

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
HESTER BIOSCENCES NEPAL PVT LTD.**

1. We have audited the accompanying financial statements of **HESTER BIOSCENCES NEPAL PVT LTD.**, which comprise the Balance Sheet as at March 31, 2019, Profit and Loss Account, and Cash Flow Statement for the year then ended, and a Summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the financial Statements

2. Management is responsible for the preparation and fair presentation of these financial Statements in accordance with Ind-AS. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. On the basis of our examination, we would like to report that:
- We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
 - The Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
 - The Balance Sheet, Profit and Loss Account, Cash Flow Statement and attached Schedules dealt with by this report are prepared as per Generally Accepted Accounting Practices in India and are in agreement with the books of account maintained by the Company.
 - During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
 - We have not come across any fraudulence in the accounts.
5. In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of the company as at March 31, 2019 and of the results of its financial performance and its cash flows for the year then ended in accordance with Indian Accounting Standards applicable in India.

For: U.R Paudel & Associates
Chartered Accountants


Umesh Raj Paudel, FCA

Place: Kathmandu

Date: April 24, 2019



Hester Biosciences Nepal Private Limited
Balance Sheet as at 31 March 2019

(Figures in NPR)

Particulars	Note No	As at 31 March 2019	As at 31 March 2018
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets	1		
(i) Tangible Assets		63,01,58,626	62,27,37,662
(ii) Intangible Assets		-	-
(iii) Capital Work-In-Progress		-	-
(b) Non-Current Investments		-	-
(c) Long Term Loans and Advances		-	-
		63,01,58,626	62,27,37,662
(2) Current Assets			
(a) Inventories	2	2,02,46,981	1,55,79,577
(b) Trade Receivables		-	-
(c) Cash and Cash Equivalents	3	1,76,68,873	3,54,153
(d) Short-Term Loans and Advances	4	6,33,97,658	10,16,07,963
		10,13,13,513	11,75,41,692
Total		73,14,72,138	74,02,79,354
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	5	19,11,84,586	19,11,84,586
(b) Reserves and Surplus	6	(20,21,75,032)	(15,37,09,692)
(c) Capital Reserve	7	7,05,85,307	6,16,17,665
		5,95,94,861	9,90,92,559
(2) Non-Current Liabilities			
(a) Long-Term Borrowings	8	31,47,71,596	35,25,51,793
(b) Deferred Tax Liabilities (Net)		-	-
(c) Other Long-Term Liabilities		-	-
		31,47,71,596	35,25,51,793
(3) Current Liabilities			
(a) Short-Term Borrowings	9	7,35,29,343	6,37,57,238
(b) Trade Payables		-	-
(c) Other Current Liabilities	10	28,35,76,339	22,48,77,764
(d) Short-Term Provisions		-	-
		35,71,05,681	28,86,35,002
Total		73,14,72,138	74,02,79,354

Significant Accounting Policies 16
Accompanying notes form part of financial statements

As per our report of even date attached.

For U.R Paudel & Associates
Chartered Accountants


Umesh Raj Paudel
Proprietor

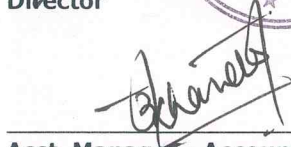


For & on behalf of the Board of Directors


Director




Director


Asst. Manager - Account & Finance

Place : Kathmandu, Nepal
Date: 24 April 2019

Place : Kathmandu, Nepal
Date: 24 April 2019

Hester Biosciences Nepal Private Limited
Statement of Profit and Loss for the year ended 31 March 2019

(Figures in NPR)

