

**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, 2020, 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 judgement, 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.

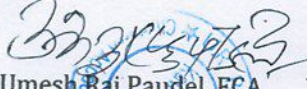
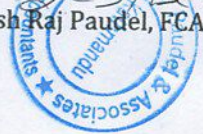
We believe that our audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

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, 2020 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

Place: Kathmandu
Date: June 23, 2020


Umesh Raj Paudel, FCA


Hester Bioscience Nepal Private Limited
Balance Sheet as at 31 March 2020

(Figures in NPR)

Particulars	Note No	As at 31 March 2020	As at 31 March 2019
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	1	57,73,18,533	63,01,58,626
(ii) Intangible Assets		-	-
(iii) Capital Work-In-Progress		-	-
(b) Non-Current Investments		-	-
(c) Long Term Loans and Advances		-	-
		57,73,18,533	63,01,58,626
(2) Current Assets			
(a) Inventories	2	3,04,89,099	2,02,46,981
(b) Trade Receivables		-	-
(c) Cash and Cash Equivalents	3	6,36,58,568	1,76,68,873
(d) Short-Term Loans and Advances	4	12,36,22,591	6,33,97,658
		21,77,70,258	10,13,13,513
Total		79,50,88,791	73,14,72,138
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	5	19,11,84,586	19,11,84,586
(b) Reserves and Surplus	6	(13,91,56,732)	(20,21,75,032)
(c) Capital Reserve	7	6,56,44,335	7,05,85,307
		11,76,72,190	5,95,94,861
(2) Non-Current Liabilities			
(a) Long-Term Borrowings	8	26,56,19,381	31,47,71,596
(b) Deferred Tax Liabilities (Net)		-	-
(c) Other Long-Term Liabilities		-	-
		26,56,19,381	31,47,71,596
(3) Current Liabilities			
(a) Short-Term Borrowings	9	6,03,46,975	7,35,29,343
(b) Trade Payables		-	-
(c) Other Current Liabilities	10	35,14,50,246	28,35,76,339
(d) Short-Term Provisions		-	-
		41,17,97,221	35,71,05,681
Total		79,50,88,791	73,14,72,138

Significant Accounting Policies
Accompanying notes form part of financial statements

16

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: 23 June 2020

Place : Kathmandu, Nepal
Date: 23 June 2020

Hester Bioscience Nepal Private Limited
Statement of Profit and Loss for the year ended 31 March 2020

(Figures in NPR)

Particulars	Note No	For the year ended 31 March 2020	For the year ended 31 March 2019
I. Revenue from Operations		25,88,79,133	10,23,52,433.44
II. Other Income	11	5,45,38,000	4,50,18,517
III. Total Revenue (I + II)		31,34,17,133	14,73,70,951
IV. Expenses:			
Cost of Materials Consumed	12	1,96,41,930	1,78,73,976
Purchase of Stock-In-Trade		-	-
Changes In Inventories of Finished Goods, Work-In-Progress and Stock-in-Trade	12	(62,87,918)	(53,47,286)
Finance Cost	13	4,46,39,324	5,57,49,910
Depreciation and Amortization Expense	14	5,60,90,086	6,39,17,918
Other Expenses	15	13,63,15,410	6,36,41,773
V. Total Expenses (IV)		25,03,98,832	19,58,36,291
VI. Profit Before Exceptional items and Tax (III- V)		6,30,18,301	(4,84,65,340)
VII. Exceptional Items		-	-
VIII. Profit Before Tax		6,30,18,301	(4,84,65,340)
IX. Tax Expense:			
(1) Current Tax		-	-
(2) Minimum Alternate Tax		-	-
(3) Deferred Tax		-	-
X. Profit For The Year (VIII-IX)		6,30,18,301	(4,84,65,340)
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:			
Actuarial (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		6,30,18,301	(4,84,65,340)
Earnings Per Equity Share: [Nominal value of Share NPR 100]			
(1) Basic & Diluted		32.96	-
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: 23 June 2020



Place : Kathmandu, Nepal
Date: 23 June 2020

Hester Biosciences Nepal Private Limited
Ganabahal, Kathmandu, Nepal


Cash Flow Statement
for the period ended 31 March 2020


(Figures in NPR)

