

Name: Reliance Spinning Mills Ltd.
Subject: Certification of Unaudited Financial Statement
Period: Shrawan 1, 2080 to Chaitra 30, 2080 (July 17, 2023 to Apr 12, 2024)

M. Verma & Associates
(Chartered Accountants)

M. VERMA & ASSOCIATES

Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM FINANCIAL RESULTS TO THE DIRECTORS OF M/S RELIANCE SPINNING MILLS Ltd.

We have reviewed the accompanying statement of unaudited financial results of M/s Reliance Spinning Mills Ltd. ("a Public Limited Company") for the period ended 30th Chaitra, 2080.

Management of the company, is the responsible to prepare financial statement in accordance with the recognition and measurement principles laid down in the Nepal Accounting Standard 34 "Interim Financial Reporting" ("NAS 34"), formulated by Accounting Standard Board and other accounting principles of Nepal Financial Reporting Standard. Our responsibility is to express a conclusion on the Statement based on our review.

We conducted our review of the Statement in accordance with the Nepal Standard on Review Engagements (NSRE) 2410-"Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of Nepal. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of management personnel and analytical and other review procedures applied to financial data and thus provides less assurance than an audit.

We have not performed an audit and accordingly we do not express an audit opinion. Based on our review conducted as above nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial contains any material misstatement.

For: **M. Verma & Associates**
Chartered Accountants



CA Mukesh Verma

Proprietor

COP No. 625

UDIN: 240616CA00772scdBe

Date: 06/15/2024

Place: Kathmandu, Nepal



Reliance Spinning Mills Ltd.
Unaudited Statement of Financial Position
As at 12th April, 2024 (Chaitra 30, 2080)


Amount in NPR

Particulars	Note	As at Chaitra 30, 2080	As at Ashad 31, 2080
Assets			
Non Current Assets			
Property, Plant and Equipment	4	9,415,739,594.10	9,459,646,013.64
Capital work-in-progress	4.1	-	226,757,868.62
Right-of-use Assets	4.2	23,848,093.99	5,196,662.57
Intangible assets	5	46,148.01	179,191.83
Financial Assets			
Other financial assets	6	2,395,886.01	2,395,886.01
Total Non Current Assets		9,442,029,722.11	9,694,175,622.67
Current Assets			
Inventories	7	1,912,225,980.82	2,564,101,880.23
Financial Assets			
Trade receivables	8	1,195,483,568.67	1,293,948,196.63
Cash & Cash Equivalents	9	31,674,419.97	160,811,468.21
Other financial assets	10	1,162,956,224.57	493,818,963.78
Other Current Assets	11	487,414,091.82	279,957,844.91
Current Tax Assets (Net)	12	14,638,572.00	12,797,314.85
Total Current Assets		4,804,392,857.85	4,805,435,668.61
Total Assets		14,246,422,579.96	14,499,611,291.28
Equity and Liabilities			
Liabilities			
Non Current Liabilities			
Financial Liabilities			
Borrowings	13	3,292,453,068.21	3,452,555,218.21
Lease Liabilities	14	22,133,099.11	6,312,835.98
Other financial liabilities	15	1,875,140.71	1,875,140.71
Deferred Tax Liabilities (Net)	16	77,544,322.00	77,544,322.00
Provisions	17	19,230,424.58	19,732,572.00
Total Non Current Liabilities		3,413,236,054.61	3,558,020,088.90
Current Liabilities			
Financial Liabilities			
Borrowings	18	1,720,065,964.54	1,433,584,167.83
Trade payable	19	191,225,900.15	326,129,823.83
Lease Liabilities	20	4,854,322.70	1,038,250.47
Other financial liabilities	21	1,825,061,010.46	1,669,127,098.26
Other Current Liabilities	22	21,211,023.66	28,832,365.16
Provisions	23	41,792,782.47	138,759,038.17
Total Current Liabilities		3,804,211,003.98	3,597,470,743.72
Total liabilities		7,217,447,058.59	7,155,490,832.62
Equity			
Share Capital	24	1,707,340,000.00	1,707,340,000.00
Other Equity	25	5,321,635,521.37	5,636,780,458.66
Total equity		7,028,975,521.37	7,344,120,458.66
Total liabilities and equity		14,246,422,579.96	14,499,611,291.28

The accompanying notes are an integral part of the financial statements.

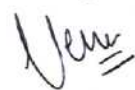
For and on Behalf of Board

As per our report of even date


P.K. Golyan S.K. Agrawal
Chairman Director


A.K. Somani
CFO




CA Mukesh Verma
Proprietor

M. Verma & Associates
Chartered Accountants



Place: Kathmandu, Nepal
Date: 2081.03.01

Reliance Spinning Mills Ltd.
Unaudited Statement of Profit and Loss
For the period ended Chaitra 30, 2080


Amount in NPR


Particulars	Note	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Revenue From Operations	26	7,002,146,837.24	10,005,809,898.66
Cost of Sales	27	(6,381,421,142.94)	(8,237,111,294.71)
Gross Profit		620,725,694.30	1,768,698,603.95
Other Income	28	21,476,538.02	37,479,883.48
Selling and Distribution Expenses	29	(86,785,214.56)	(191,543,942.50)
Administrative & Other Expenses	30	(155,695,585.14)	(374,291,269.26)
Operating Profit		399,721,432.62	1,240,343,275.67
Finance Costs	32	(373,398,369.91)	(249,006,376.00)
Profit/(Loss) Before Tax		26,323,062.71	991,336,899.67
Income Tax Expense	33	-	(63,515,673.69)
Profit/(Loss) for the year		26,323,062.71	927,821,225.98
Earnings Per Share (EPS)			
Basic EPS (Rs)		2.08	54.34
Diluted EPS (Rs)		2.08	54.34


The accompanying notes are an integral part of the financial statements.

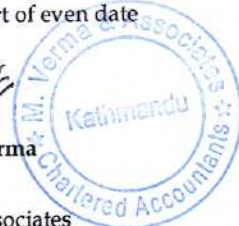
For and on Behalf of Board

As per our report of even date

 
P.K. Golyan S.K. Agrawal
Chairman Director


A.K. Somani
CFO


CA Mukesh Verma
Proprietor
M. Verma & Associates
Chartered Accountants



Place: Kathmandu, Nepal
Date: 2081.03.01



Reliance Spinning Mills Ltd.