Particulars	Note No	For the year ended 31 March 2019	For the year ended 31 March 2018
I. Revenue from Operations		10,23,52,433	71,23,891.90
II. Other Income	11	4,50,18,517	1,65,51,896
III. Total Revenue (I +II)		14,73,70,951	2,36,75,788
IV. Expenses:			
Cost of Materials Consumed	12	1,78,73,976	46,55,503
Purchase of Stock-In-Trade			
Changes In Inventories of Finished Goods, Work-In-Progress and Stock-in-Trade	12	(53,47,286)	(67,80,716)
Employee Benefit Expense			
Finance Cost	13	5,57,49,910	3,30,31,194
Depreciation and Amortization Expense	14	6,39,17,918	6,58,20,218
Other Expenses	15	6,36,41,773	4,46,73,132
V. Total Expenses (IV)		19,58,36,291	14,13,99,331
VI. Profit Before Exceptional items and Tax (III- V)		(4,84,65,340)	(11,77,23,543)
VII. Exceptional Items		-	-
VIII. Profit Before Tax		(4,84,65,340)	(11,77,23,543)
IX. Tax Expense:			
(1) Current Tax		-	-
(2) Minimum Alternate Tax		-	-
(3) Deferred Tax		-	-
X. Profit For The Year (VIII-IX)		(4,84,65,340)	(11,77,23,543)
Other comprehensive income			
A. Income reclassified to profit or loss in subsequent periods:			
Net change in fair value of forward contracts designated as cash flow hedges		-	-
Income tax effect		-	-
B. Income not to be reclassified to profit or loss in subsequent periods:			
Acturial (loss) / Gain relating to Gratuity		-	-
Income tax effect		-	-
Net change in fair value of financial instruments through Other Comprehensive Income		-	-
Total other comprehensive income for the year, net of tax [A+B]		-	-
Total comprehensive income for the year, net of tax		(4,84,65,340)	(11,77,23,543)
XI. Earning per Equity Share: [Nominal value of Share NPR 100]			
(1) Basic & Diluted		-	-
Significant Accounting Policies	16		
Accompanying notes form part of financial statements			

As per our report of even date attached.
For U.R Paudel & Associates
Chartered Accountants


Umesh Raj Paudel
Proprietor

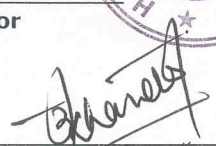


For & on behalf of the Board of Directors


Director




Director


Asst. Manager - Account & Finance

Place : Kathmandu, Nepal
Date: 24 April 2019

Place : Kathmandu, Nepal
Date: 24 April 2019

Hester Biosciences Nepal Private Limited
Ganabahal, Kathmandu, Nepal

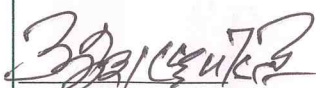
Cash Flow Statement
for the period ended 31 March 2019

(Figures in NPR)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(net loss) before tax	(4,84,65,340)	(11,77,98,027)
Adjustments for:		
Deffered Grant Income	(78,20,373)	-
Prior Period Expenses	-	-
Depreciation	6,39,17,918	6,58,20,218
Interest	5,57,49,910	3,30,31,194
Prior Period Expenses W/O	1,21,60,062	-
CASH FLOW BEFORE WORKING CAPITAL CHANGES	7,55,42,175	(1,89,46,615)
1. (Increase) / Decrease In Inventory	(46,67,404)	-
2. (Increase)/Decrease in Current Assets	(1,03,64,078)	(98,76,567)
3. Increase/(Decrease) in Other Current Liabilities	5,23,81,760	13,71,16,299
CASH GENERATED BY OPERATIONS	11,28,92,453	10,82,93,117
Less: Income Tax Paid	-	-
CASH USED IN OPERATING ACTIVITIES	11,28,92,453	10,82,93,117
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,64,77,456)	(1,60,08,203)
Increase in Capital Work in Progress	-	-
CASH USED IN INVESTING ACTIVITIES	(2,64,77,456)	(1,60,08,203)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Grant received from the Government of Netherlands	-	-
Increase in share capital	-	-
Proceeds from Grant	1,67,88,016	64,31,232
Proceeds from term loan	(3,77,80,197)	(6,54,31,930)
Payment of interest	(4,94,33,095)	(3,30,31,194)
CASH AVAILABLE FROM FINANCING ACTIVITIES	(7,04,25,276)	(9,20,31,892)
NET CHANGE IN CASH & CASH EQUIVALENTS	1,59,89,720	2,53,023
CASH & CASH EQUIVALENTS AT THE BEGINNING	3,54,153	1,01,130
CASH & CASH EQUIVALENTS AT THE END	1,63,43,873	3,54,153

As per our report of even date attached.

