

## P.K & Associates

Chartered Accountants

Tebahal, Kathmandu, P.O. Box No. 2132, Ph.-4222538

### INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF Sarbottam Cement Limited (Formerly Sarbottam Cement Pvt. Ltd.)

### REPORT ON THE AUDIT OF STANDALONE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying Standalone Financial Statements of **Sarbottam Cement Limited (Formerly Sarbottam Cement Pvt. Ltd.)** ("the Company") which comprises the Statement of Financial Position as at Ashad 31, 2077, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity & Statement of Cash Flows for the year ended Ashad 31, 2077, and Notes to Financial Statement including Summary of Significant Accounting Policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give a true and fair view in conformity with Nepal Financial Reporting Standards (NFRSs), of the state of affairs of the Company as at Ashad 31, 2077, and its profit, total comprehensive income, its cash flows & the changes in equity for the year ended on that date.

#### Basis of Opinion

We conducted our audit of the Standalone Financial Statements in accordance with the Nepal Standard on Auditing (NSAs) & applicable law. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the audit of the Standalone Financial Statements section of our report.

We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal (ICAN) together with the ethical requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our ethical responsibilities in accordance with these requirements and the ICAN's Code of Ethics.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis of our audit opinion on Standalone Financial Statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

| Key Audit Matter                                                                                                                                                                                                                                                                | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Useful life of Property, Plant and Equipment:</b>                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Post adoption of NFRS, the Company has changed method of depreciation from Written Down Value (WDV) method to Straight Line Method (SLM). Given the judgement used for assessing useful life and its significant impact to the Financial Statement, this is a key audit matter. | Our principal audit procedures performed, among other procedures, included the following: <ol style="list-style-type: none"><li>1. We obtained understanding of the management's processes for assessing the useful life of PPE.</li><li>2. We carried out testing of management's control over assessing the useful life of PPE.</li><li>3. We tested the basis of useful life.</li><li>4. We verified the technical evaluation done by management while assessing the useful life of PPE.</li></ol> |
| Depreciation on Property, Plant and Equipment other than Freehold Land is provided on "Straight                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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Line Method (SLM)" based on Useful Life estimated by technical expert of the management.

The Assets Useful Life are reviewed at the reporting date and the effect of any changes in estimates are accounted for on a prospective basis.

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5. Assessed the accounting principles applied by the Company to estimate useful life in accordance with the Nepal Financial Reporting Standards and ensured adequacy of disclosures.

#### **Contingent Liabilities related to Appeals against Assessments:**

The Company is exposed to different laws, regulations and their interpretations thereof. In this regulatory environment there is inherent risk of litigations and claims. Consequently, contingent liabilities disclosures may arise from Direct & Indirect Taxes and Other Matters (If Any).

The company applies significant judgement in estimating the likelihood of the future outcome in each case and in determining the provisions or disclosures required. Resolution of tax and legal proceedings may span over multiple years due to the highly complex nature and magnitude of the legal matters involved and may involve protracted litigation.

These estimates could change significantly over time as new facts emerge and each legal case progresses.

Given the inherent complexity and magnitude of potential exposures and the judgement necessary to estimate the amount of provisions required or to determine required disclosures this is a key audit matter.

Our audit procedures included:

1. We have gained an understanding of outstanding litigations against the company from the company's inhouse legal counsel and other key managerial personnel who have knowledge of these matters.
2. We have read the correspondence between the Company and the various tax authorities and the legal opinions of external legal advisors where applicable for significant matters.
3. We have tested the completeness of the litigations and claims by examining on a sample basis the Company's legal expenses and minutes of the Board meetings.
4. We have assessed the adequacy of the Company's disclosures in respect of contingent liabilities for tax and legal matters.

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#### **Information Other than the Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the Directors' report and Management Discussion and Analysis, Report on Corporate Governance and Business Responsibility report, but does not include the Consolidated Financial Statements, Standalone Financial Statements & our Auditor's report thereon.

Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Managements Responsibility for the Standalone Financial Statements**

Management is responsible for preparation and fair presentation of the Standalone Financial Statements in accordance with the Nepal Financial Reporting Standards (NFRSs) and for such internal control as management determines is necessary to enable the preparation of Standalone Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, management is responsible for assessing its ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's Financial Reporting process.

### **Auditor's Responsibility for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these Standalone Financial Statements.

As part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- i) Identify and assess the risk of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal controls.
- ii) Obtain an understanding of Internal Control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's Internal Control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, Future events or conditions may cause the Company to cease to continue as a going concern.
- v) Evaluate the overall presentation, structure, and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also communicate with those charged with governance that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on the Other Legal & Regulatory Requirements**

- i) We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- ii) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Standalone Financial Statements have been kept so far as it appears from our examination of those books.
- iii) Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with the requirements of the Companies Act, 2063 and are in agreement with the books of account of the Company.
- iv) During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member of there or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
- v) We have not come across any fraudulent activities in the books of accounts.

Place: Kathmandu

Date: 2020-12-25

UDIN: 201225CA00694Dk8ca

For, P.K & Associates  
Chartered Accountants



CA. Parul Kedia  
Proprietor

**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Statement of Financial Position**  
As At 15th July, 2020 (Ashad 31, 2077)

Fig. in NPR

| Particulars                          | Notes  | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|--------------------------------------|--------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| <b>Assets</b>                        |        |                                     |                                     |                                                          |
| <b>Non Current Assets</b>            |        |                                     |                                     |                                                          |
| Property, Plant & Equipment          | 4      | 7,368,241,836                       | 6,674,372,440                       | 4,794,081,999                                            |
| Intangible Assets                    | 5      | 2,624,875                           | 2,537,718                           | 1,755,393                                                |
| <b>Financial Assets</b>              |        |                                     |                                     |                                                          |
| Investment                           | 6      | -                                   | 5,000,590                           | 5,698,250                                                |
| Deferred Tax Assets                  | 7      | -                                   | 22,914,571                          | 32,279,523                                               |
| Other Non-Current Assets             | 8      | 352,541,669                         | 317,683,670                         | 280,833,261                                              |
| <b>Total Non Current Assets</b>      |        | <b>7,723,408,380</b>                | <b>7,022,508,989</b>                | <b>5,114,648,426</b>                                     |
| <b>Current Assets</b>                |        |                                     |                                     |                                                          |
| Inventories                          | 9      | 1,171,303,708                       | 1,331,935,480                       | 1,212,064,601                                            |
| <b>Financial Assets</b>              |        |                                     |                                     |                                                          |
| Trade Receivables                    | 10     | 1,341,763,874                       | 1,933,296,432                       | 1,324,103,622                                            |
| Cash & Cash Equivalent               | 11     | 81,557,923                          | 228,390,982                         | 354,479,629                                              |
| Others                               | 12     | 229,962,195                         | 456,767,768                         | 1,459,411,776                                            |
| Other Current Assets                 | 13     | 210,617,194                         | 507,862,634                         | 144,687,239                                              |
| Income Tax Assets (Net)              | 21     | -                                   | 2,806,840                           | 2,007,316                                                |
| <b>Total Current Assets</b>          |        | <b>3,035,204,893</b>                | <b>4,461,060,137</b>                | <b>4,496,754,181</b>                                     |
| <b>Total Assets</b>                  |        | <b>10,758,613,273</b>               | <b>11,483,569,126</b>               | <b>9,611,402,608</b>                                     |
| <b>Equity &amp; Liabilities</b>      |        |                                     |                                     |                                                          |
| <b>Equity</b>                        |        |                                     |                                     |                                                          |
| Equity Share Capital                 | 14 (a) | 1,980,000,000                       | 1,980,000,000                       | 1,980,000,000                                            |
| Fair Value Reserve                   | 14 (b) | -                                   | 317,561                             | 840,806                                                  |
| Other Equity                         | 14 (c) | 2,875,374,340                       | 2,097,015,769                       | 1,625,036,149                                            |
| Non-Controlling Interest             |        |                                     |                                     |                                                          |
| <b>Total Equity</b>                  |        | <b>4,855,374,340</b>                | <b>4,077,333,330</b>                | <b>3,605,876,955</b>                                     |
| <b>Non Current Liabilities</b>       |        |                                     |                                     |                                                          |
| <b>Financial Liabilities</b>         |        |                                     |                                     |                                                          |
| Long Term Borrowings                 | 15     | 2,514,871,694                       | 3,202,817,327                       | 2,545,344,377                                            |
| Provisions                           | 16     | -                                   | -                                   | -                                                        |
| Deferred Tax Liabilities             | 7      | 113,783,412                         | -                                   | -                                                        |
| <b>Total Non Current Liabilities</b> |        | <b>2,628,655,106</b>                | <b>3,202,817,327</b>                | <b>2,545,344,377</b>                                     |
| <b>Current Liabilities</b>           |        |                                     |                                     |                                                          |
| <b>Financial Liabilities</b>         |        |                                     |                                     |                                                          |
| Trade Payables                       | 17     | 653,005,206                         | 926,243,615                         | 552,381,182                                              |
| Short Term Borrowings                | 18     | 2,132,370,310                       | 2,963,376,637                       | 2,569,251,655                                            |
| Other Financial Liabilities          | 19     | 92,456,983                          | 121,320,840                         | 124,850,766                                              |
| Other Current Liabilities            | 20     | 344,650,480                         | 164,524,850                         | 196,183,764                                              |
| Provisions                           | 16     | 37,374,411                          | 27,952,527                          | 17,513,908                                               |
| Income Tax Liabilities (Net)         | 21     | 14,726,437                          | -                                   | -                                                        |
| <b>Total Current Liabilities</b>     |        | <b>3,274,583,827</b>                | <b>4,203,418,469</b>                | <b>3,460,181,276</b>                                     |
| <b>Total Liabilities</b>             |        | <b>5,903,238,933</b>                | <b>7,406,235,796</b>                | <b>6,005,525,653</b>                                     |
| <b>Total Equity and Liabilities</b>  |        | <b>10,758,613,273</b>               | <b>11,483,569,126</b>               | <b>9,611,402,608</b>                                     |

Summary of Significant Accounting Policies  
Accompanying Notes are an Integral Part of Financial Statements

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As Per Our Attached Report of Even Date

For: P.K. & Associates  
Chartered Accountants

Kathmandu

Date:

Finance Manager

Director

Director



CA. Parul Kedia  
Proprietor

**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Statement of Profit or Loss & Other Comprehensive Income**  
**For Period 17th July, 2019 - 15th July, 2020**  
(Year Ended Upto Ashad 31, 2077)