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(net loss) before tax	6,30,18,301	(4,84,65,340.00)
Adjustments for:		
Deffered Grant Income	(49,40,971)	(78,20,373)
Prior Period Expenses	-	13,25,000
Depreciation	5,60,90,086	6,39,17,918
Interest	4,46,39,324	5,57,49,910
Prior Period Expenses W/O	1,21,60,062	1,21,60,062
CASH FLOW BEFORE WORKING CAPITAL CHANGES	17,09,66,800	7,68,67,176
1. (Increase) / Decrease In Inventory	(1,02,42,118)	(46,67,404)
2. (Increase)/Decrease in Current Assets	(7,23,84,995)	(1,03,64,078)
3. Increase/(Decrease) in Other Current Liabilities	5,46,91,539	5,23,81,760
CASH GENERATED BY OPERATIONS	14,30,31,227	11,42,17,453
Less: Income Tax Paid		
CASH USED IN OPERATING ACTIVITIES	14,30,31,227	11,42,17,453
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(32,49,993)	(2,64,77,456)
Increase in Capital Work in Progress		
CASH USED IN INVESTING ACTIVITIES	(32,49,993)	(2,64,77,456)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Increase in share capital		
Proceeds from Grant		1,67,88,016
Payment of term loan	(4,91,52,215)	(3,77,80,197)
Payment of interest	(4,46,39,324)	(4,94,33,095)
CASH AVAILABLE FROM FINANCING ACTIVITIES	(9,37,91,539)	(7,04,25,276)
NET CHANGE IN CASH & CASH EQUIVALENTS	4,59,89,694	1,73,14,720
CASH & CASH EQUIVALENTS AT THE BEGINNING	1,76,68,873	3,54,153
CASH & CASH EQUIVALENTS AT THE END	6,36,58,568	1,76,68,873


As per our report of even date attached.

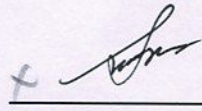
For U.R Paudel & Associates
Chartered Accountants

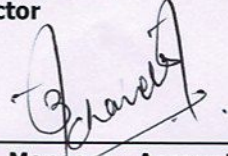

Umesh Raj Paudel
Proprietor



For & on behalf of the Board of Directors


Director


Director


Asst. Manager - Account & Finance

Place : Kathmandu, Nepal
Date: 23 June 2020



Place : Kathmandu, Nepal
Date: 23 June 2020

Hester Biosciences Nepal Private Limited
Ganabahal, Kathmandu, Nepal

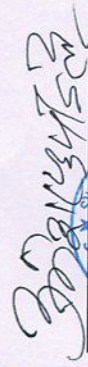
Statement of Changes in Equity
for the period ended 31 March 2020

(Figures in NPR)

Particulars	Share Capital	Share Premium	Accumulated Profit	Total
Balance as at 31.03.2019	19,11,84,586		(20,21,75,032)	(1,09,90,446)
Prior-year adjustments				-
Restated balance	19,11,84,586		(20,21,75,032)	(1,09,90,446)
Issue of share capital				-
Advance For Share Capital				-
Net loss from 01.04.2019 to 31.03.2020			6,30,18,301	6,30,18,301
Balance as at 31.03.2020	19,11,84,586	-	(13,91,56,732)	5,20,27,854

As per our report of even date attached.

For U.R Paudel & Associates
Chartered Accountants


Umesh Raj Paudel
Proprietor



Place : Kathmandu, Nepal
Date: 23 June 2020

For & on behalf of the Board of Directors



Director



Asst. Manager - Account & Finance



Place : Kathmandu, Nepal
Date: 23 June 2020

Hester Bioscience Nepal Private Limited
Ganabahal, Kathmandu, Nepal
Notes forming part of the financial statements as on 31 March 2020

Note 1 : Fixed Assets

(Figures in NPR)

Particulars	Freehold land	Buildings	Plant & Equipment	Furniture & Fixtures	Vehicles	Total
At Cost or Deemed cost						
As at 31.03.2018	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 31.03.2019	5,03,93,402	35,42,94,479	36,76,37,751	54,92,242	82,63,605	78,60,81,480
Additions	-	28,04,764	47,800	3,97,429	-	32,49,993
Disposals						
As at 31.03.2020	5,03,93,402	35,70,99,243	36,76,85,551	58,89,672	82,63,605	78,93,31,473
Accumulated Depreciation & Impairment						
As at 31.03.2018	-	2,13,49,041	6,61,72,027	15,64,406	29,19,462	9,20,04,936
Additions	-	1,66,47,272	4,52,19,859	9,81,959	10,68,829	6,39,17,918
Disposals	-					
As at 31.03.2019	-	3,79,96,313	11,13,91,886	25,46,365	39,88,291	15,59,22,855
Depreciation expense	-	1,59,55,147	3,84,44,050	8,35,827	8,55,063	5,60,90,086
Impairment loss recognised	-	-	-	-	-	-
Eliminated on disposals	-	-	-	-	-	-
As at 31.03.2020	-	5,39,51,460	14,98,35,935	33,82,192	48,43,354	21,20,12,940
Carrying Amount						
As at 31.03.2018	4,83,68,312	29,45,04,512	27,22,01,064	32,41,111	44,22,662	62,27,37,662
As at 31.03.2019	5,03,93,402	31,62,98,166	25,62,45,866	29,45,877	42,75,314	63,01,58,626
As at 31.03.2020	5,03,93,402	30,31,47,784	21,78,49,616	25,07,480	34,20,252	57,73,18,533