Unaudited Statement of Cash Flow


For the period ended Chaitra 30, 2080

Amount in NPR

Particulars	Note	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
A Cash Flow from Operating Activities:			
Profit before Income Tax		26,323,062.71	991,336,899.67
Adjustments for Non Cash Items:			
Depreciation & Amortization		344,826,424.67	366,582,691.32
Adjustments for non operating items: -			
Interest Expenses		373,398,369.91	249,006,376.00
Unrealised Exchange (Gain)/Loss		-	(539,492.29)
Profit on sale of fixed assets		613,766.14	(574,423.22)
Sundry Balances written back		-	(1,093,599.95)
Sundry Balances written off		24,680.06	664,766.06
Interest Income		(9,446,700.89)	(3,309,713.04)
Operating profit before changes to receivables and payables		735,739,602.60	1,602,073,504.55
(Increase)/Decrease in Trade & Other Receivables		(778,153,559.80)	(692,184,258.76)
(Increase)/Decrease in Inventories		651,875,899.41	(641,785,800.83)
(Decrease)/Increase in Current Liabilities		202,924,188.03	919,616,115.78
(Increase)/Decrease in Non-Current Assets		-	(784,623.91)
(Decrease)/Increase in Non-Current Liabilities		(502,147.42)	1,887,252.85
Cash Generated from Operations		811,883,982.82	1,188,822,189.68
Income Tax Paid		(1,841,257.15)	(65,126,219.95)
Net Cash Inflow from Operating Activities		810,042,725.67	1,123,695,969.73
B Cash Flow from Investing Activities :			
Proceeds from disposal of property and equipment		353,982.30	1,039,823.02
Purchase of property and equipment, Capital work-in-progress and intangible assets		(70,837,480.12)	(3,078,644,976.14)
Interest Income		9,446,700.89	3,309,713.04
Net Cash Used in Investing Activities		(61,036,796.93)	(3,074,295,440.08)
C Cash Flow from Financing Activities :			
Equity Share Capital		-	-
Increase / (Decrease) in Long Term Loan		(160,102,150.00)	2,252,282,453.71
Principal component of Lease Liabilities		(3,174,457.07)	(5,574,238.09)
Interest paid		(373,398,369.91)	(249,006,376.00)
Dividends paid		(341,468,000.00)	-
Net Cash Flow From Financing Activities		(878,142,976.98)	1,997,701,839.62
Net Increase in cash & cash equivalents	A+B+C	(129,137,048.24)	47,102,369.27
Opening Cash & Cash Equivalents		160,811,468.21	113,709,098.94
Closing Cash & Cash Equivalents		31,674,419.97	160,811,468.21

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board



P.K. Golyan
Chairman


S.K. Agrawal
Director


A.K. Somani
CFO



As per our report of even date


CA Mukesh Verma
Proprietor

M. Verma & Associates
Chartered Accountants



Place: Kathmandu, Nepal
Date: 2081.03.01

Reliance Spinning Mills Ltd.
Unaudited Statement of Changes in Equity
For the period ended Chaitra 30, 2080

Amount in NPR

Particulars	Equity Share Capital	Equity Component of Compound Financial Instruments	Revaluation Reserve	Retained Earnings	Total
Balance as at Ashad 32, 2079	1,707,340,000.00	-	3,136,144,760.52	1,572,814,472.16	6,416,299,232.68
For the Year 2079-80					
At start of year	1,707,340,000.00	-	3,136,144,760.52	1,572,814,472.16	6,416,299,232.68
Profit for the year	-	-	-	927,821,225.98	927,821,225.98
Other comprehensive income	-	-	-	-	-
Change in fair value of financial assets through OCI	-	-	-	-	-
Revaluation of Land and Building through OCI	-	-	-	-	-
Deferred Tax Reserves	-	-	-	-	-
Changes in accounting policy (on account of adoption of NFRS 16, leases)*	-	-	-	-	-
Transfer to retained earnings	-	-	(37,694,481.00)	37,694,481.00	-
Total comprehensive income for the year	-	-	-	-	-
Transactions with owners:					
Ordinary Shares Dividend - Final	-	-	-	-	-
Ordinary Shares Dividend - Interim	-	-	-	-	-
Preference Shares Dividend	-	-	-	-	-
Conversion of Preference Shares (Financial Liability)	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-
Balance as at Ashad 31, 2080	1,707,340,000.00	-	3,098,450,279.52	2,538,330,179.14	7,344,120,458.66
For the Year 2080-81					
At start of year	1,707,340,000.00	-	3,098,450,279.52	2,538,330,179.14	7,344,120,458.66
Profit for the year	-	-	-	26,323,062.71	26,323,062.71
Other comprehensive income	-	-	-	-	-
Change in fair value of financial assets through OCI	-	-	-	-	-
Revaluation of Land and Building through OCI	-	-	-	-	-
Deferred Tax Reserves	-	-	-	-	-
Changes in accounting policy (on account of adoption of NFRS 16, leases)*	-	-	-	-	-
Transfer to retained earnings	-	-	(27,986,861.24)	27,986,861.24	-
Total comprehensive income for the year	-	-	-	-	-
Transactions with owners:					
Ordinary Shares Dividend - Final	-	-	-	-	-
Ordinary Shares Dividend - Interim	-	-	-	(341,468,000.00)	(341,468,000.00)
Preference Shares Dividend	-	-	-	-	-
Conversion of Preference Shares (Financial Liability)	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-
Balance as at Chaitra 30, 2080	1,707,340,000.00	-	3,070,463,418.28	2,251,172,103.09	7,028,975,521.37

The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board

As per our report of even date

P.K. Golyan
Chairman

S.K. Agrawal
Director

A.K. Somani
CFO

CA Mukesh Verma
Proprietor
M. Verma & Associates
Chartered Accountants

Place: Kathmandu, Nepal
Date: 2081.03.01



Reliance Spinning Mills Ltd.
Unaudited Statement of Other Comprehensive Income
For the period ended Chaitra 30, 2080


Amount in NPR


Particulars	Note	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Profit for the year		26,323,062.71	927,821,225.98
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of Land and Building		-	-
Net fair value (Losses)/Gains on financial assets			
Quoted Promoter Shares		-	-
Quoted Ordinary Shares		-	-
Items that are or/may be reclassified subsequently to profit and Loss			
Deferred Tax asset / (liability) on other comprehensive Income		-	-
Total other comprehensive income, net of tax		-	-
Total comprehensive income for the Year		26,323,062.71	927,821,225.98


The accompanying notes are an integral part of the financial statements.

For and on Behalf of Board

As per our report of even date


P.K. Golyan S.K. Agrawal
Chairman Director


A.K. Somani
CFO


CA Mukesh Verma
Proprietor
M. Verma & Associates
Chartered Accountants

Place: Kathmandu, Nepal
Date: 2081.03.01



Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

1 General Information

Reliance Spinning Mills Ltd. is a public limited company domiciled in Nepal. The Registered Office of company is at Kamladi -28, Kathmandu Metropolitan (Nepal). The date of incorporation of the company is on 28th Day of Baishakh, 2051 vide Registration No. 105117/50/51.

The company's principal activity comprises of manufacturing of yarns. The manufacturing facility of the company is located at Khanar & Duhabi, Sunsari.