Fig. in NPR

| Particulars                                                                                    | Notes | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|------------------------------------------------------------------------------------------------|-------|-------------------------------------|-------------------------------------|
| <b>Income:</b>                                                                                 |       |                                     |                                     |
| Revenue From Operations                                                                        | 22    | 7,352,860,115                       | 7,042,447,131                       |
| Other Income                                                                                   | 23    | 22,098,418                          | 4,535,223                           |
| <b>Total Income</b>                                                                            |       | <b>7,374,958,532</b>                | <b>7,046,982,355</b>                |
| <b>Expenses:</b>                                                                               |       |                                     |                                     |
| Raw Materials Consumption                                                                      | 24    | 1,783,892,962                       | 1,637,865,233                       |
| Electricity/Power & Fuel                                                                       |       | 2,573,932,487                       | 2,465,050,559                       |
| Changes in Inventories of Finished Goods                                                       | 25    | (98,572,941)                        | (5,030,780)                         |
| Employee Benefit Expenses                                                                      | 26    | 297,468,126                         | 324,637,466                         |
| Depreciation & Amortization                                                                    | 27    | 535,548,983                         | 367,716,891                         |
| Other Expenses                                                                                 | 28    | 805,542,304                         | 661,157,384                         |
| Finance Cost                                                                                   | 29    | 544,380,160                         | 414,285,792                         |
| <b>Total Expenses</b>                                                                          |       | <b>6,442,192,081</b>                | <b>5,865,682,544</b>                |
| <b>Profit/(Loss) Before Tax from Continuing Operations &amp; Share of Profit of Associates</b> |       | <b>932,766,451</b>                  | <b>1,181,299,811</b>                |
| Share of Profit of Associates accounted for using Equity Method                                |       |                                     |                                     |
| <b>Profit/(Loss) Before Tax from Continuing Operations</b>                                     |       | <b>932,766,451</b>                  | <b>1,181,299,811</b>                |
| <b>Tax Expense</b>                                                                             |       |                                     |                                     |
| Current Tax                                                                                    | 30    | 18,287,973                          | 13,699                              |
| Deferred Tax                                                                                   | 30    | 136,803,837                         | 9,539,367                           |
| <b>Net Profit/(Loss) For The Year from Continuing Operations</b>                               |       | <b>777,674,641</b>                  | <b>1,171,746,745</b>                |
| <b>Discontinued Operations</b>                                                                 |       |                                     |                                     |
| Profit from Discontinued Operation Before Tax                                                  |       |                                     |                                     |
| Tax expense on Discontinued Operation                                                          |       |                                     |                                     |
| <b>Net Profit/(Loss) For The Year</b>                                                          |       | <b>777,674,641</b>                  | <b>1,171,746,745</b>                |
| <b>Other Comprehensive Income</b>                                                              |       |                                     |                                     |
| Actuarial Gain/ Loss on Defined Benefit Pension Schemes                                        |       |                                     |                                     |
| Tax Relating to Components of Other Comprehensive Income                                       |       |                                     |                                     |
| <b>Items that will not be reclassified to profit or loss</b>                                   |       |                                     |                                     |
| Net fair value (losses)/gains on financial assets:                                             |       |                                     |                                     |
| Quoted Ordinary Shares                                                                         |       |                                     | (697,660.00)                        |
| <b>Items that are or may be reclassified subsequently to profit or loss</b>                    |       |                                     |                                     |
| Deferred Tax asset / (liability) on other comprehensive income                                 |       |                                     | 174,415.00                          |
| <b>Total Other Comprehensive Income (OCI)</b>                                                  |       | <b>-</b>                            | <b>(523,245.00)</b>                 |
| <b>Total Comprehensive Income (TCI)</b>                                                        |       | <b>777,674,641</b>                  | <b>1,171,223,500</b>                |
| <b>Profit for the Year attributable to:</b>                                                    |       |                                     |                                     |
| Non Controlling Interest                                                                       |       |                                     |                                     |
| Equity Holders                                                                                 |       |                                     |                                     |
| <b>Total Comprehensive Income for the Year attributable to:</b>                                |       |                                     |                                     |
| Non Controlling Interest                                                                       |       |                                     |                                     |
| Equity Holders                                                                                 |       |                                     |                                     |
| Basic Earnings Per Share (NPR)                                                                 |       | 39.28                               | 59.18                               |
| Diluted Earnings Per Share (NPR)                                                               |       | 22.87                               | -                                   |

Summary of Significant Accounting Policies  
Accompanying Notes are an Integral Part of Financial Statements

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Kathmandu  
Date:

Finance Manager

Director

Director



As Per Our Attached Report of Even Date  
For: P.K. & Associates  
Chartered Accountants

CA. Parul Kedia  
Proprietor



**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Statement of Changes In Equity**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig. in NPR

| Particulars                                                   | Share Capital | Share Premium | Fair Value Reserve | Revaluation Reserve | Retained Earnings | Total         |
|---------------------------------------------------------------|---------------|---------------|--------------------|---------------------|-------------------|---------------|
| Balance as on 01/04/2075                                      | 1,980,000,000 |               |                    |                     | 1,625,036,149     | 3,605,036,149 |
| Deffered Tax Reserves                                         |               |               |                    |                     |                   | -             |
| Equalization assets account                                   |               |               |                    |                     |                   | -             |
| Provision for dividend                                        |               |               | 840,806            |                     |                   | 840,806       |
| Change in fair value of financial assets through OCI          |               |               | 840,806            | -                   |                   | 840,806       |
| <b>NFRS Remeasurement Adjustments</b>                         |               |               |                    |                     |                   |               |
| Restated Balance as on 01/04/2075                             | 1,980,000,000 |               | 840,806            | -                   | 1,625,036,149     | 3,605,876,955 |
| Addition In Capital                                           |               |               |                    |                     |                   | -             |
| Share Issuance Cost                                           |               |               |                    |                     | 232,875           | 232,875       |
| Prior Period Adjustment                                       |               |               |                    |                     | 1,171,746,745     | 1,171,746,745 |
| Profit/(Loss) For the Year                                    |               |               |                    |                     |                   | -             |
| <b>Other Comprehensive Income for the Year</b>                |               |               | (523,245)          |                     |                   | (523,245)     |
| Change in fair value of financial assets through OCI          |               |               |                    |                     | (700,000,000)     | (700,000,000) |
| Dividend Paid                                                 |               |               | 317,561            | -                   | 2,097,015,769     | 4,077,333,330 |
| <b>Balance as on 31/03/2076</b>                               | 1,980,000,000 | -             | 317,561            | -                   | 2,097,015,769     | 4,077,333,330 |
| Balance as on 01/04/2076                                      | 1,980,000,000 |               |                    |                     |                   | -             |
| Addition In Capital                                           |               |               |                    |                     |                   | -             |
| Share Issuance Cost                                           |               |               |                    |                     | 260,514           | 260,514       |
| Prior Period Adjustment                                       |               |               |                    |                     | 777,674,641       | 777,674,641   |
| Profit/(Loss) For the Year                                    |               |               |                    |                     |                   | -             |
| <b>Other Comprehensive Income for the Year</b>                |               |               |                    |                     |                   | -             |
| Deferred Tax Reversal on Disposal of Equity                   |               |               |                    |                     | 105,854           | 105,854       |
| Instruments measured at FVTOCI                                |               |               |                    |                     |                   | -             |
| Transfer on Disposal of Equity Instruments measured at FVTOCI |               |               | (317,561)          |                     | 317,561           | -             |
| Change in fair value of financial assets through OCI          |               |               |                    |                     |                   | -             |
| Dividend Paid                                                 |               |               |                    |                     | 2,875,374,340     | 4,855,374,340 |
| <b>Balance as on 31/03/2077</b>                               | 1,980,000,000 | -             |                    |                     |                   |               |

Kathmandu  
Date:

Finance Manager

Director

Director



As Per Our Attached Report of Even Date  
For: P.K. & Associates  
Chartered Accountants

CA. Parul Kedia  
Proprietor

**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)

**Statement of Cash Flow**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig. in NPR

| Particulars                                          | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|------------------------------------------------------|-------------------------------------|-------------------------------------|
| <b>Cash Flow From Operating Activities:</b>          |                                     |                                     |
| Profit/(Loss) For the Year                           | 777,674,641                         | 1,171,746,745                       |
| <b>Adjustment for</b>                                |                                     |                                     |
| Depreciation on Property, Plant & Equipment          | 534,740,805                         | 366,891,664                         |
| Amoritzation of Intangible Assets                    | 808,178                             | 825,227                             |
| Profit/(Loss) on Sale of PPE                         | (1,097,563)                         | 321,807                             |
| Interest Income                                      | (491,656)                           | (3,845,111)                         |
| Change in Fair Value Gain on disposal of Investment  | 423,415                             | -                                   |
| (Loss)/Gain on sale of Investment                    | (1,334,696)                         | -                                   |
| Interest Cost                                        | 544,380,160                         | 414,285,792                         |
| Deferred Tax                                         | 136,803,837                         | 9,539,367                           |
| Current Tax                                          | 18,287,973                          | 13,699                              |
| <b>Cash Flow Before Working Capital Change</b>       | <b>2,010,195,094</b>                | <b>1,959,779,190</b>                |
| <b>Changes In Working Capital</b>                    |                                     |                                     |
| Decrease/(Increase) In Inventory                     | 160,631,773                         | (119,870,880)                       |
| Decrease/(Increase) In Trade Receivables             | 591,532,559                         | (609,192,811)                       |
| Decrease/(Increase) In Other Financial Assets        | 226,805,573                         | 1,002,644,008                       |
| Decrease/(Increase) In Other Assets                  | 262,387,442                         | (400,025,805)                       |
| Increase/(Decrease) In Sundry Creditors              | (273,238,409)                       | 373,862,433                         |
| Increase/(Decrease) In Financial Liabilities         | (28,863,857)                        | (3,529,926)                         |
| Increase/(Decrease) In Other Liabilities             | 180,125,630                         | (31,658,915)                        |
| Increase/(Decrease) In Provisions                    | 9,682,398                           | 10,671,494                          |
|                                                      | <b>1,129,063,108</b>                | <b>222,899,599</b>                  |
| <b>Cash Generated From Operations</b>                | <b>3,139,258,202</b>                | <b>2,182,678,789</b>                |
| Income Tax Paid                                      | (754,696)                           | (813,223)                           |
| <b>Net Cash Flow From Operating Activities [1]</b>   | <b>3,138,503,506</b>                | <b>2,181,865,565</b>                |
| <b>Cash Flow From Investing Activities</b>           |                                     |                                     |
| Acquisitions of Property, Plant & Equipments         | (1,229,844,301)                     | (2,248,076,345)                     |
| Proceeds From Sale of Property, Plant & Equipments   | 2,331,663                           | 572,434                             |
| Proceeds From Sale of Investment                     | 5,911,871                           |                                     |
| Acquisitions of Intangible Assets                    | (895,335)                           | (1,607,551)                         |
| Investment in Subsidiaries                           | -                                   | -                                   |
| Investment in Associates                             | -                                   | -                                   |
| Interest Income                                      | 491,656                             | 3,845,111                           |
| <b>Total Cash Flow From Investing Activities [2]</b> | <b>(1,222,004,445)</b>              | <b>(2,245,266,352)</b>              |

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pot. Ltd.)  
**Statement of Cash Flow**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig. in NPR

| Particulars                                                           | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|-----------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| <b>Cash Flow From Financing Activities</b>                            |                                     |                                     |
| Proceeds From Long Term Borrowings                                    | 830,665,434.54                      | 1,871,648,848.62                    |
| Repayment of Long Term Borrowings                                     | (1,374,089,718)                     | (1,213,922,431)                     |
| Changes in Short-term Borrowings                                      | (975,527,675)                       | 393,871,514                         |
| Interest Cost                                                         | (544,380,160)                       | (414,285,792)                       |
| Changes in NCI                                                        |                                     |                                     |
| Share Issuance Cost                                                   |                                     | -                                   |
| Dividend Paid                                                         | -                                   | (700,000,000)                       |
| <b>Total Cash Flow From Financing Activities [3]</b>                  | <b>(2,063,332,120)</b>              | <b>(62,687,861)</b>                 |
| <b>Net Increase/(Decrease) In Cash &amp; Cash Equivalents [1+2+3]</b> | <b>(146,833,059)</b>                | <b>(126,088,647)</b>                |
| Cash & Cash Equivalents At Beginning of The Year/Period               | 228,390,982                         | 354,479,629                         |
| <b>Cash &amp; Cash Equivalents At End of The Year/Period</b>          | <b>81,557,923</b>                   | <b>228,390,982</b>                  |
| <b>Components of Cash &amp; Cash Equivalents</b>                      |                                     |                                     |
| Cash In Hand                                                          | 12,126,564                          | 25,201,117                          |
| Balance With Banks                                                    | 69,431,359                          | 203,189,866                         |

**Notes:**

Cash Flow Statement has been prepared using Indirect Method In Accordance with NAS 7 [Statement of Cash Flows]

The Accompanying Notes are an Integral Part of Financial Statements

As Per Our Attached Report of Even Date

For: P.K. & Associates

Chartered Accountants

Kathmandu

Date:

Finance Manager

Director

Director

CA. Parul Kedia  
Proprietor



**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
**For Period 17th July, 2019 - 15th July, 2020**  
**(Year Ended Upto Ashad 31, 2077)**

**Significant Information, Accounting Policies & Notes to the Accounts**

**1 General Information**

Sarbottam Cement Limited (Herein after referred to as 'The Company') is a Public Limited Company domiciled in Nepal registered under the Company Act, 2063 of Nepal. The manufacturing unit is located at Sunwal, Nawalparasi with its registered corporate office at Neupane Tower, 5th Floor, Tinkune, Kathmandu. The Company was registered as a private limited company initially which later on changed to Public Limited Company from Shrawan 30, 2076.

With a vision to expand and grow, the company manufactures its own clinker and sources its limestone from mines located across Nepal, opting for higher quality limestone over the cheaper alternatives situated near by the plant with production capacity of 3,000 TPD Cement & Clinker each.

The Company was established with the vision to produce & provide quality OPC, PPC & PSC cement in the Nepalese market which was sustaining over imported cement from neighboring countries. The Company took the initiatives to explore Nepalese limestone potential to manufacture quality cement. The company are also the first and only manufacturer that produces cement through the use of a Vertical Roller Mill (VRM). This innovative technology allows us to save up to 50% in energy consumption, thereby drastically reducing our carbon footprint. In this regard, the company are the only Nepalese cement manufacturer able to produce eco-friendly or "green" cement. The Company's self-owned limestone quarries.

