the economic conditions, there is not much relief available to the company as of the issue of these financial statements.

The Government of Nepal had announced complete lockdown from March 24, 2020 onwards to control the spread of COVID 19 Pandemic which was partially lifted from June 15, 2020. The operation of the company has been completely stopped during the lockdown and slowly started its operation after the lockdown was partially lifted. The management, by using the internal and external information up to the date of approving these financial statements, has assessed the effects of lockdown on the carrying amounts of its fixed and current assets including PPE, trade receivables and inventories, it expects that the carrying amounts of these assets will be recovered. Further, based on the possible impacts of the Pandemic on the operations and future cash flows, the company has assessed its ability to continue as a going concern. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration and accordingly the impact may be different from what was estimated as at the date of approval of these financial results. The company is continuing to monitor any material changes that may affect its future economic conditions.

**57 Regrouping of Figures:**

Previous Period's figures' have been regrouped/rearranged wherever necessary.

**58 Miscellaneous:**

- i) Balance confirmation certificate of all payables and receivables are confirmed in few cases rest are in the process of obtaining from them.
- ii) Notes 1 to 58 form an integral part of the Statement of financial position and Statement of profit or loss.