2 Basis of Preparation

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement (including Other Comprehensive Income), the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and other accepted accounting principles.

These policies have been consistently applied to all the years presented except otherwise stated.

2.2 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is the Company's functional currency.

2.3 Use of Estimates, Assumptions and Judgements

The Company, under NFRS, has applied accounting policies which appropriately suit its circumstances and operating environment. Further, the Company has made judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate.

The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

The Company has made estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Company applies estimates in preparing & presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.4 Going Concern

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

2.5 Changes in Accounting Policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

2.6 Reporting Pronouncements

The Company has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on September 13, 2013. The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) vide its notice dated 20 September 2018 has resolved that Carve-outs in NFRS with alternative treatment and effective period shall be provided to Banks and Financial Institutions regulated by NRB on the specific recommendation of Accounting Standard Board (ASB). In the same decision the ASB has outlined that the other entities may also use those carve-outs with necessary disclosures. Accordingly the company has decided to adopt those carve-outs. Details of carve out provided are as follows:

2.6.1 NAS 39: Financial Instruments: Recognition and Measurement

a) Impracticability to determine transaction cost of all previous years which is the part of effective interest rate

In para 9, The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

The carve out is optional and has been provided till FY 2080-81. Accordingly, the Company has opted the carve out.

b) NFRS 9 'Financial Instruments'-Impairment

NFRS 9 'Financial Instruments' was issued by the ASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. Accounting Standard Board of Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, Incurred Loss Model as specified in NAS 39 is used. The requirement of NFRS 9 is Expected Credit Loss Model.

The management is still assessing the potential impact on its financial statements, if Expected Credit Loss (ECL) model is introduced.

The carve out is optional and has been provided till FY 2080-81. Accordingly, the Company has opted the carve out.

2.7 New Standards in issue but not yet effective

For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments - Disclosures have been applied. NFRS I has been complied for the classification of Financial Instruments. A number of new standards and amendments to the existing standards and interpretations have been issued by ASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

2.8 Limitation of NFRS Implementation

Wherever the information is not adequately available, and/or it is impracticable to develop the, such exception to NFRS implementation has been noted and disclosed in respective sections.



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

3 Significant Accounting Policies

3.1 Basis of Measurement

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- Financial assets other than measured at amortized cost are measured at fair value.
- Inventories are measured at cost or net realizable value whichever is lower

3.2 Presentation - Current versus Non-Current Classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

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

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,
- It is held primarily for the purpose of trading ,
- It is 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.

The Company classifies all other liabilities as non-current.

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

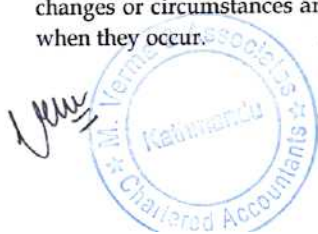
3.3 Critical accounting estimates

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. The management has exercised judgments in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual result may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes:

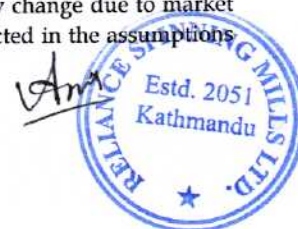
a) Recognition of deferred tax assets

Deferred tax assets are recognised for taxable temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company based its assumptions and estimates on parameters available when the financial statements 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.



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

b) Provision for depreciation and amortisation

Depreciation and amortisation is calculated over the estimated useful lives of the assets. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company based its assumptions and estimates on parameters available when the financial statements 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.

3.4 Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company. 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 or issue new shares.

3.5 Impairment of non- financial assets (excluding inventories and deferred tax assets)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or Cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is also done for whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have been decreased. If any such indication exists the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversal shall be included in profit or loss if any. The company has no impairment loss/ gain during the relevant reporting periods.

3.6 Foreign Currency Transactions

Transactions entered into by the Company in a currency other than Nepali Rupees (the currency of primary economic environment in which it operates) are recorded at the rates ruling when the transactions occur. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Statement of Profit or Loss. Unsettled foreign currency monetary assets & liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss statement.



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

3.7 Lease

The Company as a lessee:

The Company enters into an arrangement for lease of buildings and office equipment. Such arrangements are generally for a fixed period but may have extension or termination options. In accordance with NFRS 16 – Leases, at inception of the contract, the Company assesses whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to control the use an asset (the underlying asset) for a period of time in exchange for consideration.

To Assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

The Company assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses (unless such right of use assets fulfills the requirements of NAS 40 - Investment Property and is accounted for as there under), if any and adjusted for any re-measurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Statement of profit and loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.



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Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in Statement of profit and loss if the carrying amount of the right-of-use asset has been reduced to zero, as the case may be.

The Company presents right-of-use assets that do not meet the definition of investment property on the face of balance sheet below 'property, plant and equipment' and lease liabilities under 'financial liabilities' in the balance sheet.

The Company has elected not to apply the requirements of NFRS 16-Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term, unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increases.

The Company as a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increases. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.



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3.8 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the Government.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specific of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable net of trade discounts. Revenue include all revenue from ordinary activities of the company that are recorded excluding Value Added Taxes collected from customers that are remitted or are to be remitted to the government authorities.

(a) Sale of goods

Revenue from sale of goods is recognized when the significant risks and rewards are transferred to the buyer by virtue of dispatch of such goods to the buyer after issuance of sales invoice.

(b) Other Operating Revenues

Export Incentives are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and to its ultimate collection exist.

(c) Other Income

- Rental Income from Operating lease is recognised on straight-line basis over the tenure of the lease agreement, except for contingent rental income which is recognised when it arises and where scheduled increase in rent compensates the lessor for expected inflationary costs.
- Insurance claims are accounted for on acceptance or to the extent amount have been received.
- Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.
- The company has spent Rs 7,048,307.86/- as per Foreign Commonwealth and Development Office (FCDO) funded UKaid Skills for Employment Programme (सीए) through Nepal Yarn Manufacturers Association (NYMA) for the project, the company shall receive amount equivalent to 50% of the total expenditure under such programme and same has been recorded as income in the current year.



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3.9 Property, Plant & Equipment:

A) Recognition and Measurement

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if, and only

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling
- Capitalized borrowing costs.

The Company has adopted revaluation model for Land and Building and cost model for remaining class of property and equipment. Land and Building are measured at restated revalued figure at the date of transition. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings. The remaining items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Company. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.





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B) Depreciation

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write-off their depreciable amount over the expected useful economic lives.

Depreciation is provided on a pro-rata basis on the straight-line method based on the estimated useful life of the assets determined by management as per application guidance to NAS 16 issued by Accounting Standard Board.