The Financial Statements of The Company are approved for issue by the Company's Board of Directors on \_\_\_\_/\_\_\_\_/\_\_\_\_

**Basis of Preparation**

**Statement of Compliance**

The Financial Statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Nepal Accounting Standards Board (NASB), as per the provisions of The Institute of Chartered Accountants of Nepal Act, 1997. These confirm, in material respect, to NFRS as issued by the Nepal Accounting Standards Board. The Financial Statements have been prepared on a going concern basis. The term NFRS, includes all the standards and the related interpretations which are consistently used. These financial statements are the Company's First Financial Statements under NFRS and the transition was carried out in accordance with NFRS 1, "First Time Adoption of NFRS".

**Basis of Measurement**

The Financial Statements have been prepared on the historical cost basis except for certain Financial Assets & Liabilities which have been measured at Fair Value amount:

Historical cost is generally Fair Value of the consideration given in exchange for goods & services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the Fair Value of an Asset or a Liability, the Company takes into account the characteristics of the Asset or Liability if market participants would take those characteristics into account when pricing the Asset or Liability at the measurement date. Fair Value for measurement and/ or disclosure purposes in these Financial Statements is determined on such a basis, except for, measurements that have some similarities to Fair Value but are not Fair Value. such as Net Realizable Value in NAS 2 "Inventories" or Value in use in NAS 36 "Impairment of Assets". In addition, for Financial Reporting purposes, Fair Value measurements are categorized into Level 1, or 2, or 3 based on the degree to which the inputs to the Fair Value measurements are observable & the significance of the inputs to the Fair Value measurement in its entirety, which are described as follows:

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical Assets or Liabilities that the entity can access at the measurement date;
- Level 2 - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the Asset or Liability, either directly or indirectly; and
- Level 3 - Inputs are unobservable inputs for the Asset or Liability.

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

**Significant Information, Accounting Policies & Notes to the Accounts**

**(c) Use of Estimates**

The preparation of these Financial Statements in conformity with NFRS requires management to make estimates, judgements and assumptions. These estimates, judgments and assumptions affect the reported balances of Assets & Liabilities, disclosures relating to Contingent Liabilities as at the date of the Financial Statements and the reported amounts of Income & Expenses for the years presented. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are reflected in the Financial Statements in the period in which changes are made and, if material, their effects are disclosed in the Notes to the financial statements.

**(d) Going Concern**

The Financial Statements are prepared on a going concern basis. 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 while assessing the going concern basis. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it.

**(e) COVID - 19 Impact & Assessment**

The COVID-19 pandemic has developed rapidly towards the end of FY: 2076/77 with a substantial rise in number of cases. Measures taken to contain the virus have contributed to significant decline & volatility in global as well as Nepalese financial markets thereby leading to a significant decrease in economic activities.

In view of the highly uncertain economic environment, the extent to which the COVID-19 pandemic will impact the business of the Company depends upon future developments that cannot be predicted reliably at this stage. However, based on the preliminary estimates the company has considered the possible effects that may result from this pandemic on the carrying amounts of its Property, Plant & Equipment, Inventory, advances & receivables based on this assessment the Company does not foresee or anticipate any significant risk to the recoverability & carrying value of its assets or in meeting its financial obligations over the foreseeable future.

Management has considered wide range of factors, such as: Current & Expected Profitability, Debt Repayment Schedules, Overall impact to Economy & Industry in which it operates, ability to continue selling its products and impact of subsequent events while evaluating going concern based on the same it has concluded that there is not a significant doubt upon Company's ability to continue as a going concern due to ongoing COVID-19 pandemic.

Beside that we have taken number of actions to monitor & mitigate the effects of COVID-19, such as safety & health measures for our people (Social Distancing & Work from home culture has been adapted) and securing the supply of materials that are essential to our production process is kept on top priority.

The Company will continue to closely monitor any material changes arising due to the impact of this pandemic/future economic conditions impacting the financial & operational performance of the Company and take necessary measures to address the same.

Given the uncertainty because of COVID-19, the final impact of the same on Company's assets in future may differ from that estimated as at the date of approval of these financial statements.

**(f) Functional and Presentation Currency**

These Financial Statements are presented in Nepalese Rupees (NPR) which is the Company's functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

**(g) Changes in Accounting Policies**

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Company in preparing and presenting financial statements. The Company is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
**For Period 17th July, 2019 - 15th July, 2020**  
**(Year Ended Upto Ashad 31, 2077)**

**Significant Information, Accounting Policies & Notes to the Accounts**

**Recent Accounting Pronouncements - Standards Issued but not Effective**

i) **NFRS 9 "Financial Instruments"** has been issued with but is not effective until further notified. Earlier application of this standard is also allowed, however, the Company has not opted for earlier application of NFRS 9. 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. Company is evaluating impact of NFRS 9 on impairment of financial instruments.

**Carve-outs**

Accounting Standard Board (ASB) has issued carve-outs as on Bhadra 28, 2075 (September 13, 2018) on impracticability to determine transaction cost of all previous years which is part of effective interest rate where, it is mentioned that the calculation of effective interest rate shall includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably. The Company has opted for this Carve-out, details of which has been mentioned in accounting policies of "Borrowings".

**Significant Accounting Policies**

**a) Property, Plant & Equipment & Depreciation**

**i) Recognition**

Freehold land is carried at historical cost and other items of property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation when, it is probable that future economic benefits associated with the item will flow to the Company and it can be used for more than one year and the cost can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it meets the recognition criteria as mentioned above. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to statement of profit or loss during the reporting period in which they are incurred.

On transition to NFRS, the Company has elected to continue with the carrying value of all of its Property, Plant & Equipment recognized as at 1st Shrawan, 2074 (July 16, 2017) measured as per the Previous Local GAAP & have disclosed its Gross Acquisition Value along with Accumulated Depreciation separately.

**ii) Depreciation**

Depreciation on Property, Plant and Equipment other than Freehold Land is provided on "Straight Line Method (SLM)" based on Useful Life estimated by technical expert of the management.

The Assets Useful Life are reviewed at the reporting date and the effect of any changes in estimates are accounted for on a prospective basis.

Useful Life of Property, Plant and Equipment based on SLM is categorised as stated below:

| List of Asset Categories | Life of Assets |
|--------------------------|----------------|
| Computer & Accessories   | 3 Years        |
| Office Equipment         | 5 Years        |
| Other Assets             | 5 Years        |
| Furniture & Fixture      | 8 Years        |
| Vehicles                 | 8 Years        |
| Heavy Equipments         | 9 Years        |
| Plant & Machinery        | 15 Years       |
| Mines Development        | 20 Years       |
| Building                 | 30 Years       |

**iii) Derecognition**

An item of Property, Plant & Equipment is derecognized upon disposal or when no Future Economic Benefits are expected to arise from the continued use of the Asset. Any Gain or Loss arising on the disposal or retirement of an item of Property, Plant & Equipment is determined as the difference between the sales proceeds and the carrying amount of the Asset and is recognized in the Statement of Profit & Loss.

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pot. Ltd.)  
**Notes to the Financial Statements**  
**For Period 17th July, 2019 - 15th July, 2020**  
**(Year Ended Upto Ashad 31, 2077)**

**Significant Information, Accounting Policies & Notes to the Accounts**

**iv) Impairment of Assets**

The Company assesses at each reporting date as to whether there is any indication that Property, Plant & Equipment may be impaired. If any such indication exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. An impairment loss is recognised in the Statement of Profit & Loss to the extent, asset's carrying amount exceeds its recoverable amount.

Here the recoverable amount is higher of an asset's fair value less cost of disposal & value in use. Whereas Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

**v) Capital Work-In-Progress**

These are expenses of capital nature directly incurred in the construction of buildings and major plant and machinery which are to be capitalized. Capital Work in Progress would be transferred to the relevant asset when it is available for use. Capital Work in Progress is stated at cost less any accumulated impairment losses.

**b) Intangible Assets**

**i) Recognition**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs are not capitalized and the related expenditure is reflected in Statement of profit or loss in the year in which the expenditure is incurred.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is reflected in Statement of profit & loss in the year in which the expenditure is incurred.

**ii) Amortization**

The useful lives of intangible assets are assessed to be either finite or indefinite. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected generate net cash inflow for the entity.

Amortization is recognised in Statement of Profit & Loss on straight line method (SLM) over the estimated useful life of the intangible assets from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit & Loss.

Useful Life of Intangible Assets based on SLM is categorised as stated below:

| List of Asset Categories      | Life of Assets |
|-------------------------------|----------------|
| Softwares/Server & Networking | 5              |

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**Sarbottom Cement Ltd.**  
(Formerly Sarbottom Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

**Significant Information, Accounting Policies & Notes to the Accounts**

**iii) Derecognition**

An Intangible Asset is derecognised when no Future Economic Benefits are expected to arise from the continued use of the Asset. Any Gain or Loss arising on the derecognition is determined as the difference between the sales proceeds and the carrying amount of the Asset and is recognized in the Statement of Profit & Loss.

**iv) Impairment of Assets**

The Company assesses at each reporting date as to whether there is any indication that Intangible Asset may be impaired. If any such indication exists, the recoverable amount of an asset is estimated to determine the extent of impairment, if any. An impairment loss is recognised in the Statement of Profit & Loss to the extent, asset's carrying amount exceeds its recoverable amount.

Here the recoverable amount is higher of an asset's fair value less cost of disposal & value in use. Whereas Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

**Cash & Cash Equivalent**

For the purpose of presentation in the Statement of Cash Flows, Cash & Cash Equivalents includes Cash In Hand, Bank Balances & Positive Balance of Cash Credit Accounts.

**Financial Assets**

**i) Initial Recognition & Measurement**

Financial Assets are recognized when, and only when, the Company becomes a party to the contractual provisions of the Financial Instrument. The Company determines the classification of its Financial Assets at initial recognition.

When Financial Assets are recognized initially, they are measured at Fair Value, plus, in the case of Financial Assets not "at Fair value through Profit or Loss", transaction costs that are attributable to the acquisition of the Financial Asset. Transaction costs of Financial Assets carried "at Fair Value through Profit or Loss" are expensed in the Statement of Profit & Loss.

**ii) Subsequent Measurement**

**a) Financial Assets carried at Amortized Cost (AC)**

A Financial Asset is measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is measured using effective interest rate method.

**b) Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)**

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

**c) Financial Assets at Fair Value through Profit or Loss (FVTPL)**

A Financial Asset which is not classified in any of the above categories are measured at FVTPL. These financial assets are measured at fair value and changes are taken to statement of profit or loss.

**iii) De-Recognition**

A Financial Asset is derecognized only when the Company has transferred the rights to receive cash flows from the Financial Asset. Where the Company has transferred an Asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the Financial Asset. In such cases, the Financial Asset is derecognized. Where the Company has not transferred substantially all risks and rewards of ownership of the Financial Asset, the Financial Asset is not derecognized. Where the Company retains control of the Financial Asset, the Asset is continued to be recognized to the extent of continuing involvement in the Financial Asset.

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

**Significant Information, Accounting Policies & Notes to the Accounts**

**iv) Impairment of Financial Assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a financial asset or a group of financial assets is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial Liabilities**

**i) Initial Recognition & Measurement**

Financial Liabilities are recognized when, and only when, the Company becomes a party to the contractual provisions of the Financial Instrument. The Company determines the classification of its Financial Liabilities at initial recognition.

All Financial Liabilities are recognized initially at Fair Value, plus, in the case of Financial Liabilities not at fair value through profit or loss, transaction costs that are attributable to the issue of the Financial Liability.

**ii) Subsequent Measurement**

After initial recognition, Financial Liabilities are subsequently measured at amortized cost.

For trade and other payables maturing within one year from the date of Statement of Financial Position, the carrying amounts approximate Fair value due to short maturity of these instruments.

**iii) De-Recognition**

A Financial Liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing Financial Liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Profit or Loss.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**Inventories**

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

The cost is determined on weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

**Share Capital**

Financial Instruments issued by the Company are classified as Equity only to the extent that they do not meet the definition of a Financial Liability or Financial Asset.

**Reserves & Funds**

**i) Fair Value Reserve:** Fair value reserve includes changes in fair value of investment in equity instruments.

**ii) Retained Earnings:** Retained earnings includes the accumulated Profit & Loss and amount retained by Company after distribution of dividends.

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

**Significant Information, Accounting Policies & Notes to the Accounts**

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of Profit & Loss over the period of the borrowings using the effective interest method. Borrowings are derecognized from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

**Carve-Out:**

Carve out issued by Accounting Standards Board (ASB) of Nepal have provided exemption on including fees and points paid or received which are immaterial or impracticable to determine reliably for all previous years, while calculating effective interest rates. Accordingly company has not included transaction costs while calculating effective interest rates.