For U.R Paudel & Associates
Chartered Accountants



Umesh Raj Paudel
Proprietor



For & on behalf of the Board of Directors


Director


Director


Asst. Manager - Account & Finance

Place : Kathmandu, Nepal
Date: 24 April 2019

Place : Kathmandu, Nepal
Date: 24 April 2019

Hester Biosciences Nepal Private Limited
Ganabahal, Kathmandu, Nepal

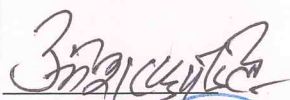
Statement of Changes in Equity
for the period ended 31st March 2019

(Figures in NPR)

Particulars	Share Capital	Share Premium	Accumulated Profit	Total
Balance as at 31.03.2018	19,11,84,586	-	(15,37,09,692)	3,74,74,894
Prior-year adjustments				-
Restated balance	19,11,84,586	-	(15,37,09,692)	3,74,74,894
Issue of share capital				-
Advance For Share Capital				-
Net loss from 1st April 2018 to 31st March 2019	-	-	(4,84,65,340)	(4,84,65,340)
Balance as at 31.03.2019	19,11,84,586	-	(20,21,75,032)	(1,09,90,446)

As per our report of even date attached.

For U.R Paudel & Associates
Chartered Accountants



Umesh Raj Paudel
Proprietor



Place : Kathmandu, Nepal
Date: 24 April 2019

For & on behalf of the Board of Directors




Director Director




Asst. Manager - Account & Finance

Place : Kathmandu, Nepal
Date: 24 April 2019

Note 1	Particulars	Freehold land	Leasehold land	Buildings	Buildings leased	Plant & Equipment	Plant & Equipment leased	Furniture & Fixtures	Vehicles	Office Equipment	Total
	At Cost or Deemed cost										
	As at 31 March 2018	4,83,68,312	-	31,58,53,554	-	33,83,73,091	-	48,05,518	73,42,124	-	71,47,42,598
	Additions	20,25,090	-	3,84,40,926	-	2,92,64,660	-	6,86,725	9,21,481	-	7,13,38,882
	Disposals	-	-	-	-	-	-	-	-	-	-
	As at 31 March 2019	5,03,93,402	-	35,42,94,479	-	36,76,37,751	-	54,92,242	82,63,605	-	78,60,81,480
	Accumulated Depreciation & Impairment										
	As at 31 March 2018	-	-	2,13,49,041	-	6,61,72,027	-	15,64,406	29,19,462	-	9,20,04,936
	Depreciation expense	-	-	1,66,47,272	-	4,52,19,859	-	9,81,959	10,68,829	-	6,39,17,918
	Impairment loss recognised	-	-	-	-	-	-	-	-	-	-
	Eliminated on disposals	-	-	-	-	-	-	-	-	-	-
	As at 31 March 2019	-	-	3,79,96,313	-	11,13,91,886	-	25,46,365	39,88,291	-	15,59,22,855
	Carrying Amount										
	As at 31 March 2018	4,83,68,312	-	29,45,04,512	-	27,22,01,064	-	32,41,111	44,22,662	-	62,27,37,662
	As at 31 March 2019	5,03,93,402	-	31,62,98,166	-	25,62,45,866	-	29,45,877	42,75,314	-	63,01,58,626

As per our report of even date attached.

For U.R. Paudel & Associates
Chartered Accountants


Umesh Raj Paudel
Proprietor



For & on behalf of the Board of Directors




Director


Director

Asst. Manager - Account & Finance

Place : Kathmandu, Nepal
Date: 24 April 2019

Place : Kathmandu, Nepal
Date: 24 April 2019

Hester Biosciences Nepal Private Limited

Ganabahal , Kathmandu, Nepal

Notes forming part of the financial statements as on 31st March 2019

Note 2 INVENTORY (Figures in NPR)

(Inventory Valued at Cost or Market Price which ever is lower)

Particulars	As at 31 March 2019	As at 31 March 2018
Finished Goods and WIP	1,21,28,001	67,80,716
Raw Materials	24,02,591	25,40,317
Packing material and Consumables	57,16,388	62,58,544
Total	2,02,46,981	1,55,79,577

Note 3 CASH AND BANK BALANCE (Figures in NPR)