The estimated useful lives of various class of PPE for the current year and comparative years are as follows:

Class of PPE	Useful Life
Factory Building	30 Years
Building Other than Factory Building (RCC frame)	60 Years
Building Other than Factory Building (other than RCC frame)	30 Years
Road inside Factory	3-10 Years
Furniture and Fixtures	10 Years
Computer and IT Equipments	3-6 Years
Office Equipment	5-10 Years
Vehicles - 4 Wheelers	8 Years
Vehicles - 2 Wheelers	10 Years
Plant and Machinery	15 Years
Server	6 Years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

C) De-Recognition

An item of property plant and equipment is de-recognised on disposal or when no future economic benefits are expected from the use of that asset. The gain or loss arising from the disposal of an item of property plant and equipments is the difference between net disposal proceeds if any, and the carrying amount of that item and is recognised in the statement of Profit and Loss.

D) Capital Work in Progress

Capital work-in-progress represents expenditure incurred in respect of capital projects not ready for use and are carried at cost. Cost comprises of purchase cost, related acquisition expenses, development / construction costs, borrowing costs and other direct expenditures.

3.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost of acquisition. The cost comprises of purchase price and directly attributable costs of bringing the assets to its working condition for intended use.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

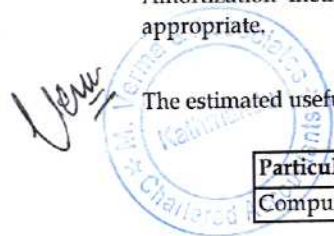
The Company's intangible assets comprises assets with finite useful life which are amortised on a straight-line basis over the period of their expected useful life

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The estimated useful lives of Intangible assets for the current year and comparative years are as follows:

Particulars	Useful Life
Computer Software	5 years

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3.11 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

3.12 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 other financial asset from another entity, or
 - ii) to exchange financial assets or financial liabilities with another equity under conditions that are potentially favourable 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.

A) Recognition

All financial assets are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

B) Classification

The financial assets are measured at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows:

i) Financial assets measured at amortized cost

Financial asset are measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets 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.



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ii) Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

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

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

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

Investment in an equity instrument that is not held for trading and at the initial recognition, the Company makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

C) Measurement

i) Initial Measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

ii) Subsequent Measurement

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

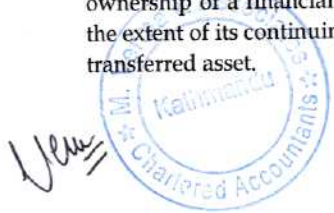
Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

D) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

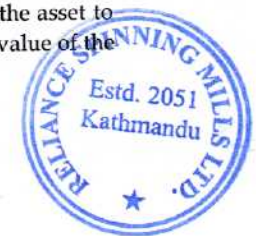
Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.



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E) Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity investments are recorded at cost, considering the non trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

F) Impairment

At each reporting date the Company assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

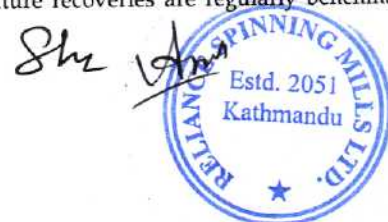
The Company considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.



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3.13 Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Income Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date. The carrying amount of Deferred tax liabilities and assets are reviewed at the end of each reporting period.

3.14 Inventories

Inventories are carried at the lower of cost or Net realizable value.

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

Cost of finished goods includes the cost of raw materials, direct labor and appropriate proportion of fixed and variable production overheads incurred in bringing the inventory to their present location and condition. Inventories of Raw material are carried at Cost.

In determining the cost of raw materials 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.

Work in Progress are carried at the Weighted average cost.

In determining the cost of consumables, stores and spares First In First Out (FIFO) method is used.

In determining the cost of Usable Wastages, Weighted Average Cost of Raw Material is used.

Saleable wastages are carried at the Net realizable value.

3.15 Borrowing cost

Borrowing cost that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as a part of the cost of such asset till such time the asset is ready for its intended use or sale.

Borrowing cost consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing cost are recognized as expense in the period in which they are incurred.

3.16 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statements, cash and cash equivalents consist of cash in hand and balance in bank accounts.



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3.17 Non-current Assets Held for Sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets or disposal groups are classified only when both the conditions are satisfied -

- a. The sale is highly probable, and
- b. The asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Noncurrent assets or disposal group are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Upon classification, non-current assets or disposal group held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets which are subject to depreciation are not depreciated or amortized once those classified as held for sale.

3.18 Employee benefits

Employee benefits include salaries, wages, contribution to SSF, compensated absences and other terminal benefits.

a. Short-term employee benefits

Wages and salaries, including non-monetary benefits that are expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position.

b. Post-employment benefits

Defined contribution plan

The Company has Social Security Fund as defined contribution plan. The obligation of the Company is limited to the amount contributed and it has no further contractual nor any constructive obligation. Therefore, contributions paid and payable under the scheme are recognised in the period when the employee renders the related service.

As per Section 53 of Labor Act, 2074, with effect from Bhadra 19, 2074 (September 04, 2017), Gratuity shall be treated as defined contribution plan to be calculated at 8.33% of Basic Salary and therefore Actuarial Valuation is not required.

The company has made provision for leave encashment as per the management estimate on the basis of accumulated leaves as at the date of reporting and the company has not carried out Actuarial Valuation for the same.



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3.19 Financial Instruments : Financial Liabilities

Financial Liability is any liability that is:

- a) a contractual obligation:
 - i) to deliver cash or other financial asset to another entity, or
 - ii) to exchange financial assets or financial liabilities with another equity under conditions that are potentially unfavourable 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 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.

Recognition

All financial liabilities are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Classification

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as follows:

- i) **Financial Liabilities at Fair Value through Profit or Loss (FVTPL)**
Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

- ii) **Financial Liabilities measured at amortized cost**
All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

Measurement

- i) **Initial Measurement**
A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

- ii) **Subsequent Measurement**
A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.



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3.20 Provisions

Provisions are recognized when the company has a present obligation, legal or constructive, as a result of a past event, it is probable that a transfer of a economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of obligation. If these conditions are not met, no provision is recognized.

The amount of provision recognized is the management's best estimate of expenditure required to settle the present obligation at the reporting date.

Management reviews provisions at each reporting date and is adjusted to reflect the best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

3.21 Contingent Liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

3.22 Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.