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: 23 June 2020

Place : Kathmandu, Nepal
Date: 23 June 2020

Hester Biosciences Nepal Private Limited

Ganabahal, Kathmandu, Nepal

Notes forming part of the financial statements as on 31 March 2020

Note 2 INVENTORY

(Figures in NPR)

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

Particulars	As at 31 March 2020	As at 31 March 2019
Finished Goods and WIP	1,84,15,919	1,21,28,001
Raw Materials	27,76,903	24,02,591
Packing material and Consumables	92,96,276	57,16,388
Total	3,04,89,099	2,02,46,981

Note 3 CASH AND BANK BALANCE

(Figures in NPR)

Particulars	As at 31 March 2020	As at 31 March 2019
Everest Bank Ltd.	15,560	15,560
Century Commercial Bank Ltd.	57,68,823	2,03,459
Nepal Investment Bank Ltd.	5,77,60,862	1,72,74,566
Cash In hand	1,13,323	1,75,288
Total	6,36,58,568	1,76,68,873

Note 4 CURRENT ASSET

(Figures in NPR)

Particulars	As at 31 March 2020	As at 31 March 2019
Advance for Expenses	5,54,281	1,84,986
LC Margin	55,30,339	61,10,082
Trade Debtors	9,01,44,676	1,88,22,505
Other Advances	84,66,445	71,93,174
Preoperative Expenses	1,89,26,850	3,10,86,912
Total	12,36,22,591	6,33,97,658

Note 5 SHARE CAPITAL

(Figures in NPR)

Particulars	As at 31 March 2020	As at 31 March 2019
The capital composition of the company is as under		
Authorised Capital		
40,00,000 Shares @ Rs 100 each	40,00,00,000	40,00,00,000
Issued Capital		
25,00,000 Shares @ Rs 100 each	25,00,00,000	25,00,00,000
Paid up capital Capital		
19,11,845 shares of Rs 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)

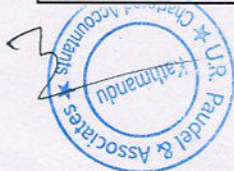
Particulars	As at 31 March 2020	As at 31 March 2019
Upto previous Year	(20,21,75,032)	(15,37,09,692)
Reserve	6,30,18,301	(4,84,65,340)
Total	(13,91,56,732)	(20,21,75,032)

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.

(Figures in NPR)

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred Income	6,56,44,335	7,05,85,307
Total	6,56,44,335	7,05,85,307



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 2020	As at 31 March 2019
Term Loans		
Vehicle Loan	19,10,775	29,56,680
Term Loan	26,37,08,606	31,18,14,916
Total	26,56,19,381	31,47,71,596

Note 9 CURRENT LIABILITIES :

(Figures in NPR)

Particulars	As at 31 March 2020	As at 31 March 2019
Short Term Loans		
Nepal Investment Bank A/c (OD Account)	1,19,19,295	2,51,01,664
Loan (Instalments due within 12 months)	4,84,27,679	4,84,27,679
Total	6,03,46,975	7,35,29,343

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

Note 10 Other Payables

(Figures in NPR)

Particulars	As at 31 March 2020	As at 31 March 2019
TDS Payable	7,01,223	5,19,034
Other Payables	35,07,49,023	28,30,57,305
Letter of Credit	-	-
Total	35,14,50,246	28,35,76,339

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 2020	For the year ended 31 March 2019
Income from other activities	1,07,09,882	28,33,144
Grant Recognized as income	4,38,28,118	4,21,85,373
Total	5,45,38,000	4,50,18,517

Note 12 Cost of Goods Sold Comprises of the following:

(Figures in NPR)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cost of Material Consumed		
Openi Stock raw material	24,02,591	25,40,317
Add: Purchase Raw Materials	2,00,16,242	1,77,36,250
Less: Closing Stock raw material	27,76,903	24,02,591
Total Cost of Material Consumed	1,96,41,930	1,78,73,976

Change in Inventory and WIP		
Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening Stock of finished goods and WIP	1,21,28,001	67,80,716
Less:	1,84,15,919	1,21,28,001
Closing Stock of finished goods and WIP	(62,87,918)	(53,47,286)



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Note 13 The financial Expenses Comprises of the following:-