**Provisions, Contingent Liabilities & Contingent Assets**

**Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate to determine the present value is a Pre-Tax Rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

**Contingent Liabilities**

Contingent liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

**Contingent Assets**

Contingent assets where it is probable that future economic benefits will flow to the Company are not recognized but disclosed in the Financial Statements.

**Employee Benefits**

**Short Term Obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized 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.

**Leave Encashment**

Leave related payables are settled every-year by the Company, hence, Company doesn't have long term leave encashments. Accordingly, actuarial valuation for leave encashment has not been carried out.

**Post - Employment Benefits**

**Defined Contribution Plan**

The Company pays Provident Fund contributions to publicly administered Provident Funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contribution are recognized as Employee Benefit Expense when they are due.

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 Per Month, based on that Actuarial Valuation has not been carried out.

All the contributions related to Provident Fund, Gratuity & Social Security has been duly made to publicly administered Social Security Fund as per local regulation starting from 1st of Shrawan, 2076.

18/7/20  
[Signature]  
[Stamp: SARBOTTAM CEMENT LTD.]  
[Stamp: P. K. Associates]

**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

**Significant Information, Accounting Policies & Notes to the Accounts**

**- Defined Benefit Plan**

For Defined Benefit Plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with Actuarial Valuations being carried out at each Statement of Financial Position. Actuarial Gains & Losses are recognized in the Other Comprehensive Income in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a Straight Line Basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the Fair Value of plan Assets (If Any). Any Asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

**Revenue Recognition:**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at fair value of the consideration received or receivable net of Value Added Tax & Excise Duty.

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

**i) Revenue from Sale of Goods**

Revenue from sale of goods are recognized when the significant risks and rewards of ownership have been transferred to the Customers. Revenue is measured at the value of the consideration received or receivable, net of excise, trade discounts if any & Value Added Tax.

**Leases**

**Finance Leases**

Leases in which the Company has substantial portion of the risks and rewards of ownership are classified as Finance Leases. Assets acquired under Finance Leases are capitalised at the lower of the Fair Value of the Leased Assets at the inception of the Lease Term & the Present Value of Minimum Lease Payments. Lease Payments are apportioned between the Finance charge and the reduction of the outstanding liability. The Finance Charge is allocated to periods during the Lease Term at a constant periodic Rate of Interest on the remaining balance of the liability.

**Operating Lease**

Leases in which the Company doesn't have substantial portion of the risks and rewards of ownership are classified as Operating Leases. Payment made under Operating Leases are charged to Statement of Profit & Loss on a Straight Line Basis.

**Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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Associates  
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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
**For Period 17th July, 2019 - 15th July, 2020**  
**(Year Ended Upto Ashad 31, 2077)**

**Significant Information, Accounting Policies & Notes to the Accounts**

**Income Taxes**

Income Tax Expense represents the sum of the tax currently payable & Deferred Tax.

**Current Tax**

Current Tax Expenses are accounted in the same period to which the revenue and expenses relate. Provision for Current Income Tax is made for the Tax Liability payable on Taxable Income after considering tax allowances, deductions and exemptions determined in accordance with the applicable tax rates and the prevailing tax laws.

**Deferred Tax**

Deferred Tax is recognized on Temporary differences between the carrying amounts of Assets & Liabilities. Deferred Tax is recognized using the Statement of Financial Position and its Tax Base. Deferred Tax Assets & Liabilities are recognized for deductible and taxable temporary differences arising between the tax base of Assets & Liabilities and their carrying amount in Financial Statements, except when the Deferred Tax arises from the initial recognition of goodwill, an Asset or Liability in a transaction that is not a business combination and affects neither accounting nor taxable Profits or Loss at the time of the transaction.

Deferred Tax Assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible Temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred Tax Liabilities are generally recognized for all taxable Temporary differences.

The carrying amount of Deferred Tax Assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the Deferred Tax Asset to be utilized.

**Cash Flow Statement**

Cash Flows are reported using the indirect method, whereby Net Profit Before Tax is adjusted for the effects of transactions of a non-cash nature and any deferrals of accruals of past or future cash receipts or payments.

**Functional Currency & Foreign Currency Transactions**

The Financial Statements of the Company are presented in Nepalese Rupees, which is the Company's Functional Currency. In preparing the Financial Statements of the Company, transactions in currencies other than the Company's Functional Currency i.e. Foreign Currencies are recognized at the rates of exchange prevailing at the dates of the transactions.

**Earnings Per Share**

Earning per share is calculated by dividing the profit attributable to owners of the company by the Weighted Average Number of equity shares outstanding during the Financial Year.

**Operating Segment**

Operating Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM) as defined by NFRS 8, "Operating Segment".

Company's Income & Expenses including interest are considered as part of un-allocable Income & Expenses which are not identifiable to any business segment. Company's Asset & Liabilities are considered as part of un-allocable Assets & Liabilities which are not identifiable to any business.

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## 4. Property, Plant &amp; Equipment

| Categories                       | Land       | Land & Road Development | Building      | Computer & Accessories | Vehicles    | Furniture & Fixture | Plant & Machinery | Office Equipment | Heavy Equipment | Mines Development | Other Assets | Total         |
|----------------------------------|------------|-------------------------|---------------|------------------------|-------------|---------------------|-------------------|------------------|-----------------|-------------------|--------------|---------------|
| Gross Block                      | 65,648,208 | 8,586,550               | 1,982,299,246 | 4,929,551              | 26,871,213  | 43,862,000          | 3,885,234,379     | 10,976,721       | 123,481,249     | -                 | 4,381,177    | 6,156,270,296 |
| As on Shrawan, 2074              | -          | 19,672,602              | 5,392,237     | 1,569,905              | 8,644,584   | 913,760             | 1,785,133         | 450,598          | 12,626,193      | -                 | 1,414,494    | 52,469,506    |
| Addition During the Year         | -          | 19,672,602              | 2,347,519     | 1,569,905              | 8,644,584   | 913,760             | 1,785,133         | 450,598          | 12,626,193      | -                 | 1,414,494    | 49,434,789    |
| Acquisition                      | -          | -                       | 3,044,717     | -                      | -           | -                   | -                 | -                | -               | -                 | -            | 3,044,717     |
| Capitalization                   | -          | -                       | -             | -                      | (5,353,035) | -                   | -                 | -                | -               | -                 | -            | (5,353,035)   |
| Disposal During the Year         | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Adjustment/Revaluation           | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Balance as on Ashad End 2075     | 65,648,208 | 28,259,152              | 1,987,691,482 | 6,499,456              | 30,162,762  | 44,775,760          | 3,887,019,513     | 11,427,319       | 136,107,443     | -                 | 5,795,671    | 6,203,386,767 |
| Addition During the Year         | 303,880    | 51,650,292              | 556,708,404   | 2,519,616              | 9,969,735   | 10,882,567          | 2,110,049,377     | 1,352,167        | 12,949,899      | 22,604,359        | 2,243,363    | 2,781,233,657 |
| Acquisition                      | 303,880    | 51,650,292              | 86,342,048    | 2,519,616              | 9,969,735   | 10,882,567          | 1,377,828,395     | 1,352,167        | 12,949,899      | 22,604,359        | 2,243,363    | 1,578,646,319 |
| Capitalization                   | -          | -                       | 470,366,356   | -                      | -           | -                   | 732,220,981       | -                | -               | -                 | -            | 1,202,587,337 |
| Disposal During the Year         | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Adjustment/Revaluation           | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Balance as on Ashad End 2076     | 65,952,088 | 79,909,443              | 2,544,399,886 | 9,019,072              | 38,597,806  | 55,658,327          | 5,997,068,890     | 12,779,486       | 149,057,342     | 22,604,359        | 8,039,034    | 8,983,085,733 |
| Addition During the Year         | -          | -                       | 80,251,940    | 2,125,243              | 9,477,935   | 1,923,837           | 429,529,175       | 2,241,097        | 31,551,786      | 30,954,531        | -            | 588,055,543   |
| Acquisition                      | -          | -                       | 37,143,806    | 2,125,243              | 9,477,935   | 1,923,837           | 270,208,295       | 2,241,097        | 31,551,786      | 30,954,531        | -            | 385,626,529   |
| Capitalization                   | -          | -                       | 43,108,134    | -                      | -           | -                   | 159,320,880       | -                | -               | -                 | -            | 202,429,014   |
| Disposal During the Year         | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Adjustment/Revaluation           | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Balance As On Ashad End 2077     | 65,952,088 | 79,909,443              | 2,624,651,826 | 11,144,314             | 44,937,669  | 57,582,163          | 6,426,598,064     | 15,020,583       | 180,609,129     | 53,558,890        | 8,039,034    | 9,568,003,204 |
| Depreciation & Impairment        | -          | -                       | 268,554,506   | 2,471,926              | 8,596,017   | 15,660,839          | 1,507,495,860     | 5,480,323        | 37,463,905      | -                 | 2,337,262    | 1,848,060,838 |
| As on Shrawan, 2074              | -          | -                       | 66,062,572    | 2,727,159              | 4,190,235   | 5,671,810           | 264,307,455       | 1,861,463        | 14,730,562      | -                 | 1,131,797    | 360,683,054   |
| Depreciation Charge For the Year | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Impairment For the Year          | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Disposals                        | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Adjustment                       | -          | -                       | 334,617,078   | 5,199,085              | 9,572,091   | 21,332,649          | 1,771,803,315     | 7,341,786        | 52,194,467      | -                 | 3,469,059    | 2,205,529,530 |
| As on Ashad End 2075             | -          | -                       | 66,290,849    | 787,311                | 5,178,233   | 5,830,029           | 268,671,620       | 1,991,550        | 16,574,012      | 143,899           | 1,424,160    | 366,891,664   |
| Depreciation Charge For the Year | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Impairment For the Year          | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Disposals                        | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Adjustment                       | -          | -                       | 400,907,927   | 5,986,396              | 14,109,875  | 27,162,678          | 2,040,474,935     | 9,333,336        | 68,768,479      | 143,899           | 4,893,220    | 2,571,780,745 |
| As on Ashad End 2076             | -          | -                       | 84,701,786    | 1,711,413              | 6,414,177   | 7,254,154           | 411,693,397       | 2,472,431        | 17,716,407      | 2,045,468         | 731,571      | 534,740,805   |
| Depreciation Charge For the Year | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Impairment For the Year          | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Disposals                        | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Adjustment                       | -          | -                       | 485,609,713   | 7,697,809              | 18,620,079  | 34,416,833          | 2,452,168,331     | 11,805,767       | 86,484,886      | 2,189,368         | 5,624,791    | 3,104,617,576 |
| As on Ashad End 2077             | -          | -                       | 387,753,646   | -                      | -           | -                   | 408,471,117       | -                | -               | -                 | -            | 796,224,763   |
| Capital WIP - 31/03/2075         | -          | -                       | 153,633,218   | -                      | -           | -                   | 109,434,234       | -                | -               | -                 | -            | 263,067,451   |
| Capital WIP - 31/03/2076         | -          | -                       | 440,893,630   | -                      | -           | -                   | -                 | -                | -               | -                 | -            | 904,856,209   |
| Capital WIP - 31/03/2077         | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| Net Book Value                   | -          | -                       | -             | -                      | -           | -                   | -                 | -                | -               | -                 | -            | -             |
| As on Ashad End 2075             | 65,648,208 | 28,259,152              | 2,040,828,051 | 1,300,371              | 20,590,671  | 23,443,111          | 2,523,687,315     | 4,085,533        | 83,912,976      | -                 | 2,326,612    | 4,794,081,999 |
| As on Ashad End 2076             | 65,952,088 | 79,909,443              | 2,297,125,178 | 3,032,676              | 24,487,931  | 28,495,649          | 4,066,028,189     | 3,446,150        | 80,288,863      | 22,460,459        | 3,145,814    | 6,674,372,440 |
| As on Ashad End 2077             | 65,952,088 | 79,909,443              | 2,579,935,743 | 3,446,506              | 26,317,590  | 23,165,331          | 4,438,392,312     | 3,214,816        | 94,124,242      | 51,369,523        | 2,414,243    | 7,368,241,836 |