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For the period ended Chaitra 30, 2080

4 Property, Plant & Equipments (PPE)

The changes in the carrying value of Property, Plant & Equipments (PPE) for the period ended Chaitra 30, 2080, Ashad 31 2080 and Ashad 32 2079 are as follows:

Amount in NPR

Particulars	Land & Land Development	Buildings	Plant & Machinery	Office & Electrical Equipment	Furniture & Fixtures	Vehicles	Computers	Total
Balance as at Ashad end 2079	2,796,419,000.00	2,139,604,308.05	2,611,723,866.12	5,613,193.84	2,334,421.93	29,317,596.89	5,213,658.08	7,604,800,016.36
Addition during the Year								
Acquisition	74,280,918.00	881,685,172.14	2,093,874,444.75	859,670.43	1,322,804.53	2,870,353.98	608,434.30	3,055,501,798.13
Capitalization								
Disposal during the year								
Adjustment/Revaluation						(722,952.80)		(722,952.80)
Balance as at Ashad end 2080	2,870,699,918.00	3,021,289,480.19	4,705,598,310.87	6,472,864.27	3,657,226.46	31,464,998.07	5,822,092.38	10,659,578,861.69
Addition during the Year								
Acquisition	-	7,131,420.33	61,226,190.53	120,946.89	1,741,833.87	-	617,088.50	70,837,480.12
Capitalization			226,757,868.62					226,757,868.62
Disposal during the year						(1,843,332.44)		(1,843,332.44)
Adjustment/Revaluation								
Balance as at Chaitra end 2080	2,870,699,918.00	3,028,420,900.52	4,993,582,370.02	6,593,811.16	5,399,060.33	29,621,665.63	6,439,180.88	10,955,330,877.99
Depreciation & Impairment								
As at Ashad end 2079								
Depreciation charge for the Year	-	235,858,022.96	583,958,282.00	2,698,727.00	4,156,558.00	8,165,134.00	3,159,381.85	837,996,105.81
Impairment for the year		93,306,331.44	261,657,322.23	1,081,708.88	1,772,320.90	3,624,073.40	752,538.39	362,194,295.24
Disposals								
Adjustment						(257,553.00)		(257,553.00)
As at Ashad end 2080	-	329,164,354.40	845,615,604.23	3,780,435.88	5,928,878.90	11,531,654.40	3,911,920.24	1,199,932,848.05
Depreciation charge for the Year		86,526,018.65	248,310,836.74	919,376.06	1,403,553.40	2,755,090.69	619,144.30	340,534,019.84
Impairment for the year								
Disposals								
Adjustment						(875,584.00)		(875,584.00)
As at Chaitra end 2080	-	415,690,373.05	1,093,926,440.97	4,699,811.94	7,332,432.30	13,411,161.09	4,531,064.54	1,539,591,283.89
Net Carrying Amount:								
As at Ashad end 2079	2,796,419,000.00	1,903,746,285.09	2,027,765,584.12	2,914,466.84	(1,822,136.07)	21,152,462.89	2,054,276.23	6,752,229,939.10
As at Ashad end 2080	2,870,699,918.00	2,692,125,125.79	3,859,982,706.64	2,692,428.39	(2,271,652.44)	19,933,343.67	1,910,172.14	9,459,646,013.64
As at Chaitra end 2080	2,870,699,918.00	2,612,730,527.47	3,899,655,929.05	1,893,999.22	(1,933,371.97)	16,210,504.54	1,908,116.34	9,415,739,594.10

Property, Plant & Equipment have been mortgaged/hypothecated against Bank Borrowings.

All categories of Property, Plant and Equipment are initially recorded at cost. Property, Plant and Equipment are subsequently measured at historical cost less depreciation and impairment losses. Historical cost includes expenditure. Subsequent cost are included in the assets carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits are associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The rates have been applied consistently over the years. The assets residual values and useful lives are reviewed and adjusted if appropriate, at each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and Losses on disposal of property and equipment are determined by reference to their carrying amount and are included in profit or loss.



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

4.1 Capital work-in-progress

The changes in the carrying value of capital work-in-progress for the period ended Chaitra 30, 2080 and Ashad 31, 2080 are as follows:

Amount in NPR

Particulars	Buildings	Plant & Machinery	Total
Balance as at Ashad end 2079	203,614,690.61	-	203,614,690.61
Addition during the Year	678,070,481.53	2,320,632,313.37	2,998,702,794.90
Transfer to property, plant and equipment	881,685,172.14	2,093,874,444.75	2,975,559,616.89
Foreign currency translation difference	-	-	-
Balance as at Ashad end 2080	-	226,757,868.62	226,757,868.62
Addition during the Year	-	-	-
Transfer to property, plant and equipment	-	226,757,868.62	226,757,868.62
Foreign currency translation difference	-	-	-
Balance as at Chaitra end 2080	-	-	-

4.2 Right-of-use Assets

The changes in the carrying value of Right-of-use (ROU) of Assets for the period ended Chaitra 30, 2080 and Ashad 31,2080 is as follow:

Amount in NPR

Particulars	Land	Office Space	Total
Gross Value:			
Balance as at Shrawan 1, 2078	-	-	-
Recognition of ROU Asset on initial application of NFRS 16	7,275,327.59	6,339,743.43	13,615,071.02
Adjusted Balance as at Shrawan 1, 2078	7,275,327.59	6,339,743.43	13,615,071.02
Additions/disposals/adjustments during the year	-	-	-
Balance as at Ashad end 2079	7,275,327.59	6,339,743.43	13,615,071.02
Additions/disposals/adjustments during the year	-	-	-
Balance as at Ashad end 2080	7,275,327.59	6,339,743.43	13,615,071.02
Additions/disposals/adjustments during the year	-	22,810,792.43	22,810,792.43
Balance as at Chaitra end 2080	7,275,327.59	29,150,535.86	36,425,863.45
Accumulated Depreciation:			
Balance as at Shrawan 1, 2078	-	-	-
Additions/disposals/adjustments during the year	1,039,332.51	3,169,871.71	4,209,204.22
Elimination on Disposal/ Adjustment of Assets	-	-	-
Balance as at Ashad end 2079	1,039,332.51	3,169,871.71	4,209,204.22
Additions/disposals/adjustments during the year	1,039,332.51	3,169,871.72	4,209,204.23
Elimination on Disposal/ Adjustment of Assets	-	-	-
Balance as at Ashad end 2080	2,078,665.02	6,339,743.43	8,418,408.45
Additions/disposals/adjustments during the year	264,816.23	3,894,544.78	4,159,361.01
Elimination on Disposal/ Adjustment of Assets	-	-	-
Balance as at Chaitra end 2080	2,343,481.25	10,234,288.21	12,577,769.46
Net Carrying Amount:			
As at Ashad end 2080	5,196,662.57	-	5,196,662.57
As at Chaitra end 2080	4,931,846.34	18,916,247.65	23,848,093.99



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

5 Intangible Assets

The changes in the carrying value of Intangible Assets for the period ended Chaitra 30, 2080 and Ashad 31, 2080 are as follows:

Amount in NPR

Particulars	Computer Software
Cost:	
Balance as at Ashad end 2079	1,665,000.00
Addition during the Year	
Acquisition	-
Capitalization	-
Disposal During the Year	-
Adjustment/Revaluation	-
As at Ashad end 2080	1,665,000.00
Addition during the Year	
Acquisition	-
Capitalization	-
Disposal During the Year	-
Adjustment/Revaluation	-
As at Chaitra end 2080	1,665,000.00
Amortisation and impairment losses	
As at Ashad end 2079	1,306,616.32
Amortization charge for the Year	179,191.85
Impairment for the Year	-
Disposals	-
Adjustment	
As on Ashad end 2080	1,485,808.17
Amortization charge for the Year	133,043.82
Impairment for the Year	
Disposals	
Adjustment	
As on Chaitra end 2080	1,618,851.99
Net Carrying Amount:	
As at Ashad end 2080	179,191.83
As at Chaitra end 2080	46,148.01



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

6 Other financial assets (Non-Current)

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Security Deposits	2,395,886.01	2,395,886.01
Total	2,395,886.01	2,395,886.01

7 Inventories

(As taken, valued and certified by the management.)

