

**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, 2021, 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, 2021 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.

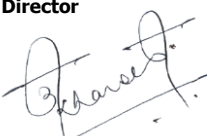
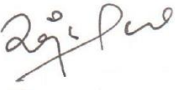
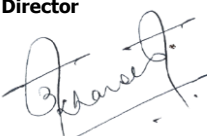



For: U.R Paudel & Associates
Chartered Accountants



Umesh Raj Paudel
Umesh Raj Paudel, FCA

Hester Bioscience Nepal Pvt Ltd
Balance Sheet as at 31st March 2021

(Figures in NPR)

	Note No	As at 31st March 2021	As at 31st March 2020
I. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Property, plant and equipments	1	529,207,867	577,318,533
(ii) Intangible Assets		-	-
(iii) Capital Work-In-Progress		-	-
(iv) Biological Assets other than bearer plants		-	-
(b) Financial Assets			
(i) Investments		-	-
(ii) Loans		-	-
(iii) Other Financial Assets		-	-
(c) Other Non Current Assets		-	-
		529,207,867	577,318,533
(2) Current Assets			
(a) Inventories	2	66,226,172	30,489,099
(b) Financial Assets			
(i) Cash and Cash Equivalents	3	42,287,807	63,658,568
(ii) Trade Receivables	4	6,640,841	90,144,676
(iii) Others		-	-
(c) Other Current Assets			
(i) Short-Term Loans and Advances	5	12,993,059	33,477,915
		128,147,880	217,770,257
Total		657,355,747	795,088,791
II. EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity Share Capital	6	250,000,000	191,184,586
(b) Other Equity (Reserves and Surplus)	7	(154,719,730)	(139,156,732)
		95,280,270	52,027,854
Liabilities			
(2) Non-Current Liabilities			
(a) Financial Liabilities			
(i) Long-Term Borrowings	8	106,578,433	265,619,381
(ii) Other Long Term Financial Liabilities		-	-
(b) Deferred Tax Liabilities (Net)		-	-
(c) Other Non Current Liabilities			
(i) Deffered Capital Grant	9	59,736,345	65,644,335
		166,314,778	331,263,716
(3) Current Liabilities			
(a) Financial Liabilities			
(i) Short-Term Borrowings	10	25,101,664	11,919,295
(ii) Other Financial Liabilities	11	110,068,160	48,427,679
(iii) Trade Payables	12	82,264,685	86,651,225
(b) Other Current Liabilities	13	178,326,190	264,799,021
(c) Short-Term Provisions		-	-
		395,760,699	411,797,221
Total		657,355,747	795,088,791
Significant Accounting Policies	21	Accompanying notes form part of financial statements	
For and on Behalf of the Board			
 Director	 Director	In terms of our report of even date	
 Asst. Manager - Accounts & Finance	 Umesh Raj Paudel	For U.R Paudel & Associates Chartered Accountants	
			
Place: Kathmandu, Nepal Date: 27.05.2021	Place: Kathmandu, Nepal Date: 28.05.2021		

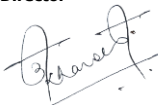
Hester Bioscience Nepal Pvt Ltd
Statement of Profit and Loss for the year ended 31st March 2021

(Figures in NPR)

Particulars	Note No	For the year ended 31st March 2021	For the year ended 31st March 2020
I. Revenue from Operations		75,968,054	258,879,132.65
II. Other Income	14	38,720,892	54,538,000
III. Total Revenue (I +II)		114,688,946	313,417,133
IV. Expenses:			
Cost of Materials Consumed	15	19,780,888	24,405,856
Purchase of Stock-In-Trade			
Changes In Inventories of Finished Goods, Work-In-Progress and Stock-in-Trade	16	(25,831,239)	(6,287,918)
Finance Cost	17	32,823,992	44,639,324
Depreciation and Amortization Expense	18	49,434,331	56,090,086
Employee Benefit Expenses	19	17,913,096	18,033,202
Other Expenses	20	67,437,646	113,518,282
V. Total Expenses		161,558,715	250,398,832
VI. Profit Before Exceptional items and Tax (III- V)		(46,869,769)	63,018,301
VII. Exceptional Items		(31,306,770)	-
VIII. Profit Before Tax		(15,562,998)	63,018,301
IX. Tax Expense:			
(1) Current Tax		-	-
(2) Minimum Alternate Tax		-	-
(3) Deferred Tax		-	-
X. Profit For The Year (VIII-IX)		(15,562,998)	63,018,301
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		(15,562,998)	63,018,301
Earnings Per Equity Share: [Nominal value of Share NPR 100]			
(1) Basic & Diluted		(6.23)	32.96
Significant Accounting Policies	21		
Accompanying notes form part of financial statements			