Particulars	As at 31 March 2019	As at 31 March 2018
Everest Bank Ltd.	15,560	15,560
Century Commercial Bank Ltd.	2,03,459	17,151
Nepal Investment Bank Ltd.	1,72,74,566	25,566
Cash In hand	1,75,288	2,95,876
Total	1,76,68,873	3,54,153

Note 4 CURRENT ASSET (Figures in NPR)

Particulars	As at 31 March 2019	As at 31 March 2018
Purchase Vat	-	5,23,81,866
Advance for Expenses	1,84,986	2,56,989
LC Margin	61,10,082	40,38,110
Other Advances	2,60,15,679	94,50,357
Preoperative Expenses	3,10,86,912	3,54,80,641
Total	6,33,97,658	10,16,07,963

Amount included in Purchase VAT has been capitalized for VAT amount incurred for capital items and charged to preoperative expenses for amount of vat incurred on expenses.

Note 5 SHARE CAPITAL (Figures in NPR)

Particulars	As at 31 March 2019	As at 31 March 2018
The capital composition of the company is as under		
Authorised Capital		
40,00,000 Shares @ NPR 100 each	40,00,00,000	40,00,00,000
Issued Capital		
25,00,000 Shares @ NPR 100 each	25,00,00,000	25,00,00,000
Paid up capital Capital		
1911845 shares of NPR 100 each	19,11,84,586	19,11,84,586
Total	19,11,84,586	19,11,84,586

Note 6 RESERVE AND SURPLUS (Figures in NPR)

Particulars	As at 31 March 2019	As at 31 March 2018
Upto previous Year	(15,37,09,692)	(3,59,11,665)
Reserve	(4,84,65,340)	(11,77,98,027)
Total	(20,21,75,032)	(15,37,09,692)

Note 7 DEFERRED INCOME

Government grant received From Netherland Government related to assets is presented in the balance sheet by setting up the grant as deferred income.

Particulars	As at 31 March 2019	As at 31 March 2018
Deffered Income	7,05,85,307	6,16,17,665
Total	7,05,85,307	6,16,17,665



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Note 8 NON CURRENT LIABILITIES

- a) The Term Loan from Nepal Investment Bank as Lead Bank along with Century Commercial Bank Ltd secured against entire fixed asset, plant and machinery of the company by the way of hypothecation.
- b) Vehicle Loan from Nepal Investment Bank Ltd secured by the way of hypothecation of Vehicle Interest Rate being 10.00% p.a.

(Figures in NPR)

Particulars	As at 31 March 2019	As at 31 March 2018
Term Loans		
Vehicle Loan	29,56,680	23,37,551
Term Loan	31,18,14,916	35,02,14,242
Total	31,47,71,596	35,25,51,793

Note 9 CURRENT LIABILITIES

(Figures in NPR)

Particulars	As at 31 March 2019	As at 31 March 2018
Short Term Loans		
Nepal Investment Bank A/c (OD Account)	2,51,01,664	1,53,29,558
Loan (Instalments due within 12 months)	4,84,27,679	4,84,27,679
Total	7,35,29,343	6,37,57,238

Installment amount Including Principal and Interest payable within 12 months included in the current liability)

Note 10 OTHER CURRENT LIABILITIES

(Figures in NPR)

Particulars	As at 31 March 2019	As at 31 March 2018
Other Payables		
Expenses payable	1,31,014	1,13,906
TDS Payable	5,19,034	6,43,900
Other Payables	28,29,26,291	22,41,19,958
Letter of Credit	-	-
Total	28,35,76,339	22,48,77,764

Other Payables include advance given by HBL India (65% Holding Company) .

Note 11 Other Income

(Figures in NPR)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Income from other activities	28,33,144	1,03,08,697
Grant Recognized as income	4,21,85,373	62,43,200
Total	4,50,18,517	1,65,51,896

Note 12 Cost of Goods Sold Comprises of the following:

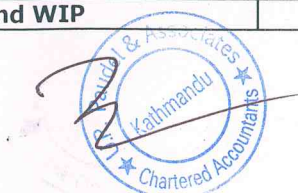
(Figures in NPR)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cost of Material Consumed		
Openi Stock raw material	25,40,317	20,54,328
Add: Purchase Raw Materials	1,77,36,250	51,41,492
Less: Closing Stock raw material	24,02,591	25,40,317
Total Cost of Material Consumed	1,78,73,976	46,55,503