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Raw materials	592,435,901.54	774,825,076.26
Finished Goods	695,711,697.15	1,016,701,370.67
Work In Process	248,367,493.16	237,668,471.14
Store, Spares and Consumables	240,823,356.64	154,878,185.91
Waste	43,568,481.38	34,733,645.67
Goods in Transit	91,319,050.95	345,295,130.58
Gross Total	1,912,225,980.82	2,564,101,880.23
Less: Allowance for Obsolescence	-	-
Total Inventories*	1,912,225,980.82	2,564,101,880.23

* Inventories have been hypothecated with the Banks against borrowings (Refer Note No 13 and 18)

8 Trade Receivables

Trade receivables comprises of amount receivable from our customers and are non-interest bearing. Such trade receivables are generally on credit terms of 30 - 90 days.

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Trade Receivable*	1,195,483,568.67	1,293,948,196.63
Total	1,195,483,568.67	1,293,948,196.63

* Trade Receivables have been hypothecated with the Banks against borrowings (Refer Note No 13 and 18)

9 Cash and Cash Equivalents

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Cash In Hand (as certified)	2,419,402.36	974,384.94
Cheques in Hand	235,036.00	1,446,294.00
Balances with Banks	29,019,981.61	158,390,789.27
Total	31,674,419.97	160,811,468.21

10 Other Financial Assets

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Letter of Credit	21,307,559.00	21,592,206.00
Fixed Deposit	702,823,680.00	-
Bank Guarantee Margins & Other Margins	9,948,107.78	12,292,563.54
Insurance & Other Claims Receivable	-	4,305,664.57
Security Deposits	1,085,040.80	1,127,540.80
Government Receivable (Industry Deptment)	-	-
UK Aid-Receivable	16,007,447.20	21,937,600.52
US Aid-Receivable	2,354,829.88	-
Export Incentive Receivable	409,429,559.91	432,563,388.35
Total	1,162,956,224.57	493,818,963.78

The fair values of all the above financial assets are approximates to their carrying amounts. These advances are non-interest bearing and are expected to be settled in the normal course of operations.



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

11 Other Current Assets

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Advance to Labours	220,912.00	245,412.00
Advance to Vendors	20,409,410.25	12,642,329.73
Prepaid Expenses	34,663,440.23	2,924,813.79
Reliance Welfare Loan-Staffs	2,132,130.59	1,627,630.59
Reliance Welfare Loan-Workers	5,121,110.53	5,553,970.53
Advance to Staff	52,821.05	66,779.10
Sundry Advances	52,643,402.02	43,099,332.71
VAT Input	372,170,865.15	213,797,576.46
Total	487,414,091.82	279,957,844.91

12 Current Tax Assets / Liabilities (Net)

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Opening Balance	12,797,314.85	16,122,395.59
Less: Current tax payable for the year	-	67,974,101.10
Add: Taxes paid including TDS (Net of adjustments)	1,841,257.15	64,649,020.36
Current Tax Assets / (Liabilities)	14,638,572.00	12,797,314.85

13 Borrowings (Non Current)

Non Current Borrowings are interest bearing financial liabilities consisting of Bank Borrowings. For these financial liabilities interest charged by the bank approximates effective interest rate and such rate is considered for calculation of amortized cost of liability and the finance cost. The effect of initial charges and its impact on effective rate is considered not material and the carrying value is considered approximate amortized cost.

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Secured Loans from Banks*		
- Term Loan	3,551,253,068.21	3,724,568,068.21
Less: Current maturities (Refer Note No 18)	258,800,000.00	272,012,850.00
Total	3,292,453,068.21	3,452,555,218.21

***Secured Loans:**

Term Loan Facility has been disbursed by Consortium of Banks lead by Rastriya Banijya Bank Ltd. Such Loans are secured by a way of pari-passu first charge over the fixed assets, both present and future and pari-passu second charge over the Current Assets of the company, both present and future. Further, personal guarantee has been given by the promoters/directors viz. Mr. Pawan Golyan, Mr. Shashi Kant Agrawal and Mr. Akshay Golyan.

14 Non-Current Lease Liabilities

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Lease Liability	26,987,421.81	7,351,086.45
Less: Current portion (Refer Note no. 20)	4,854,322.70	1,038,250.47
Total	22,133,099.11	6,312,835.98

15 Other Non-Current Financial Liabilities

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Security Deposits	1,875,140.71	1,875,140.71
Total	1,875,140.71	1,875,140.71



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

16 Deferred Tax Liabilities (Net)

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Deferred Tax Asset	5,979,396.00	5,979,396.00
Deferred Tax Liability	83,523,718.00	83,523,718.00
Net Deferred Tax Asset / (Liability) at the end of the year	(77,544,322.00)	(77,544,322.00)
Net Changes	-	4,935,627.00
Deferred Tax charged in OCI	-	-
Deferred Tax charged in Statement of Profit or Loss	-	4,935,627.00

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

17 Provisions (Non Current)*

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Provision for Leave Encashment	19,230,424.58	19,732,572.00
Total	19,230,424.58	19,732,572.00

*Refer Note no 23.1

18 Borrowings (Current)

Current Borrowings are interest bearing financial liabilities consisting of Bank Borrowings. For these financial liabilities interest charged by the bank approximates effective interest rate and such rate is considered for calculation of amortized cost of liability and the finance cost. The effect of initial charges and its impact on effective rate is considered not material and the carrying value is considered approximate amortized cost.