For and on Behalf of the Board

Director



Asst. Manager - Accounts & Finance

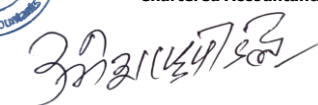
Place: Kathmandu, Nepal
Date: 27.05.2021

Director



In terms of our report of even date

For U.R Paudel & Associates
Chartered Accountants



Umesh Raj Paudel

Place: Kathmandu, Nepal
Date: 28.05.2021

Hester Biosciences Nepal Pvt. Ltd.
Ganabahal, Kathmandu, Nepal

Cash Flow Statement
For the period ended 31st March 2021

(Figures in NPR)

Particulars	Year ended 31.03.2021	Year ended 31.03.2020
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(net loss) before tax	(15,562,998)	63,018,301
Adjustments for:		
Deffered Grant Income	(5,907,990)	(4,940,971)
Prior Period Expenses	-	-
Depreciation	49,434,331	56,090,086
Interest	32,823,992	44,639,324
Prior Period Expenses W/O	18,926,850	12,160,062
CASH FLOW BEFORE WORKING CAPITAL CHANGES	79,714,185	170,966,800
1. (Increase) / Decrease In Inventory	(35,737,073)	(10,242,118)
2. (Increase)/Decrease in Current Assets	85,061,840	(72,384,995)
3. Increase/(Decrease) in Other Current Liabilities	(16,036,522)	54,691,539
CASH GENERATED BY OPERATIONS	113,002,430	143,031,227
Less: Income Tax Paid		
CASH USED IN OPERATING ACTIVITIES	113,002,430	143,031,227
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,323,665)	(3,249,993)
Increase in Capital Work in Progress		
CASH USED IN INVESTING ACTIVITIES	(1,323,665)	(3,249,993)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Grant received from the Government of Netherlands	-	-
Increase in share capital	58,815,414	-
Proceeds from Grant	-	-
Payment of term loan	(159,040,947)	(49,152,215)
Payment of interest	(32,823,992)	(44,639,324)
CASH AVAILABLE FROM FINANCING ACTIVITIES	(133,049,526)	(93,791,539)
NET CHANGE IN CASH & CASH EQUIVALENTS	(21,370,761)	45,989,694
CASH & CASH EQUIVALENTS AT THE BEGINNING	63,658,568	17,668,873
CASH & CASH EQUIVALENTS AT THE END	42,287,807	63,658,568

For and on Behalf of the Board

In terms of our report of even date

Director

Director

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

Asst. Manager - Accounts & Finance

Umesh Raj Paudel

**Place: Kathmandu, Nepal
Date: 27.05.2021**

**Place: Kathmandu, Nepal
Date: 28.05.2021**

Hester Biosciences Nepal Pvt. Ltd.
Ganabahal, Kathmandu, Nepal

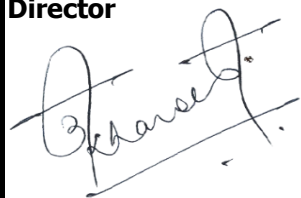
Statement of Changes in Equity
For the period ended 31st March 2021

(Figures in NPR)