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## 5. Intangible Assets

| Categories                           | Server & Networking | Accounting Software | Total Ashad End  |
|--------------------------------------|---------------------|---------------------|------------------|
| <b>Gross Block</b>                   |                     |                     |                  |
| As on Shrawan, 2074                  | 1,740,354           | 1,858,706           | 3,599,060        |
| Addition During the Year             | -                   | 200,400             | 200,400          |
| Acquisition                          |                     | 200,400             | 200,400          |
| Capitalization                       |                     |                     | -                |
| Disposal During the Year             |                     |                     | -                |
| Adjustment/Revaluation               |                     |                     | -                |
| <b>Balance as on Ashad End 2075</b>  | <b>1,740,354</b>    | <b>2,059,106</b>    | <b>3,799,460</b> |
| Addition During the Year             | 65,000              | 1,542,551           | 1,607,551        |
| Acquisition                          | 65,000              | 1,542,551           | 1,607,551        |
| Capitalization                       |                     |                     | -                |
| Disposal During the Year             |                     |                     | -                |
| Adjustment/Revaluation               |                     |                     | -                |
| <b>Balance as on Ashad End 2076</b>  | <b>1,805,354</b>    | <b>3,601,657</b>    | <b>5,407,012</b> |
| Addition During the Year             | -                   | 895,335             | 895,335          |
| Acquisition                          | -                   | 895,335             | 895,335          |
| Capitalization                       |                     |                     | -                |
| Disposal During the Year             |                     |                     | -                |
| Adjustment/Revaluation               |                     |                     | -                |
| <b>Balance As On Ashad End 2077</b>  | <b>1,805,354</b>    | <b>4,496,992</b>    | <b>6,302,346</b> |
| <b>Amortisation &amp; Impairment</b> |                     |                     |                  |
| As on Shrawan, 2074                  | 896,663             | 503,743             | 1,400,407        |
| Depreciation Charge For the Year     | 279,129             | 364,531             | 643,660          |
| Impairment For the Year              |                     |                     | -                |
| Disposals                            |                     |                     | -                |
| Adjustment                           |                     |                     | -                |
| <b>As on Ashad End 2075</b>          | <b>1,175,793</b>    | <b>868,274</b>      | <b>2,044,067</b> |
| Depreciation Charge For the Year     | 246,197.46          | 579,029             | 825,227          |
| Impairment For the Year              |                     |                     | -                |
| Disposals                            |                     |                     | -                |
| Adjustment                           |                     |                     | -                |
| <b>As on Ashad End 2076</b>          | <b>1,421,990</b>    | <b>1,447,303</b>    | <b>2,869,294</b> |
| Depreciation Charge For the Year     | 121,893             | 686,285             | 808,178          |
| Impairment For the Year              |                     |                     | -                |
| Disposals                            |                     |                     | -                |
| Adjustment                           |                     |                     | -                |
| <b>As on Ashad End 2077</b>          | <b>1,543,884</b>    | <b>2,133,588</b>    | <b>3,677,472</b> |
| Capital WIP - 32/03/2075             |                     |                     | -                |
| Capital WIP - 31/03/2076             |                     |                     | -                |
| Capital WIP - 31/03/2076             |                     |                     | -                |
| <b>Net Book Value</b>                |                     |                     |                  |
| As on Ashad End 2075                 | 564,561             | 1,190,832           | 1,755,393        |
| As on Ashad End 2076                 | 383,364             | 2,154,354           | 2,537,718        |
| As on Ashad End 2077                 | 261,471             | 2,363,404           | 2,624,875        |

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Investments

Fig. in NPR

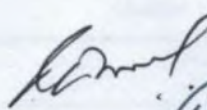
Equity Investments at FVTOCI

| Particulars                   | 15th July, 2020 (Ashad 31, 2077) | Ashadh 31, 2076 (July 16, 2019) | 17th July, 2018 (Shrawan 1, 2075)<br>Restated Opening |
|-------------------------------|----------------------------------|---------------------------------|-------------------------------------------------------|
| Corporate Equity shares:      |                                  |                                 |                                                       |
| Quoted Ordinary Shares        | -                                | 5,000,590                       | 5,698,250                                             |
| Allowance for impairment loss | -                                | -                               | -                                                     |
| <b>Total</b>                  | -                                | 5,000,590                       | 5,698,250                                             |

Fair Value Disclosure

| Particulars                       | 15th July, 2020 (Ashad 31, 2077) |      |              | Ashadh 31, 2076 (July 16, 2019) |           |              | 17th July, 2018 (Shrawan 1, 2075)<br>Restated Opening |           |              |
|-----------------------------------|----------------------------------|------|--------------|---------------------------------|-----------|--------------|-------------------------------------------------------|-----------|--------------|
|                                   | No. of<br>Shares                 | Cost | Fair Value** | No. of<br>Shares                | Cost      | Fair Value** | No. of<br>Shares                                      | Cost      | Fair Value** |
| <b>Quoted</b>                     |                                  |      |              |                                 |           |              |                                                       |           |              |
| Nepal Life Insurance Company Ltd. | -                                | -    | -            | 3,090                           | 2,480,925 | 2,784,090    | 3,090                                                 | 2,480,925 | 3,244,500    |
| Standard Chartered Bank Ltd.      | -                                | -    | -            | 3,250                           | 2,096,250 | 2,216,500    | 3,250                                                 | 2,096,250 | 2,453,750    |
| <b>Unquoted</b>                   |                                  |      |              |                                 |           |              |                                                       |           |              |
| <b>Total</b>                      |                                  | -    | -            |                                 | 4,577,175 | 5,000,590    |                                                       | 4,577,175 | 5,698,250    |

\*\* Closing Market Price listed in NEPSE as on last trading day of relevant financial year has been considered for deriving the fair value of Investment in Equity Shares.


**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig. in NPR

**7 Deferred Tax Assets**

| Particulars                                             | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|---------------------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Deferred Tax Asset/(Liability)                          | (117,882,126)                       | 17,521,388                          | 29,769,082                                               |
| Property, Plant & Equipment                             | -                                   | -                                   | -                                                        |
| Provision For Gratuity                                  | 1,348,507                           | 1,943,012                           | 1,330,758                                                |
| Provision For Doubtful Debts                            | 67,194                              | 82,282                              | 89,430                                                   |
| Lease Equalization Liability                            | (4,343,070)                         | (2,116,762)                         | (2,132,260)                                              |
| Changes in OH Component Inclusion in Cost of Conversion | 7,026,083                           | 5,590,505                           | 3,502,782                                                |
| Provision For CSR                                       | -                                   | (105,854)                           | (280,269)                                                |
| Fair Value change on investment                         | -                                   | -                                   | -                                                        |
| Carried Forward of Losses                               | -                                   | -                                   | -                                                        |
| <b>Total</b>                                            | <b>(113,783,412)</b>                | <b>22,914,571</b>                   | <b>32,279,523</b>                                        |

|                                                  |                         |
|--------------------------------------------------|-------------------------|
| <b>Particulars</b>                               |                         |
| 17th July, 2018 (Shrawan 1, 2075)                | 32,279,523.00           |
| (Charged)/Credited to Statement of Profit & Loss | (9,539,367.00)          |
| (Charged)/Credited to Other Comprehensive Income | 174,415.00              |
| <b>16th July, 2019 (Ashad 31, 2076)</b>          | <b>22,914,571.00</b>    |
| (Charged)/Credited to Statement of Profit & Loss | (136,803,837.00)        |
| (Charged)/Credited to Other Comprehensive Income | 105,854.00              |
| <b>15th July, 2020 (Ashad 31, 2077)</b>          | <b>(113,783,412.00)</b> |

**8 Other Non Current Assets**

| Particulars      | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Capital Advances | 352,541,669                         | 317,683,670                         | 280,833,261                                              |
| <b>Total</b>     | <b>352,541,669.13</b>               | <b>317,683,670.33</b>               | <b>280,833,260.59</b>                                    |

**9 Inventories (as taken, valued & certified by the Management)**

| Particulars         | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|---------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Raw Materials       | 292,538,949                         | 269,066,699                         | 339,522,608                                              |
| Power & Fuel        | 90,512,240                          | 363,524,629                         | 259,226,336                                              |
| Packing Material    | 5,614,362                           | 11,949,109                          | 12,437,527                                               |
| Semi Finished Goods | 5,662,609                           | 4,411,689                           | 4,883,919                                                |
| Finished Goods      | 211,774,035                         | 113,201,094                         | 108,170,314                                              |
| Stores and Spares   | 565,201,511                         | 569,782,261                         | 487,823,896                                              |
| <b>Total</b>        | <b>1,171,303,708</b>                | <b>1,331,935,480</b>                | <b>1,212,064,601</b>                                     |

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**Sarbottom Cement Ltd.**  
(Formerly Sarbottom Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
**For Period 17th July, 2019 - 15th July, 2020**  
**(Year Ended Upto Ashad 31, 2077)**

Fig. in NPR

**Trade Receivables**

| Particulars                                   | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|-----------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Trade Receivables From Related Parties        | 12,901,213                          | 192,800,499                         | 88,641,273                                               |
| Trade Receivables From Others                 | 1,335,605,193                       | 1,750,210,991                       | 1,242,116,136                                            |
| Provision for Impairment of Trade Receivables | (6,742,532)                         | (9,715,057)                         | (6,653,787)                                              |
| <b>Total</b>                                  | <b>1,341,763,874</b>                | <b>1,933,296,432</b>                | <b>1,324,103,622</b>                                     |

**Cash & Cash Equivalent**

| Particulars                                  | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|----------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Cash In Hand (as certified by the Mangement) | 12,126,564                          | 25,201,117                          | 24,230,960                                               |
| <b>Balance With Banks</b>                    | <b>2,050,065</b>                    | <b>-</b>                            | <b>-</b>                                                 |
| Agricultural Development Bank Ltd.           | 571,197                             | 2,150,218                           | 656,091                                                  |
| Bank of Kathmandu Ltd.                       | 917,461                             | 1,217,974                           | 205,162                                                  |
| Century Commercial Bank Ltd.                 | 7,236                               | 15,700,068                          | 3,910,569                                                |
| Citizens International Bank Ltd.             | 1,975,661                           | 9,223,004                           | 4,410,296                                                |
| Everest Bank Ltd.                            | 537,158                             | 949,002                             | 259,797                                                  |
| Garima Bikash Bank Ltd.                      | 1,586,035                           | 4,623,067                           | 2,905,753                                                |
| Global IME Bank Ltd.                         | 713,403                             | 3,284,057                           | 1,695,854                                                |
| Himalayan Bank Ltd.                          | 21,889                              | 174,826                             | 469,316                                                  |
| Kailash Bikas Bank Ltd.                      | 285,953                             | 1,266,941                           | 629,723                                                  |
| Laxmi Bank Ltd.                              | 860,966                             | -                                   | -                                                        |
| Machhapuchre Bank Ltd.                       | 917,504                             | 135,905                             | -                                                        |
| Mega Bank Ltd.                               | 416,183                             | 1,071,507                           | 835,972                                                  |
| Muktinath Bikash Bank Ltd.                   | 2,931,372                           | 9,726,450                           | 15,747,431                                               |
| Nabil Bank Ltd.                              | 1,847,306                           | -                                   | -                                                        |
| NCC Bank Ltd.                                | 1,205,790                           | 4,912,174                           | -                                                        |
| Nepal Bangladesh Bank Ltd.                   | 8,675,619                           | 3,377,661                           | 5,195,164                                                |
| Nepal Bank Ltd.                              | 394,199                             | 3,421,559                           | 7,351,930                                                |
| Nepal Investment Bank Ltd.                   | 230,069                             | 881,659                             | 1,691,467                                                |
| Nepal SBI Bank Ltd.                          | 3,152,481                           | 6,368,162                           | 585,193                                                  |
| NIC Asia Bank Ltd.                           | 1,017,226                           | -                                   | -                                                        |
| NMB Bank Ltd.                                | 4,293,768                           | 4,385,631                           | 11,723,992                                               |
| Prabhu Bank Ltd.                             | 1,733,502                           | 81,827,211                          | 264,560,096                                              |
| Prime Commercial Bank Ltd.                   | 822,980                             | 7,830,137                           | 800,159                                                  |
| Rastriya Banijya Bank Ltd.                   | 30,830,982                          | 2,039,892                           | 374,918                                                  |
| Sanima Bank Ltd.                             | 1,229,599                           | 38,417,008                          | 6,040,039                                                |
| Siddhartha Bank Ltd.                         | 205,755                             | 205,755                             | 199,746                                                  |
| Sunrise Bank Ltd.                            | -                                   | -                                   | -                                                        |
| <b>Total</b>                                 | <b>81,557,923</b>                   | <b>228,390,982</b>                  | <b>354,479,629</b>                                       |