Change in Inventory and WIP		
Opening Stock of finished goods and WIP	67,80,716	-
Less:		
Closing Stock of finished goods and WIP	1,21,28,001	67,80,716
Change in Inventory and WIP	(53,47,286)	(67,80,716)



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Note 13 The financial Expenses Comprises of the following:- (Figures in NPR)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Financial Expenses		
Bank Charges	4,85,989	25,771
Exchange Loss	12,71,248	74,483
Interest Expenses	5,39,92,672	3,30,05,423
Total	5,57,49,910	3,30,31,194

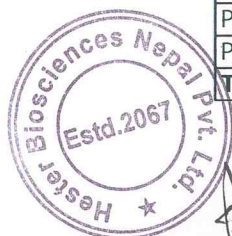
Interest include interest on advance given by HBL india (60% Holding Company) of Rs 5,779,640.53 at the rate of 10.5% .

Note 14 Depreciation & Amortization (Figures in NPR)

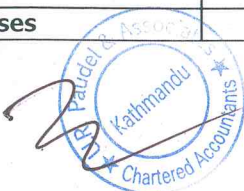
Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Depreciation & Amortization		
Depreciation	6,39,17,918	6,58,20,218
Total	6,39,17,918	6,58,20,218

Note 15 Other Expense: (Figures in NPR)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Administrative Expenses :		
Audit Fee	2,26,000	2,26,000
Books & Periodicals	970	450
Certification Fee(COO)	1,74,066	50,712
Factory Rent	46,104	19,439
Fines and Penalties	8,21,054	10,500
Guest & Entertainment Exp.	5,72,193	1,96,426
Guest House Running Expense	7,46,250	6,25,669
Guest House Rent	9,06,741	2,45,000
Hotel Accomodation and Lodging Fooding Exp.	3,47,310	2,02,565
Insurance Expenses	28,04,819	31,92,343
Local Conveyance	25,795	23,510
Management Fee	-	4,12,432
Office Expenses	6,95,291	2,27,197
Parking Charge	29,227	21,535
Postage,Courier and Parcel	66,552	29,900
Printing and Stationery	4,57,239	1,46,518
Professional and Legal Fee	3,61,600	5,60,150
Promotional Expenses	2,83,065	-
Rent(Office)	84,000	84,000
Repair and Maintenance	10,21,170	4,47,865
Rates And Taxes	34,210	2,34,210
Salary	1,26,30,977	92,30,266
Gratuity Expense	3,74,077	-
Social Security Fund Contribution	74,995	-
Staff Welfare	60,752	3,202
Telephone, Email & Internet	2,01,620	1,79,651
Travelling Expense	39,160	3,87,390
Transporattion and loading unloading	3,96,979	3,71,474
Vehicle Running Expenses	3,72,004	1,57,895
Wages and Labour	4,27,845	13,29,739
Water & Electricity	39,500	20,120
Preoperative Expenses written off	1,21,60,062	1,21,60,062
Prior Period Expenses	13,25,000	-
Total Administrative Expenses	3,78,06,627	3,07,96,219



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Selling and Distribution Expenses:		
Advertising Expenses	27,92,358	87,780
Marketing Expense	9,25,298	8,31,142
Tender Expenses	42,95,245	-
Total Selling and Distribution Expenses	80,12,902	9,18,922
Manufacturing Expenses:		
Diesel Expenses	34,16,969	21,56,078
Electricity Expense at Site	79,43,441	61,26,518
Freight and Insurance	20,22,918	7,79,203
Fuel Expense	69,268	1,20,055
Testing Animal Purchase Expenses	9,25,611	3,61,179
QC Expense	1,74,558	2,58,517
Testing Expenses	44,070	67,000
Security Charges	14,09,445	9,89,808
Factory running Expenses	12,47,067	7,14,380
Total Manufacturing Expenses	1,72,53,348	1,15,72,738
Packing Materials & Consumables		
Opening Stock of Packing Materials Spares and Consumables	62,58,544	34,95,882
Purchase during the year	26,740	41,47,915
Closing Stock	57,16,388	62,58,544
Packing Materials & Consumables consumed during the year	5,68,896	13,85,253
Total	6,36,41,773	4,46,73,132

Notes 1 to 16 are the integral part of the financial Statements.