(Figures in NPR)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Financial Expenses		
Bank Charges	9,68,868	4,85,989
Exchange Loss		12,71,248
Interest Expenses	4,36,70,456	5,39,92,672
Total	4,46,39,324	5,57,49,910

Interest include interest on advance given by HBL india (60% Holding Company) of Rs 7,050,475

Note 14 DEPRECIATION & AMORTIZATION

(Figures in NPR)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation & Amortization		
Depreciation	5,60,90,086	6,39,17,918
Total	5,60,90,086	6,39,17,918

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	1,250	970
Certification Fee(COO)	4,12,780	1,74,066
Fines and Penalties		8,21,054
Guest & Entertainment Exp.	37,886	5,72,193
Guest House Running Expense	4,31,179	7,46,250
Guest House Rent	10,20,000	9,06,741
Hotel Accomodation and Lodging Fooding Exp.	36,331	3,47,310
Insurance Expenses	47,91,332	28,04,819
Local Conveyance	21,047	25,795
Office Expenses	3,85,825	6,95,291
Parking Charge	32,830	29,227
Postage,Courier and Parcel	1,32,050	66,552
Printing and Stationery	5,54,960	4,57,239
Professional and Legal Fee	11,24,162	3,61,600
Rent(Office)	84,000	84,000
Repair and Maintenance	16,74,717	10,21,170
Rates And Taxes	3,60,540	34,210
Salary	1,71,40,233	1,26,30,977
Gratuity Expense	6,71,777	3,74,077
Social Security Fund Contribution	1,33,991	74,995
Staff Welfare	87,201	60,752
Telephone, Email & Internet	1,07,853	2,01,620
Travelling Expense	2,92,410	39,160
Transportation and loading unloading	10,30,020	3,96,979
Vehicle Running Expenses	4,67,977	3,72,004
Wages and Labour	1,58,574	4,27,845
Water & Electricity	59,140	39,500
Preoperative Expenses written off	1,21,60,062	1,21,60,062
Prior Period Expenses	-	13,25,000
Total Administrative Expenses	4,36,36,125	3,74,77,458



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Selling and Distribution Expenses		
Advertising & promotion Expenses	13,35,879	30,75,423
Marketing Expense	18,14,314	9,25,298
Tender Expenses	4,84,16,523	42,95,245
Freight & Insurance Expense	1,48,44,801	20,22,918
Total Selling and Distribution Expenses	6,64,11,517	1,03,18,885
Manufacturing Expenses		
Diesel Expenses	39,47,390	34,16,969
Electricity Expense at Site	84,71,052	79,43,441
Fuel Expense	58,533	69,268
Testing Animal Purchase Expenses	4,48,575	9,25,611
QC Expense	1,35,644	1,74,558
Testing Expenses	53,110	44,070
Security Charges	15,39,060	14,09,445
Factory Rent	1,42,222	46,104
Factory running Expenses	4,04,006	12,47,067
Master Seed Expense	63,04,250	-
Total Manufacturing Expenses	2,15,03,841	1,52,76,534
Packing Materials & Consumables		
Opening Stock of Packing Materials Spares and Consumables	57,16,388	62,58,544
Purchase during the year	83,43,814	26,740
Closing Stock	92,96,276	57,16,388
Packing Materials & Consumables consumed during the year	47,63,927	5,68,896
Total	13,63,15,410	6,36,41,773

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



Hester Biosciences Nepal Private Limited
Ganabahal, Kathmandu, Nepal

NOTE -16
NOTES TO THE FINANCIAL STATEMENTS
for the Period ended 31 March 2020

A) Corporate Information

Hester Biosciences Nepal Private Limited 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.

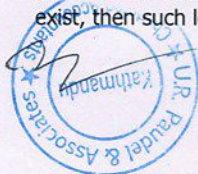
4) FIXED ASSETS

- 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 1 7%. Accordingly 7% of the grant has been charged to Profit and Loss Account in current year.

8) Deffered Tax Asset


As it is highly probable that taxable profit against which the deductible temporary difference can be utilised will not be available deffered tax asset has not been created.

- 9) 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.
- 10) The other outstanding balances are subject to confirmation from the respective parties.
- 11) Previous Year figures has been reworked and regrouped when necessary.

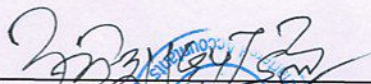
**For U. R. Paudel & Associates
Chartered Accountants**



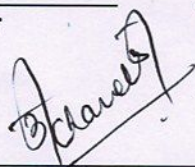
Director



Director



Umesh Raj Paudel



Asst. Manager - Account & Finance

Place : Kathmandu, Nepal

Date: 23 June 2020