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig. in NPR

**Other Financial Assets**

| Particulars                           | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|---------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| <b>Current</b>                        |                                     |                                     |                                                          |
| Bank Guarantee Margin                 | 6,000                               | 6,000                               | 306,000                                                  |
| LC & NRB Margin                       | 30,842,095                          | 17,602,563                          | 19,349,627                                               |
| Deposit Against Letter of Credit & TT | 199,114,100                         | 439,159,205                         | 1,439,756,149                                            |
| <b>Total</b>                          | <b>229,962,195</b>                  | <b>456,767,768</b>                  | <b>1,459,411,776</b>                                     |

**Other Current Assets**

| Particulars                    | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|--------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Prepaid Expenses               | 7,451,691                           | 8,640,112                           | 5,275,109                                                |
| Advance to Suppliers           |                                     |                                     |                                                          |
| To Related Parties             | 109,760,471                         | 108,011,930                         | 71,216,993                                               |
| To Others                      | 77,175,754                          | 358,897,023                         | 45,642,950                                               |
| Advance Against Staff & Labors | 1,437,848                           | 519,668                             | 854,295                                                  |
| Custom Deposit                 | 13,508,430                          | 8,509,787                           | 13,411,500                                               |
| Other Deposits                 | 1,283,000                           | 1,273,000                           | 913,000                                                  |
| Other Receivables              | -                                   | 5,582,153                           | 5,566,153                                                |
| VAT Receivable                 | -                                   | 16,428,962                          | 1,807,239                                                |
| <b>Total</b>                   | <b>210,617,194</b>                  | <b>507,862,634</b>                  | <b>144,687,239</b>                                       |

**Equity Share Capital**

| Particulars                                 | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|---------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| <b>Authorised Capital:</b>                  |                                     |                                     |                                                          |
| 40,000,000 Ordinary Shares of NPR 100 Each. | 4,000,000,000                       | 4,000,000,000                       | 4,000,000,000                                            |
| <b>Issued Capital:</b>                      |                                     |                                     |                                                          |
| 19,800,000 Ordinary Shares of NPR 100 Each. | -                                   | 1,980,000,000                       | 1,980,000,000                                            |
| 22,500,000 Ordinary Shares of NPR 100 Each. | 2,250,000,000                       | -                                   | -                                                        |
| <b>Paid Up Capital:</b>                     |                                     |                                     |                                                          |
| 19,800,000 Ordinary Shares of NPR 100 Each. | 1,980,000,000                       | 1,980,000,000                       | 1,980,000,000                                            |
| <b>Total</b>                                | <b>1,980,000,000</b>                | <b>1,980,000,000</b>                | <b>1,980,000,000</b>                                     |

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pot. Ltd.)  
**Notes to the Financial Statements**  
**For Period 17th July, 2019 - 15th July, 2020**  
**(Year Ended Upto Ashad 31, 2077)**

Fig. in NPR

**Fair Value Reserve**

| Particulars                                                              | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|--------------------------------------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Balance at the Beginning of the Year                                     | 317,561                             | 840,806                             | -                                                        |
| Net fair value (losses)/gains on financial assets recognised through OCI | -                                   | (523,245)                           | 840,806                                                  |
| Transfer on Disposal of Equity Instruments measured at FVTOCI            | (317,561)                           | -                                   | -                                                        |
| Balance at the End of the Year                                           | -                                   | 317,561                             | 840,806                                                  |

**Other Equity**

| Particulars                                                        | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|--------------------------------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Retained Earnings                                                  |                                     |                                     |                                                          |
| Balance at the Beginning of the Year                               | 2,097,015,769                       | 1,625,036,149                       | 465,342,468                                              |
| (+) Profit For the Year                                            | 777,674,641                         | 1,171,746,745                       | 1,159,693,681                                            |
| (+) Transfer of Fair Value Reserve on Disposal of Financial Assets | 423,415                             | -                                   | -                                                        |
| Available For Distribution                                         | 2,875,113,826                       | 2,796,782,894                       | 1,625,036,149                                            |
| (-) Dividend Distribution                                          | -                                   | (700,000,000)                       | -                                                        |
| Other Adjustment                                                   | 260,514                             | 232,875                             | -                                                        |
| Balance at the End of the Year                                     | 2,875,374,340                       | 2,097,015,769                       | 1,625,036,149                                            |

**Long Term Borrowings**

| Particulars                     | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|---------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Hire Purchase Loan              |                                     |                                     |                                                          |
| Prime Commercial Bank Ltd.   HP | 3,454,636                           | 5,881,337                           | 8,054,328                                                |
| (-) HP Loan Current Portion     | (2,257,808)                         | (2,426,460)                         | (2,172,991)                                              |
| Long Term Loan                  |                                     |                                     |                                                          |
| ! Ace Development Bank Ltd.     | -                                   | -                                   | -                                                        |
| ! Centuary Commercial Bank Ltd. | 261,235,040                         | 289,910,914                         | 232,364,094                                              |
| ! Civil Bank Ltd.               | 179,096,880                         | 218,863,136                         | 198,369,992                                              |
| ! Janata Bank Nepal Ltd.        | 311,283,700                         | 364,691,818                         | 282,693,246                                              |
| ! Kumari Bank Ltd.              | 280,244,860                         | 332,403,182                         | 276,205,994                                              |
| ! Machhapuchhre Bank Ltd.       | 188,605,274                         | 215,292,254                         | 151,877,092                                              |
| ! Mega Bank Nepal Ltd.          | 163,747,040                         | 195,308,957                         | 166,752,152                                              |
| ! NCC Bank Ltd.                 | 187,280,208                         | 228,387,383                         | 168,248,653                                              |
| ! Nepal Bank Ltd.               | 338,900,860                         | 451,899,102                         | 444,435,194                                              |
| ! Prabhu Bank Ltd.              | 251,482,022                         | 287,094,426                         | 202,487,076                                              |
| ! Prime Commercial Bank Ltd.    | 487,376,827                         | 534,913,973                         | 454,907,528                                              |
| ! Sanima Bank Ltd.              | 280,632,255                         | 320,732,861                         | 259,409,063                                              |
| ! Sunrise Bank Ltd.             | 265,969,958                         | 297,354,501                         | 239,203,017                                              |
| (-) Term Loan Current Portion   | (682,180,058)                       | (537,490,058)                       | (537,490,058)                                            |
| Total                           | 2,514,871,694                       | 3,202,817,327                       | 2,545,344,377                                            |

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pot. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig. in NPR

**Provisions**

| Particulars                                   | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|-----------------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| <b>Non - Current</b>                          |                                     |                                     |                                                          |
| Provision For Leave Encashment                |                                     |                                     |                                                          |
| Provision For Gratuity                        |                                     |                                     |                                                          |
| <b>Non Current Provisions</b>                 | -                                   | -                                   | -                                                        |
| <b>Current</b>                                |                                     |                                     |                                                          |
| Provision For Corporate Social Responsibility | 37,374,411                          | 27,952,527                          | 17,513,908                                               |
| Provision For Leave Encashment                |                                     |                                     |                                                          |
| <b>Current Provisions</b>                     | 37,374,411                          | 27,952,527                          | 17,513,908                                               |

(a) Disclosure under NAS 37 "Provisions, Contingent Liabilities & Contingent Assets"

| Description                                          | Opening    | Additions<br>During the Year | Closing    |
|------------------------------------------------------|------------|------------------------------|------------|
| <b>Provision For Corporate Social Responsibility</b> |            |                              |            |
| For The Year Ended 15th July, 2020 (Ashad 31, 2077)  | 27,952,527 | 9,421,883                    | 37,374,411 |
| For The Year Ended 16th July, 2019 (Ashad 31, 2076)  | 17,513,908 | 10,438,619                   | 27,952,527 |

**Trade Payable**

| Particulars                        | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Trade Payable From Related Parties | 119,239,424                         | 154,602,455                         | 90,051,657                                               |
| Trade Payable From Others          | 533,765,782                         | 771,641,160                         | 462,329,525                                              |
| <b>Total</b>                       | 653,005,206                         | 926,243,615                         | 552,381,182                                              |

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**Sarbottom Cement Ltd.**  
(Formerly Sarbottom Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig. in NPR

**Short Term Borrowings**

| Particulars                       | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|-----------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| <b>Secured</b>                    |                                     |                                     |                                                          |
| <b>Overdraft Loan</b>             |                                     |                                     |                                                          |
| Century Commercial Bank Ltd.   OD | -                                   | 129,511,836                         | 118,308,432                                              |
| Civil Bank Ltd.   OD              | 90,195,681                          | 98,270,517                          | 121,904,368                                              |
| Kumari Bank Ltd.   OD             | 168,243,063                         | 149,357,827                         | 141,018,674                                              |
| Machhapuchre Bank Ltd.   OD       | -                                   | 57,160,916                          | 45,257,959                                               |
| Prabhu Bank Ltd   OD              | 1,683,016                           | -                                   | -                                                        |
| Prime Commercial Bank Ltd   OD    | 193,848,363                         | 106,542,142                         | -                                                        |
| Sunrise Bank Ltd.   OD            | 94,868,187                          | 114,747,295                         | 149,782,624                                              |
| <b>Working Capital Loan</b>       |                                     |                                     |                                                          |
| Century Commercial Bank Ltd.   WC | 84,908,422                          | 27,000,000                          | 27,750,000                                               |
| Global IME Bank Ltd.   WC         | 36,339,928                          | -                                   | -                                                        |
| Janta Bank Nepal Ltd.   WC        | -                                   | 125,337,135                         | 136,596,731                                              |
| Mega Bank Ltd.   WC               | 44,908,422                          | 99,999,085                          | 69,175,101                                               |
| NCC Bank Ltd.   WC                | -                                   | 170,005,619                         | 188,268,717                                              |
| Nepal Bank Ltd.   WC              | 188,894,013                         | 390,000,000                         | 162,475,000                                              |
| Prabhu Bank Ltd.   WC             | -                                   | 97,199,610                          | 97,200,000                                               |
| Prime Commercial Bank Ltd.   WC   | 125,743,583                         | -                                   | -                                                        |
| Sanima Bank Ltd.   WC             | 198,106,932                         | 140,000,000                         | 97,200,000                                               |
| Sunrise Bank Ltd.   WC            | 135,000,000                         | 35,000,000                          | 24,300,000                                               |
| <b>Bridge Gap Loan</b>            |                                     |                                     |                                                          |
| Prime Commercial Bank Ltd.   BG   | -                                   | 242,523,529                         | 600,000,000                                              |
| <b>TR Loan</b>                    |                                     |                                     |                                                          |
| Prime Commercial Bank Ltd.   TR   | 85,192,834                          | 440,804,609                         | 50,351,000                                               |
| <b>Current Maturity of LTL</b>    | 684,437,866                         | 539,916,518                         | 539,663,049                                              |
| <b>Total</b>                      | <b>2,132,370,310</b>                | <b>2,963,376,637</b>                | <b>2,569,251,655</b>                                     |

**Other Current Financial Liabilities**

| Particulars                     | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|---------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Retention Money Payable         | 30,911,038                          | 27,613,637                          | 14,484,652                                               |
| <b>Employee Related Payable</b> |                                     |                                     |                                                          |
| Bonus Payable                   | 45,901,921                          | 82,386,191                          | 96,923,608                                               |
| Other Employee Related Payable  |                                     |                                     |                                                          |
| Salaries and Wages Payable      | 12,945,305                          | 11,321,012                          | 13,427,507                                               |
| Payable to Staff                | 2,698,720                           | -                                   | 14,999                                                   |
| <b>Total</b>                    | <b>92,456,983.29</b>                | <b>121,320,839.81</b>               | <b>124,850,766.06</b>                                    |

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig. in NPR

**Other Current Liabilities**

| Particulars                      | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|----------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Provision for Expenses           | 14,335,258                          | 22,917,050                          | 4,769,408                                                |
| Lease Equalization Liability     | 335,966                             | 411,407                             | 447,147                                                  |
| Advance From Customers           |                                     |                                     |                                                          |
| From Related Parties             | 40,067,537                          | -                                   | -                                                        |
| From Others                      | 106,890,066                         | 67,985,767                          | 43,549,370                                               |
| Statutory Dues                   |                                     |                                     |                                                          |
| TDS Payable                      | 62,894,441                          | 59,504,624                          | 35,104,428                                               |
| VAT Payable                      | 25,299,930                          | -                                   | -                                                        |
| Reverse VAT Payable              | 106,286                             | 8,124                               | 2,354,272                                                |
| Excise payable                   | 6,669,881                           | 5,436,250                           | 3,812,420                                                |
| Royalty payable                  | 19,139,690                          | 5,366,525                           | 2,014,521                                                |
| CIT Payable                      | 510,829                             | 446,618                             | -                                                        |
| Audit Fee Payable                | 261,025                             | 261,025                             | 246,250                                                  |
| Other Liabilities                |                                     |                                     |                                                          |
| Interest Payable                 | 23,812,995                          | -                                   | 2,750,712                                                |
| Payable Against Letter of Credit | 44,317,576                          | -                                   | -                                                        |
| Dividend Payable                 | -                                   | 2,125,000                           | -                                                        |
| Directors Payable                | -                                   | -                                   | 100,930,236                                              |
| Rent Payable                     | 9,000                               | 62,460                              | 205,001                                                  |
| <b>Total</b>                     | <b>344,650,479.65</b>               | <b>164,524,849.78</b>               | <b>196,183,764.38</b>                                    |