Particulars	Share Capital	Share Premium	Accumulated Profit	Total
Balance as at 31.03.2020	191,184,586	-	(139,156,732)	52,027,854
Prior-year adjustments	-	-	-	-
Restated balance	191,184,586	-	(139,156,732)	52,027,854
Issue of share capital	58,815,414	-	-	58,815,414
Net loss from 1st April 2020 to 31st March 2021	-	-	(15,562,998)	(15,562,998)
Balance as at 31.03.2021	250,000,000	-	(154,719,730)	95,280,270

For and on Behalf of the Board

Director



Asst. Manager - Accounts & Finance
Kathmandu

Place: Kathmandu, Nepal
Date: 27.05.2021

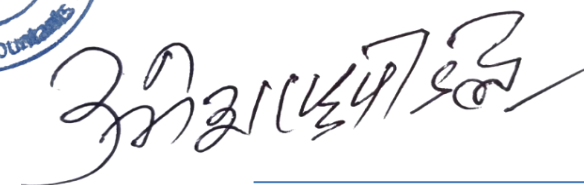


Director



In terms of our report of even date

For U.R Paudel & Associates
Chartered Accountants



Umesh Raj Paudel

Place: Kathmandu, Nepal
Date: 28.05.2021



Hester Biosciences Nepal Private Limited
Ganabahal, Kathmandu, Nepal
Notes forming part of the financial statements as on 31st March 2021

Note 2 INVENTORY (Figures in NPR)

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

Particulars	As at 31.03.2021	As at 31.03.2020
Inventory of finished goods and WIP	44,247,158	18,415,919
Inventory of RMPM & Consumables	21,979,014	12,073,179
Total	66,226,172	30,489,099

Note 3 CASH AND BANK BALANCE (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Everest Bank Ltd.	15,560	15,560
Century Commercial Bank Ltd.	5,768,823	5,768,823
Nepal Investment Bank Ltd.	36,337,730	57,760,862
Cash In hand	165,694	113,323
Total	42,287,807	63,658,568

Note 4 TRADE RECEIVABLES (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Trade Debtors	6,640,841	90,144,676
Total	6,640,841	90,144,676

Note 5 SHORT TERM LOANS & ADVANCES (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Advance for Expenses & Others	1,203,015	634,281
Advance to Suppliers	3,521,592	8,233,605
Advance to Staffs	837,981	152,840
Prepaid Expenses	1,900,132	-
LC Margin	5,530,339	5,530,339
Preoperative Expenses	-	18,926,850
Total	12,993,059	33,477,915

Note 6 EQUITY SHARE CAPITAL (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
The capital composition of the company is as under		
Authorised Capital		
40,00,000 Shares @ Rs 100 each	400,000,000	400,000,000
Issued Capital		
25,00,000 Shares @ Rs 100 each	250,000,000	250,000,000
Paid up capital Capital		
25,00,000 Shares @ Rs 100 each	250,000,000	191,184,586
Total	250,000,000	191,184,586

Note 7 OTHER EQUITY (RESERVE AND SURPLUS) (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Upto previous Year	(139,156,732)	(202,175,032)
Reserve	(15,562,998)	63,018,301
Total	(154,719,730)	(139,156,732)

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 8.63% p.a.

Note 8 LONG TERM BORROWINGS (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Vehicle Loan	841,458	1,910,775
Term Loan	105,736,975	263,708,606
Total	106,578,433	265,619,381



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Note 9 OTHER NON CURRENT LIABILITIES (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Government grant received From Netherland Government related to assets is presented in the balance sheet by setting up the grant as deferred income.		
Deffered Capital Grant	59,736,345	65,644,335
Total	59,736,345	65,644,335

CURRENT LIABILITIES :

Note 10 SHORT TERM BORROWINGS (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Nepal Investment Bank A/c (OD Account)	25,101,664	11,919,295
Total	25,101,664	11,919,295

Note 11 OTHER FINANCIAL LIABILITIES (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Other Financial Liabilities (Instalments due within 12 months)	110,068,160	48,427,679
Total	110,068,160	48,427,679