NOTE -16
NOTES TO THE FINANCIAL STATEMENTS
for the Period ended 31st March 2019

A) Corporate Information

Hester Biosciences Nepal Pvt. Ltd. is a private limited company incorporated under the Companies Act, 2063 (2006) and domiciled in NEPAL. The company is engaged in manufacturing of poultry vaccines, large animal vaccines and trading of poultry health products and large animal health products having its manufacturing set up at Ward No. 6 Ugarachandi VDC, Kavre, Nepal.

B) Significant Accounting Policies

1) BASIS OF PREPARATION

The financial statements are prepared in accordance with Ind As.

2) USE OF ESTIMATES

The preparation of financial statements in conformity with the standards requires the management to make estimates and assumption that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and the estimates are recognized in the periods in which the results are known/ materialized.

3) REVENUE RECOGNITION

- a) Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and can be reliably measured.
- b) Revenue from sale of products is recognized on dispatch or appropriation of goods in accordance with the terms of sale and rewards of ownership have passed to the buyer and Revenue from services are recognized as the related services are performed.

4) FIXED ASSETS

- a) Tangible Assets are stated at cost net of recoverable taxes / duties and rebates less accumulated depreciation and impairment loss, if any. Borrowing costs directly attributable to the construction or production of qualifying assets during the period of construction / acquisition are capitalized as part of the cost. Subsequent expenditures related to an item of tangible assets are added to its book value only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance. Exchange differences arising out of fluctuation in exchange rate on settlement / period end in foreign currency monetary liabilities in respect of acquisition of fixed assets are adjusted to the cost of the fixed assets.
- b) Cost of fixed assets not ready for their intended use before the balance sheet date is disclosed as capital work-in-progress and is carried at cost, comprising direct cost, related incidental expenses and directly attributable interest. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date is disclosed under long term loans and advances.
- c) Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, using the diminishing balance method by applying the rates mentioned below:

<u>Class of assets</u>	<u>Rate of depreciation</u>
Buildings, structures and other similar works of permanent nature	5%
Computers, data handling equipments,	
Furniture, fixtures and office equipments	25%
Automobiles, buses & minibuses	20%
Construction & Earth-moving equipments and other plant and machinery	15%

- d) The Company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired. If any such, indication exist, the carrying value of such asset is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to Profit and Loss Account. If at the Balance Sheet date there is an indication that previously assessed impairment losses no longer exist, then such loss is reversed and the asset is restated to that effect.



5) BORROWING COSTS

Borrowing cost that are attributable to the acquisition or construction of fixed assets / qualifying assets for expansion / new project are capitalised to respective fixed assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are charged to revenue in the year in which they are incurred.

6) INVENTORIES

Inventories include raw materials, bought out components, work-in-progress and manufactured finished goods.

"Finished Products:

Finished products produced by the Company are valued at lower of cost and net realisable value. Cost includes direct materials, labour, a proportion of manufacturing overheads and duties charged on finished goods."

"Work in Progress:

Work in progress is valued at cost of direct materials, labour and other manufacturing overheads up to stage of process."

"Raw materials and stores and spares:

Raw materials and stores and spares are valued at lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. The cost is determined using First in First out (FIFO) method."

7) GRANTS

- a) Government grants related to assets is presented in the balance sheet by setting up the grant as deferred income. Non Government grants received are charged to Statement of Profit and Loss .
 - b) The grant set up as deferred income shall be treated as income on a systematic and rational basis over the useful life of the asset. Accordingly the grant income received has been charged to Profit and Loss account in the proportion of Depreciation Charged in relation to the original cost of asset which is about 10 %. Accordingly 9.97 % of the grant received has been charged to Profit and Loss Account in current year.
- 8) The company has policy to write off Preoperative Expenses shown under current asset. The amount written off in the current year is Rs 12,160,061.
- 9) The other outstanding balances are subject to confirmation from the respective parties.
- 10) Previous Year figures has been reworked and regrouped when necessary.

For & on behalf of the Board of Directors



Director


Director


Asst. Manager - Account & Finance

Place : Kathmandu, Nepal
Date: 24 April 2019

For U.R Paudel & Associates
Chartered Accountants


Umesh Raj Paudel