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Secured Loans from Banks		
Bank Overdraft	47,957,946.83	2,565,300.12
Short Term Loan	1,413,308,017.71	1,027,308,017.71
TR Loan	-	131,698,000.00
Current maturities of Non-Current Borrowings (Refer Note No 13)	258,800,000.00	272,012,850.00
Total	1,720,065,964.54	1,433,584,167.83

Short Term Loans, TR Loans including Foreign Currency Loan and Bank Overdraft has been disbursed by the Consortium of Banks led by Rastriya Banijya Bank Ltd. for meeting the working capital requirements of the company. Such Loans are secured by a way of pari-passu first charge over the Current Assets, both present and future and pari-passu second charge over fixed assets of the company, both present and future. Further, personal guarantee has been given by the promoters/directors viz. Mr. Pawan Golyan, Mr. Shashi Kant Agrawal and Mr. Akshay Golyan.

19 Trade payables

Trade payables are amount payable to creditors for goods and services and are non interest bearing. These trade payables are normally settled on credit period of 30 to 90 days.

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Trade Payables	191,225,900.15	326,129,823.83
Total	191,225,900.15	326,129,823.83

20 Lease Liabilities (Current)

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Current portion of Lease Liabilities (Refer no. 14)	4,854,322.70	1,038,250.47
Total	4,854,322.70	1,038,250.47



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

21 Other Financial Liabilities (Current)

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
LC payable	956,128,523.03	1,448,776,860.55
Other Payables	33,284,230.77	26,626,285.68
Provision for Expenses	3,578,595.97	58,790,827.80
Reliance Welfare Fund	7,789,133.39	8,275,257.90
Security Deposit Payable	26,979,226.21	26,746,931.81
Expenses Payable	22,123,528.85	4,486,496.18
Interest Payable	1,165,336.82	469,953.86
Labour Security Payable	5,408,951.00	5,256,751.00
Salary Payable	20,597,692.24	21,180,447.98
Wages Payable	45,182,112.18	68,517,285.50
Advance for Share Capital (QII)*	702,823,680.00	-
Total	1,825,061,010.46	1,669,127,098.26

*Refer Note 24.4

22 Other Current Liabilities

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Statutory Dues:		
- Citizen Investment Fund	1,028,075.00	1,082,672.00
- TDS	1,389,769.54	6,294,987.84
- VAT Payable	-	3,965,980.27
Advance from Customers	18,793,179.12	17,488,725.05
Total	21,211,023.66	28,832,365.16

23 Provisions (Current)

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Provision for CSR	35,889,887.32	35,623,997.80
Provision for Bonus	2,902,895.15	100,135,040.37
Provision for Leave Encashment	3,000,000.00	3,000,000.00
Closing Balance	41,792,782.47	138,759,038.17



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

23.1 Provisions

Provisions are recognized when the company has a present obligation, legal or constructive, as a result of a past event, it is probable that a transfer of a economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of obligation. If these conditions are not met, no provision is recognized.

The amount of provision recognized is the management's best estimate of expenditure required to settle the present obligation at the reporting date.

Management reviews provisions at each reporting date and is adjusted to reflect the best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

23.2 Non- Current Provisions

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
I. Provision for employee benefits		
Provision for Leave Encashment		
Opening Balance	19,732,572.00	17,706,869.50
Additions during the year	564,471.74	3,438,529.79
Payments/adjustments made during the year	1,066,619.16	1,412,827.29
Closing Balance	19,230,424.58	19,732,572.00

23.3 Provisions - Current

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Provision for Leave Encashment		
Opening Balance	3,000,000.00	1,575,500.00
Additions during the year	-	1,424,500.00
Payments/adjustments made during the year	-	-
Closing Balance	3,000,000.00	3,000,000.00
Provision for Bonus		
Opening Balance	100,135,040.37	117,753,625.85
Addition	2,658,895.22	100,135,040.37
Payments/adjustments made during the year	-	117,753,625.85
Closing Balance	102,793,935.59	100,135,040.37
II. Provision for Corporate Social Responsibility		
Opening Balance	35,623,997.79	25,610,493.75
Addition	265,889.52	10,013,504.04
Payment	-	-
Closing Balance	35,889,887.31	35,623,997.79
Total	141,683,822.90	138,759,038.16



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

24 Share Capital

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Company after deducting all its liabilities.

Accordingly the share capital of the company comprises following:

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Authorised Capital		
26,000,000 Shares of Rs. 100/- each	2,600,000,000	2,600,000,000
	2,600,000,000	2,600,000,000
Issued Capital		
19,000,000 Shares of Rs.100/- each	1,900,000,000	1,900,000,000
	1,900,000,000	1,900,000,000
Subscribed and fully Paid-up		
17,073,400 Ordinary Shares of Rs.100/- each	1,707,340,000	1,707,340,000
Total	1,707,340,000	1,707,340,000

24.1 Reconciliation of the number of ordinary shares outstanding at the beginning and period of the year:

Particulars	As at Chaitra 30, 2080		As at Ashad 31, 2080	
	No of Shares	Amount	No of Shares	Amount
Balance as at the beginning of the year	17,073,400	1,707,340,000	17,073,400	1,707,340,000
Add: Shares issued during the year	-	-	-	-
Balance as at the period of the year	17,073,400	1,707,340,000	17,073,400	1,707,340,000

24.2 Rights, preferences and restrictions attached to shares Equity shares

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

24.3 Shareholding pattern of the company

Particulars	As at Chaitra 30, 2080		As at Ashad 31, 2080	
	No. of Shares	Amount	No. of Shares	Amount
Mr. Shashi Kant Agrawal	8,536,100	853,610,000	8,536,100	853,610,000
Mr. Pawan Kumar Golyan	4,171,114	417,111,400	4,171,114	417,111,400
Mr. Akshay Golyan	4,365,386	436,538,600	4,365,386	436,538,600
Others	800	80,000	800	80,000
Balance as at the period of the year	17,073,400	1,707,340,000	17,073,400	1,707,340,000

24.4 The Company has approved the fresh issue of 1,926,600 (No.) equity shares through an Initial Public Offering (IPO) by Book Building Method. As part of its proposed IPO, the Company has received approval and completed the issue process for 40% of QII related issue and for balance the company filed the Prospectus with the Securities Exchange Board of Nepal (SEBON) and the same is in the process of approval by SEBON.