Note 12 TRADE PAYABLES (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Trade Creditors	82,264,685	86,651,225
Total	82,264,685	86,651,225

Note 13 OTHER CURRENT LIABILITIES (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
TDS Payable	503,922	701,223
Statutory Dues Payable (SSF)	352,050	1,227,638
Security Margin	3,947,203	3,947,203
Related Parties Payable**	173,086,827	258,922,957
Other Payables	436,187	-
Total	178,326,190	264,799,021

**Related Parties Payables include advance given by Hester India (65% Holding Company), Hester Kenya & Hester Tanzania (For Supply of Vaccines), Commission & Reimbursement to Hester India .

Note 14 OTHER INCOME (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Income from other activities	27,695,945	10,709,882
Grant Recognized as income	11,024,946	43,828,118
Total	38,720,892	54,538,000

Note 15 Cost of Goods Sold Comprises of the following:- (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Cost of Material Consumed		
Opening Stock RMPM Consumables	12,073,179	8,118,979
Add: Purchase RMPM Consumables	29,686,723	28,360,056
Less: Closing Stock RMPM Consumables	21,979,014	12,073,179
Total Cost of Material Consumed	19,780,888	24,405,856

Note 16 Change in Inventory and WIP (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Opening Stock of finished goods and wip	18,415,919	12,128,001
Less: Closing Stock of finished goods and wip	44,247,158	18,415,919
Change in Inventory and WIP	(25,831,239)	(6,287,918)

Note 17 The financial Expenses Comprises of the following:- (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Financial Expenses		
Bank Charges	447,817	968,868
Interest Expenses	32,376,175	43,670,456
Total	32,823,992	44,639,324



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Note 18 DEPRECIATION & AMORTIZATION (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Depreciation	49,434,331	56,090,086
Total	49,434,331	56,090,086

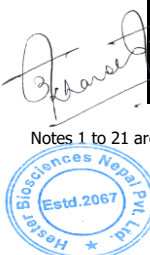
Note 19 EMPLOYEE BENEFIT EXPENSES (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Salary & Employee Benefits	17,861,577	17,946,001
Staff Welfare	51,519	87,201
Total	17,913,096	18,033,202

Note 20 OTHER EXPENSES (Figures in NPR)

Particulars	As at 31.03.2021	As at 31.03.2020
Administrative Expenses		
Audit Fee	226,000	226,000
Books & Periodicals	350	1,250
Certification Fee(COO)	261,830	412,780
GMP Audit Fees	927,900	-
Guest & Entertainment Exp.	18,050	37,886
Guest House Running Expense	274,372	431,179
Guest House Rent	960,000	1,020,000
Hotel Accomodation and Lodging Fooding Exp.	-	36,331
Insurance Expenses	1,954,922	4,791,332
Local Conveyance	9,116	21,047
Miscellaneous Expense	7,222,141	-
Office Expenses	77,175	385,825
Parking Charge	28,920	32,830
Postage,Courier and Parcel	35,649	132,050
Printing and Stationery	374,606	554,960
Professional and Legal Fee	2,098,308	1,124,162
Rent(Office)	84,000	84,000
Repair and Maintenance	3,336,187	1,674,717
Rates And Taxes	567,003	360,540
Telephone, Email & Internet	94,487	107,853
Travelling Expense	172,608	292,410
Transporation and loading unloading	5,549,914	1,030,020
Vehicle Running Expenses	400,238	467,977
Wages and Labour	156,491	158,574
Water & Electricity	71,617	59,140
Preoperative Expenses written off	18,926,850	12,160,062
Total Administrative Expenses	43,828,735	25,602,923
Selling and Distribution Expenses		
Advertising & promotion Expenses	556,890	1,335,879
Marketing Expense	1,269,349	1,814,314
Tender Expenses	-	48,416,523
Freight & Insurance Expense	5,456,795	14,844,801
Total Selling and Distribution Expenses	7,283,034	66,411,517
Manufacturing Expenses		
Diesel Expenses	2,715,143	3,947,390
Electricity Expense at Site	8,377,404	8,471,052
Fuel Expense	50,222	58,533
Testing Animal Purchase Expenses	565,825	448,575
QC Expense	124,363	135,644
Testing Expenses	2,376,703	53,110
Security Charges	1,539,060	1,539,060
Factory Rent	173,333	142,222
Factory running Expenses	403,825	404,006
Master Seed Expense	-	6,304,250
Total Manufacturing Expenses	16,325,878	21,503,841
Total	67,437,646	113,518,282

Notes 1 to 21 are the integral part of the financial Statements.