**Income Tax (Assets)/Liabilities (Net)**

| Particulars            | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Income Tax Liabilities | 18,287,973                          | 13,699                              | -                                                        |
| Income Tax Assets      | (3,561,536)                         | (2,820,539)                         | (2,007,316)                                              |
| <b>Total</b>           | <b>14,726,437</b>                   | <b>(2,806,840)</b>                  | <b>(2,007,316)</b>                                       |

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig.in NPR

**22 Revenue From Operations**

| Particulars                   | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|-------------------------------|-------------------------------------|-------------------------------------|
| Revenue From Cement Sales     | 3,221,176,385                       | 3,685,340,242                       |
| Revenue From Clinker Sales    | 4,043,048,876                       | 3,331,201,346                       |
| <b>Other Operating Income</b> |                                     |                                     |
| Revenue From Trading          | 57,129,275                          | 898,552                             |
| Revenue From Scrap Sales      | 31,505,580                          | 25,006,992                          |
| <b>Total</b>                  | <b>7,352,860,115</b>                | <b>7,042,447,131</b>                |

**23 Other Income**

| Particulars                       | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Writeback of Bonus Payable        | 18,560,815                          | -                                   |
| Interest Income                   | 491,656                             | 3,845,111                           |
| Gain/(Loss) on Sale of PPE        | 1,097,563                           | -                                   |
| Others                            | 613,687                             | 690,113                             |
| (Loss)/Gain on sale of Investment | 1,334,696                           | -                                   |
| <b>Total</b>                      | <b>22,098,417.57</b>                | <b>4,535,223.31</b>                 |

**24 Raw Material Consumption**

| Particulars                | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|----------------------------|-------------------------------------|-------------------------------------|
| Raw Materials Consumed     | 1,649,641,571                       | 1,530,581,385                       |
| Packing Materials Consumed | 88,002,171                          | 106,554,910                         |
| Other Materials Consumed   | 46,249,219                          | 728,938                             |
| <b>Total</b>               | <b>1,783,892,961.77</b>             | <b>1,637,865,232.74</b>             |

**25 Changes in Inventories of Finished Goods**

| Particulars        | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|--------------------|-------------------------------------|-------------------------------------|
| Opening Stock - FG | 113,201,094                         | 108,170,314                         |
| Closing Stock - FG | (211,774,035)                       | (113,201,094)                       |
| <b>Total</b>       | <b>(98,572,941)</b>                 | <b>(5,030,780)</b>                  |

**26 Employee Benefit Expenses**

| Particulars               | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|---------------------------|-------------------------------------|-------------------------------------|
| Salaries & Wages          | 238,128,986                         | 232,311,508                         |
| Bonus                     | 45,901,921                          | 82,386,191                          |
| Staff Welfare             | 4,323,917                           | 4,229,711                           |
| Leave Encashment Expenses | 9,113,302                           | 5,710,056                           |
| <b>Total</b>              | <b>297,468,126</b>                  | <b>324,637,466</b>                  |



**Sarbottom Cement Ltd.**  
(Formerly Sarbottom Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

Fig.in NPR

**27 Depreciation & Amortization**

| Particulars                                    | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|------------------------------------------------|-------------------------------------|-------------------------------------|
| Depreciation of Property, Plant and Equipments | 534,740,805                         | 366,891,664                         |
| Amortization of Intangible Assets              | 808,178                             | 825,227                             |
| <b>Total</b>                                   | <b>535,548,983</b>                  | <b>367,716,891</b>                  |

**28 Other Expenses**

| Particulars                                 | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|---------------------------------------------|-------------------------------------|-------------------------------------|
| Excavator & Loader Charges                  | 44,707,748                          | 31,957,857                          |
| Generator Running Expenses                  | 82,102,621                          | 120,546,601                         |
| Other Production Expenses                   | 48,975,021                          | 33,396,809                          |
| Annual Maintenance Charge                   | -                                   | 12,000                              |
| Repair & Maintainance                       | 86,803,124                          | 127,677,059                         |
| Tax Assessment Expenses                     | 7,965,123                           | -                                   |
| Security Expenses                           | 8,951,148                           | 4,612,688                           |
| Foreign Exchange Gain/(Loss)                | 4,769,682                           | 2,005,545                           |
| Gain/(Loss) on Sale of PPE                  | -                                   | 321,807                             |
| Rates & Taxes                               | 2,762,252                           | 3,086,749                           |
| Registration & Renewable Charges            | 3,677,150                           | 2,436,234                           |
| Office Rent Expenses                        | 3,342,935                           | 3,418,108                           |
| Audit Fee                                   | 250,000                             | 250,000                             |
| Tax Audit Fee                               | 15,000                              | 15,000                              |
| Guest Entertainment Expenses                | 573,578                             | 666,933                             |
| Mess & Canteen Expenses                     | 13,271,195                          | 11,081,379                          |
| Insurance Premium                           | 1,772,159                           | 1,424,514                           |
| Internet Expense                            | 1,883,810                           | 1,720,514                           |
| Legal and Consultancy Charges               | 4,182,348                           | 2,361,383                           |
| Postage & Courier Expenses                  | 208,315                             | 368,067                             |
| Books and Periodicals                       | 10,926                              | 7,797                               |
| Printing & Stationery                       | 2,967,688                           | 2,956,863                           |
| Telephone Expenses                          | 1,975,007                           | 2,368,171                           |
| Travelling & Conveyance                     | 10,162,309                          | 8,007,821                           |
| Corporate Social Responsibility (CSR)       |                                     |                                     |
| CSR Expenses                                | -                                   | -                                   |
| CSR Provision                               | 9,421,883                           | 10,438,619                          |
| Vehicle Running Expense                     | 3,832,664                           | 4,690,224                           |
| Vehicle Rental Expenses                     | 227,590                             | 598,950                             |
| Advertisement & Publicly Expenses           | 66,355,279                          | 72,275,053                          |
| Carriage Outward                            | 1,002,930                           | -                                   |
| Sales Commission                            | 294,834,817                         | 189,340,049                         |
| Sales Promotion                             | 97,113,645                          | 14,900,880                          |
| (Reversal) /Provision for Trade Receivables | (2,972,525)                         | 3,061,270                           |
| Others                                      | 4,396,883                           | 5,152,439                           |
| <b>Total</b>                                | <b>805,542,304</b>                  | <b>661,157,384</b>                  |

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Associates

**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
**For Period 17th July, 2019 - 15th July, 2020**  
(Year Ended Upto Ashad 31, 2077)

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**29 Finance Cost**

| Particulars                                             | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|---------------------------------------------------------|-------------------------------------|-------------------------------------|
| Interest on Working Capital Loan                        | 217,522,395                         | 158,838,583                         |
| Interest on Overdraft Loan                              | 1,036,609                           | 11,145,917                          |
| Interest on Term Loan                                   | 393,958,954                         | 228,412,509                         |
| Interest on Bridge Gap Loan                             | 23,550,393                          | 55,756,869                          |
| Interest on Hire Purchase Loan                          | 584,173                             | 642,902                             |
| Bank Charges & Commission                               | 4,393,377                           | 5,306,475                           |
| (-) Interest Transferred to Land Advances               | (34,857,999)                        | (32,459,340)                        |
| (-) Interest Capitalized to Property, Plant & Equipment | (61,807,742)                        | (13,358,123)                        |
| <b>Total</b>                                            | <b>544,380,160</b>                  | <b>414,285,792</b>                  |

**30 Income Tax Expense**

This Note Provides an reconciliation between Taxable Profit & Accounting Profit.

**(a) Income Tax Expense**

| Particulars                        | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|------------------------------------|-------------------------------------|-------------------------------------|
| Current Tax on Profit For The Year | 18,287,973                          | 13,699                              |
| Deferred Tax For The Year          | 136,803,837                         | 9,539,367                           |
| <b>Income Tax Expense</b>          | <b>155,091,810</b>                  | <b>9,553,066</b>                    |

**(b) Reconciliation of Taxable Profit & the Accounting Profit**

| Particulars                                                     | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|-----------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Accounting Profit Before Tax                                    | 932,766,451                         | 1,181,299,811                       |
| <b>Nepal Financial Reporting Standard (NFRS)</b>                |                                     |                                     |
| (i) Lease Equilization Impact (Notional)                        | (75,441)                            | (35,740)                            |
| (ii) (Reversal)/Provision For Trade Receivables                 | (2,972,525)                         | 3,061,270                           |
| (iii) Change in Method of Depreciation                          | (184,766,996)                       | (150,979,544)                       |
| (iv) Changes in OH Component Inclusion in Cost of Conversion    | (11,131,539)                        | 77,489                              |
| (v) Change in Fair Value Gain on disposal of equity instrument. | 423,415                             | -                                   |
| <b>Adjustments As Per Income Tax Act, 2058</b>                  |                                     |                                     |
| (i) CSR Provision Disallowed                                    | 9,421,883                           | 10,438,619                          |
| (ii) Lower Depreciation as Per Books                            | (292,973,070)                       | (79,758,116)                        |
| (iii) Tax Assessment Expenses Disallowed                        | 7,965,123                           | -                                   |
| (iv) Donation & Others Disallowed                               | 361,911                             | 2,587,356                           |
| (v) Dividend Income Tax Exempted                                | -                                   | (173,564)                           |
| <b>Taxable Profit As Per Income Tax</b>                         | <b>459,019,213</b>                  | <b>966,517,582</b>                  |

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**Sarbottam Cement Ltd.**  
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**Notes to the Financial Statements**  
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**31 Fair Value Measurements**

**(i) Financial Instruments by Category & Hierarchy**

This section explains the judgements and estimates made in determining the Fair Values of the Financial Instruments that are measured at Amortised Cost and at which Fair Values are disclosed in the Financial Statements. The Company doesn't have any Financial Instruments which are to be measured at Fair Value through Profit & Loss or Fair Value through Other Comprehensive Income.

To provide an indication about the reliability of the inputs used in determining Fair Value, the Company has classified its financial instruments into Three Levels prescribed as per applicable NFRS. However, all the Financial Instruments held by the Company fall under Level 3 Category.

Level 1: Level 1 Hierarchy includes Financial Instruments measured using Quoted Prices.

Level 2: Fair Value of Financial Instruments that are not traded in an active market is determined using valuation techniques which maximises the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to determine Fair Value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There is no transfer of Financial Instruments between different levels as mentioned above during the year.

**32 Financial Risk Management**

The Company's activities expose it to Credit Risk, Liquidity Risk & Market Risk.

**(i) Credit Risk**

The Company is exposed to credit risk for various Financial Instruments, For Example Customer Receivables, Loans or Advances given. The Company continuously monitors Receivables and defaults with customers & other counterparties. Appropriate Security Deposits along with Bank Guarantee are kept against the supplies to customers.

Credit Risk with respect to Trade Receivable is managed by the Company through setting up Credit Limits for customers & also periodically reviewing the Credit worthiness of major customers.

Impairment for Trade Receivables:

| Particulars                          | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|--------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Gross Carrying Amount                | 1,348,506,406                       | 1,943,011,490                       | 1,330,757,409                                            |
| Impairment Losses                    | (6,742,532)                         | (9,715,057)                         | (6,653,787)                                              |
| Carrying Amount of Trade Receivables | 1,341,763,874                       | 1,933,296,432                       | 1,324,103,622                                            |

The credit risk for cash & cash equivalents is considered negligible, since the counterparties are Nepal Rastra Bank approved Financial Institutions.



**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
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**ii) Liquidity Risk**

Prudent Liquidity Management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of internal and external financing to meet obligations when due. The Company monitors its risk to a shortage of funds on a regular basis through cash forecast for scheduled debts servicing payments and considering maturity profiles of Financial Assets & Other Financial Liabilities.