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

25 Other Equity

25.1 Retained Earnings

Amount in NPR

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Balance up to Last Year	2,538,330,179.14	1,572,814,472.16
Profits for the Year	26,323,062.71	927,821,225.98
Other Comprehensive Income for the Year		-
Revaluation Reserve	27,986,861.24	37,694,481.00
Fixed Assets NFRS Adjustment - Charged off to Reserve		
Changes in accounting policy (on account of adoption of NFRS 16, leases)	-	-
Deferred Tax adjustment directly in Equity due to change in estimate of the life of asset	-	-
Total Comprehensive Income	2,592,640,103.09	2,538,330,179.14
Less:		
Earlier Years' Tax	-	-
Earlier Years' Gratuity	-	-
Dividend Distribution	(341,468,000.00)	-
Sub-Total (A)	2,251,172,103.09	2,538,330,179.14

25.2 Revaluation Reserves

Particulars	As at Chaitra 30, 2080	As at Ashad 31, 2080
Revaluation of Land & Buildings:		
Balance up to Last Year	3,098,450,279.52	3,136,144,760.52
NFRS Adjustments-Additions	-	-
Increase/(Decrease) during the year	(27,986,861.24)	(37,694,481.00)
Sub-Total (B)	3,070,463,418.28	3,098,450,279.52
Grand Total (A+B)	5,321,635,521.37	5,636,780,458.66



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

26 Revenue from Operations

Amount in NPR

Particulars	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Sales of goods		
- Export Sales	5,120,628,547.79	7,243,391,389.82
- Local Sales	1,436,623,466.56	2,232,325,702.80
Other Operating Income		
- Export Incentives	408,964,190.50	485,976,866.27
- Sale of Scraps & Wastages	35,930,632.39	44,115,939.77
Total	7,002,146,837.24	10,005,809,898.66

27 Cost of Sales

Amount in NPR

Particulars	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Raw Material Consumed	4,204,228,570.44	6,439,600,968.97
Total Raw Material Consumed	4,204,228,570.44	6,439,600,968.97
Production and Manufacturing Overheads	1,875,694,156.88	2,202,812,502.84
Gross Cost of Production	6,079,922,727.32	8,642,413,471.81
Cost of Consumable Sold	42,599.83	199,816.71
Cost of Goods	6,079,965,327.15	8,642,613,288.52
Changes in inventory of		
- Finished Goods	320,989,673.52	(350,716,517.24)
- WIP	(10,699,022.02)	(45,516,993.23)
- Usable Waste	(6,923,270.35)	(13,277,217.94)
- Waste	(1,911,565.36)	4,008,734.60
Total Cost of Sales	6,381,421,142.94	8,237,111,294.71

27.1 Production and Manufacturing Overheads

Amount in NPR

Particulars	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Consumption of Dyes & Chemicals	46,431,440.62	83,896,418.67
Consumption of Packing Materials	118,852,382.70	172,194,613.94
Consumption of Stores & Spares	171,393,715.28	88,740,599.50
Wages & Salaries	523,349,232.00	644,963,770.95
Labour Welfare	1,385,676.48	1,401,166.86
Power & Fuel	640,281,610.19	796,275,492.53
Insurance Charges	25,082,552.94	33,924,125.40
Repairs & Maintenance-Plant & Machinery	9,484,962.19	13,597,795.39
Repairs & Maintenance-Building	3,293,373.33	11,674,941.23
Laboratory Expenses	415,235.32	47,466.19
Factory General Expenses	887,120.44	1,132,458.51
Depreciation	334,836,855.39	354,963,653.67
Total	1,875,694,156.88	2,202,812,502.84



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

28 Other Income

Amount in NPR

Particulars	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Rental Income	6,394,175.00	9,277,207.00
Interest Income	9,446,700.89	3,309,713.04
UK-Aid Grant*	3,524,153.93	22,464,046.07
Sundry Balances written back	-	1,093,599.95
Gain on Sale of Fixed Assets	(613,766.14)	574,423.22
Miscellaneous Income	2,725,274.34	760,894.20
Total	21,476,538.02	37,479,883.48

* Refer Note No. 3.8(C)

29 Selling and Distribution Expenses

Amount in NPR

Particulars	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Commission on Sales	37,857,285.57	63,179,775.40
Business Promotion Expenses	3,530,601.00	827,753.18
Export Sales Expenses	18,059,380.24	88,220,027.34
Local Sales Expenses	27,337,947.75	39,316,386.58
Total	86,785,214.56	191,543,942.50



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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

30 Administrative & Other Expenses

Amount in NPR

Particulars	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Advertisement Exp	220,794.12	79,122.31
Audit Fees	371,232.88	500,000.00
Bank Charges	2,073,111.82	1,682,952.04
Books & Periodicals	31,874.15	42,335.00
Charity & Donation	17,100.00	50,000.00
Electricity	368,043.24	495,704.00
Gardening	159,832.30	167,046.25
General Expenses	902,428.24	2,240,496.17
Leave	564,471.74	4,863,029.79
Guest Entertainment	1,193,243.63	2,348,578.53
House Keeping Expenses	193,500.00	235,984.00
Legal & Professional Fees	1,385,498.51	2,580,849.58
Membership & Subscription	45,776.00	58,000.00
Postage & Telegram	843,036.88	1,148,495.50
Printing & Stationery	1,991,712.37	2,216,793.73
Pooja Expenses	378,406.10	510,751.57
Rates & Taxes	883,055.03	2,189,110.49
Recruitment & Training	468,012.60	-
Rent	1,546,967.15	1,790,973.85
Repairs & Maintenance- Others	1,365,753.32	1,369,345.71
Salaries	86,275,987.86	108,488,580.51
Security Expenses	9,007,719.05	14,268,579.27
Staff Welfare	1,470,291.35	1,980,719.85
Sundry Balance Written off	24,680.06	664,766.06
Telephones & Telex	1,412,694.98	1,922,880.88
Travelling & Conveyance	5,011,326.98	4,571,075.54
Exchange Difference (Net)	11,042,841.73	43,369,972.11
UK Aid Training	7,048,307.86	44,928,092.14
Vehicle Repair & Maintenance	2,373,080.19	2,550,429.50
Vehicle Running	4,110,450.98	5,209,022.82
Depreciation	9,989,569.28	11,619,037.65
Bonus to Staff	2,658,895.22	100,135,040.37
CSR Expenses	265,889.52	10,013,504.04
Total	155,695,585.14	374,291,269.26

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Reliance Spinning Mills Ltd.
Significant Accounting Policies and Notes to Financial Statements
For the period ended Chaitra 30, 2080

31 Depreciation and Amortisation Expense

Amount in NPR

Particulars	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Depreciation of Tangible Assets	340,534,019.84	362,194,295.24
Depreciation of Right of use Assets	4,159,361.01	4,209,204.23
Amortisation of Intangible Assets	133,043.82	179,191.85
Total	344,826,424.67	366,582,691.32

Depreciation Disclosure:

Particulars	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
- Cost of Sales	334,836,855.39	354,963,653.67
- Administrative Expenses	9,989,569.28	11,619,037.65
Total	344,826,424.67	366,582,691.32

32 Finance Cost

Finance Cost comprises of interest on borrowings, lease liabilities and allied charges. All these costs are carried at amortized cost using effective interest rate which is assumed to be bank interest rate.

Amount in NPR

Particulars	For the period ended Chaitra 30, 2080	For the year ended Ashad 31, 2080
Interest Expense	370,910,014.91	247,584,590.30
Interest on Lease Liabilities	2,488,355.00	1,421,785.70
Total	373,398,369.91	249,006,376.00



Shri B. Singh