Hester Biosciences Nepal Private Limited
Ganabahal, Kathmandu, Nepal
Notes forming part of the financial statements as on 31st March 2021

NOTE 1 : FIXED ASSETS

(Figures in NPR)

Particulars	Freehold land	Buildings	Plant & Equipment	Furniture & Fixtures	Vehicles	Total
At Cost or Deemed cost						
As at 31.03.2020	50,393,402.37	357,099,243.31	367,685,551.16	5,889,671.60	8,263,605.05	789,331,473.49
Additions	-	15,942.85	391,486.67	916,235.70	-	1,323,665.22
Disposals	-	-	-	-	-	-
As at 31.03.2021	50,393,402.37	357,115,186.16	368,077,037.83	6,805,907.30	8,263,605.05	790,655,138.71
Accumulated Depreciation & Impairment						
As at 31.03.2020	-	53,951,459.69	149,835,935.36	3,382,191.84	4,843,353.51	212,012,940.41
Depreciation expense	-	15,158,186.32	32,736,165.37	855,928.87	684,050.31	49,434,330.87
Impairment loss recognised	-	-	-	-	-	-
Eliminated on disposals	-	-	-	-	-	-
As at 31.03.2021	-	69,109,646.02	182,572,100.73	4,238,120.70	5,527,403.82	261,447,271.27
Carrying Amount						
As at 31.03.2020	50,393,402.37	303,147,783.62	217,849,615.80	2,507,479.76	3,420,251.54	577,318,533.08
As at 31.03.2021	50,393,402.37	288,005,540.14	185,504,937.10	2,567,786.60	2,736,201.23	529,207,867.44

For and on Behalf of the Board

Signature

Director

Director



Asst. Manager - Accounts & Finance

Place: Kathmandu, Nepal
Date: 27.05.2021

In terms of our report of even date



For U.R. Paudel & Associates
Chartered Accountants

Signature

Umesh Raj Paudel

Place: Kathmandu, Nepal
Date: 28.05.2021

Hester Biosciences Nepal Private Limited
Ganabahal, Kathmandu, Nepal
NOTE -21
NOTES TO THE FINANCIAL STATEMENTS
for the Period ended 31st March 2021

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 over the useful life of asset, other than land and properties under construction, using the diminishing balance method by applying the rates mentioned below:

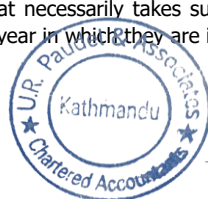
<u>Class of assets</u>	<u>Rate of depreciation</u>
Buildings, structures and other similar works of permanent nature	5%
Computers, data handling equipments, Furniture, fixtures and office equipments	25%
Automobiles, buses & minibuses	20%
Construction & Earth-moving equipments and other plant and machinery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



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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 had been treated as income on a systematic and rational basis over the useful life of the asset. Accordingly the grant income received had been charged to Profit and Loss account in the proportion of Depreciation Charged in relation to the original cost of asset which is about 9% . Accordingly 9% of the grant has been charges to the 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 so 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 18,926,854.

10 The other outstanding balances are subject to confirmation from the respective parties.

11 Previous Year figures has been reworked and regrouped when necessary.

Director



For U.R Paudel & Associates
Chartered Accountants

Umesh Raj Paudel

Asst. Manager - Finance & Accounts
Kathmandu



Place : Kathmandu, Nepal

Date : 27.05.2021