**a) Financing Arrangements:**

The Company has availed Financing Arrangements as categorised below. Closing balances of the same stands as follows:

| Particulars             | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|-------------------------|-------------------------------------|-------------------------------------|----------------------------------------------------------|
| Short Term Borrowings   | 2,132,370,310                       | 2,963,376,637                       | 2,569,251,655                                            |
| Long Term Borrowings    | 2,514,871,694                       | 3,202,817,327                       | 2,545,344,377                                            |
| <b>Total Borrowings</b> | <b>4,647,242,005</b>                | <b>6,166,193,964</b>                | <b>5,114,596,032</b>                                     |

**b) Maturity of Financial Liabilities:**

The table below summarises the Company's Financial Liabilities into Relevant Maturity Groupings based on their Contractual Maturities for all Financial Liabilities.

| Particulars                        | 15th July, 2020<br>(Ashad 31, 2077) |                      | 16th July, 2019<br>(Ashad 31, 2076) |                      | 17th July, 2018 (Shrawan 1, 2075)<br>Restated Opening |                      |
|------------------------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------------------------|----------------------|
|                                    | < 1 Year                            | > 1 Year             | < 1 Year                            | > 1 Year             | < 1 Year                                              | > 1 Year             |
| Trade Payables                     | 653,005,206                         |                      | 926,243,615                         |                      | 552,381,182                                           |                      |
| Borrowings                         | 2,132,370,310                       | 2,514,871,694        | 2,963,376,637                       | 3,202,817,327        | 2,569,251,655                                         | 2,545,344,377        |
| Other Financial Liabilities        | 92,456,983                          |                      | 121,320,840                         |                      | 124,850,766                                           |                      |
| <b>Total Financial Liabilities</b> | <b>2,877,832,499</b>                | <b>2,514,871,694</b> | <b>4,010,941,092</b>                | <b>3,202,817,327</b> | <b>3,246,483,603</b>                                  | <b>2,545,344,377</b> |

**iii) Market Risk**

**a) Interest Rate Risk**

Interest Rate Risk is the risk that the Fair Value or Future Cash Flows of a Financial Instrument will fluctuate because of changes in Market Rates. The Company's policy is to minimise Interest Rate Cash Flow risk exposure on borrowings.

**b) Interest Rate Sensitivity**

Profit or Loss is Sensitive to changes in Interest Rate for Borrowings. A change in Market Interest Level by 100 Basis Points which is reasonably possible based on Management's Assessment would have the following effect on the Profit After Tax.

| Particulars                                   | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) |
|-----------------------------------------------|-------------------------------------|-------------------------------------|
| Interest Rate - Increase By 100 Basis Points* | 54,067,180                          | 56,403,950                          |
| Interest Rate - Decrease By 100 Basis Points* | (54,067,180)                        | (56,403,950)                        |

\* Holding all other Variable Constant

**33 Capital Management**

The Company has Equity Share Capital & Reserves as the source of capital. The primary objective of the Company's capital management is to maximize the shareholder value & provide adequate return to shareholders.

To maintain or adjust the Capital Structure, the company may adjust the dividend payment to shareholders or Issue New Shares for further capital infusion.



**Sarbottam Cement Ltd.**  
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**34 Related Party Disclosure**

**Subsidiaries**

N/A

**Other Related Entities**

Sarbottam Minerals Pvt Ltd  
Siddheshwor Minerals Pvt Ltd  
Jagdamba Spinning Pvt. Ltd.  
Jagdamba Synthetics Pvt. Ltd.  
Jagdamba Cement Pvt. Ltd.  
Shubhashree Jagdamba Cement Pvt. Ltd.  
Laxmi Steels Pvt. Ltd.  
Neupane Tower  
Saurabh Photo International

**Key Managerial Personnel**

Chairman-Bishnu Prasad Neupane  
Director-Meena Kumari Agarawal  
Director-Tenzin Lakden Tamang  
Board Advisor-Diwas Neupane  
Board Advisor-Ankur Neupane  
CEO-Bharat Babu Dahal  
Head (Sales & Marketing)-Subhash Pandey  
Head (Sales & Marketing)-Vivek Bir Pandey  
Head (Sales & Marketing)-Binod Adhikari (Resigned on 2075.02.31)  
CFO-Santosh KC (Appointed on 2075-03-07)  
CFO-Bandan Prasad Deo (Resigned on 2075.03.24)

**(a) Key Management Personnel Compensation:**

|                              | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019<br>(Ashad 31, 2076) | 16th July, 2018<br>(Ashad 32, 2075) |
|------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Short Term Employee Benefits | 15,093,656.08                       | 9,693,021.85                        | 5,974,086.87                        |
|                              | 15,093,656.08                       | 9,693,021.85                        | 5,974,086.87                        |

**(b) Related Party Transactions:**

| Particulars                                          | Other Related<br>Entities | Key Managerial<br>Personnel | Total         |
|------------------------------------------------------|---------------------------|-----------------------------|---------------|
| <b>Sales of Goods</b>                                |                           |                             |               |
| For The Year Ended 15th July, 2020 (Ashad 31, 2077)  | 1,882,960,470             | Nil                         | 1,882,960,470 |
| For The Year Ended 16th July, 2019 (Ashad 31, 2076)  | 1,599,305,587             | Nil                         | 1,599,305,587 |
| For The Year Ended 17th July, 2018 (Shrawan 1, 2075) | 860,843,064               | Nil                         | 860,843,064   |
| <b>Purchases</b>                                     |                           |                             |               |
| <b>Goods</b>                                         |                           |                             |               |
| For The Year Ended 15th July, 2020 (Ashad 31, 2077)  | 322,682,368               | Nil                         | 322,682,368   |
| For The Year Ended 16th July, 2019 (Ashad 31, 2076)  | 319,651,982               | Nil                         | 319,651,982   |
| For The Year Ended 17th July, 2018 (Shrawan 1, 2075) | 357,305,544               | Nil                         | 357,305,544   |
| <b>Services</b>                                      |                           |                             |               |
| For The Year Ended 15th July, 2020 (Ashad 31, 2077)  | 2,628,900                 | Nil                         | 2,628,900     |
| For The Year Ended 16th July, 2019 (Ashad 31, 2076)  | 2,484,000                 | Nil                         | 2,484,000     |
| For The Year Ended 17th July, 2018 (Shrawan 1, 2075) | 2,389,000                 | Nil                         | 2,389,000     |

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pot. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

(c) Related Party Balances:

| Particulars                             | Other Related<br>Entities | Key Managerial<br>Personnel | Total       |
|-----------------------------------------|---------------------------|-----------------------------|-------------|
| <b>Trade Receivables</b>                |                           |                             |             |
| As at 15th July, 2020 (Ashad 31, 2077)  | 12,901,213                | -                           | 12,901,213  |
| As at 16th July, 2019 (Ashad 31, 2076)  | 192,800,499               | -                           | 192,800,499 |
| As at 17th July, 2018 (Shrawan 1, 2075) | 88,641,273                | -                           | 88,641,273  |
| <b>Customer Advance</b>                 |                           |                             |             |
| As at 15th July, 2020 (Ashad 31, 2077)  | 40,067,537                | -                           | 40,067,537  |
| As at 16th July, 2019 (Ashad 31, 2076)  | -                         | -                           | -           |
| As at 17th July, 2018 (Shrawan 1, 2075) | -                         | -                           | -           |
| <b>Trade Payables</b>                   |                           |                             |             |
| As at 15th July, 2020 (Ashad 31, 2077)  | 119,239,424               | -                           | 119,239,424 |
| As at 16th July, 2019 (Ashad 31, 2076)  | 154,602,455               | -                           | 154,602,455 |
| As at 17th July, 2018 (Shrawan 1, 2075) | 90,051,657                | -                           | 90,051,657  |
| <b>Advance to Suppliers</b>             |                           |                             |             |
| As at 15th July, 2020 (Ashad 31, 2077)  | 109,760,471               | -                           | 109,760,471 |
| As at 16th July, 2019 (Ashad 31, 2076)  | 108,011,930               | -                           | 108,011,930 |
| As at 17th July, 2018 (Shrawan 1, 2075) | 71,216,993                | -                           | 71,216,993  |



**Sarbottam Cement Ltd.**  
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**35 Legal Matters & Contingent Liabilities**

**Claims against the Company - Nepal Electricity Authority**

Company has not ascertained the financial impact of Electricity Due (including interest & penalty) so arising against an appeal so filed at honorable Supreme Court by Sarbottam Cement Ltd. against Nepal Electricity Authority for electricity overbilling issues so prevailing in the reporting period. The impact of the same is not reflected in the profitability of respective financial years. The amount so quantified by the management in this regards is as stated below:

| Particulars                                                                                 | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019 (Ashad<br>31, 2076) |
|---------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Amount Payable to NEA (including interest & penalty)<br>For Electricity Over Billing Issues | 480,402,234                         | 270,777,739                         |

**36 Corporate Social Responsibility**

Provision for Corporate Social Responsibility, as required under the provision of Industrial Enterprise Act, 2076 Sec: 54 has been created.

**37 Earnings Per Share**

| Particulars                                                                                            | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019 (Ashad<br>31, 2076) |
|--------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Profit For the Year                                                                                    | 777,674,641                         | 1,171,746,745                       |
| Weighted Avg. No. of Equity Shares O/S During the Year (For Basic)                                     | 19,800,000                          | 19,800,000                          |
| Weighted Avg. No. of Equity Shares O/S During the Year (For Diluted)<br>(182:142 Right Sahre Adjusted) | 34,000,000                          | -                                   |
| Nominal Value of Equity Shares                                                                         | 100                                 | 100                                 |
| Earnings Per Share (Basic)                                                                             | 39.28                               | 59.18                               |
| Earnings Per Share (Diluted)                                                                           | 22.87                               | -                                   |

**38 Operating Leases as Lessee:**

The Company has various Operating Leases ranging from 1 Year to 2 Years.

The leases are renewable by mutual consent & contains escalation clause.

Disclosure in respect of Operating Leases is as given below:

| Particulars                                    | 15th July, 2020<br>(Ashad 31, 2077) | 16th July, 2019 (Ashad<br>31, 2076) |
|------------------------------------------------|-------------------------------------|-------------------------------------|
| i) Not Later than 1 Year                       | 2,503,654                           | 3,342,936                           |
| ii) Later than 1 Year & Not Later than 5 Years | 1,043,612                           | 3,547,266                           |
| iii) Later than 5 Years                        | -                                   | -                                   |

**39 Assets Pledged**

The entity has pledged its Property, Plant & Equipment, Trading Assets i.e. Receivables & Inventory to collateralize its Interest Bearing Borrowings.

**40 Income Tax Rate**

As per Sec 11(3C) of Income Tax Act, 2058, 100% tax holiday for initial 5 years & 50% tax rebate for another 3 years shall be available to the company. The company was eligible for 100% tax exemption starting from 2071-072 to 2075-076 along with upto the period ended Magh 29, 2076 and from 1st Falgun, 2076 (2076-077) company is enjoy 50% tax rebate.

**41 Changes in Legal Status of the Company**

The legal status of the company has been changed from private limited to public limited company on date 2076-4-30 as per certificate issued by the Office of Company Registrar, Tripureshwor.

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**Sarbottam Cement Ltd.**  
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**Notes to the Financial Statements**  
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**42 Interim Dividend @54.23%**

The company has decided to distribute interim dividend @54.23% i.e. Rs.54.23 per share total amounting to Rs.1,073,754,000 on its existing paid up share capital as per the decision of Extra-ordinary General Meeting so held on 2077-8-23. This dividend is declared after the balance sheet date but before the financial statements are authorised for issue, and thus not recognised as liability at the balance sheet date as per the NAS 10 on Event after the Reporting Period.

**43 Issue of Right Share (198:142)**

The company has decided to issue right share in the ratio of 198:142 i.e. 14,200,000 share will be issued to existing shareholder holding 19,800,000 shares as per the decision of Extra-ordinary General Meeting so held on 2077-8-23.

**44 Regrouping of Figures:**

Previous Year's figures have been regrouped/rearranged as and where necessary.

**45 Miscellaneous:**

- (i) All amounts are in Nepalese Rupees unless otherwise stated.
- (ii) All figures are in the Nearest Rupee & Rounded off.



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**Sarbottam Cement Ltd.**  
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**Notes to the Financial Statements**  
**For Period 17th July, 2019 - 15th July, 2020**  
**(Year Ended Upto Ashad 31, 2077)**

**46 First Time Adoption of NFRS**

These Financial Statements, for the year ended July 15, 2020 are the first Financial Statements prepared by Sarbottam Cement Limited in accordance with NFRS. Prior to that, the company prepared its Financial Statements in accordance with local GAAP, including Accounting Standards issued by the Nepal Accounting Standard Board (NASB).

In preparing these Financial Statements, the Company has prepared opening NFRS Statement of Financial Position as at July 17, 2018, the Company's date of transition to NFRS in accordance with requirement of NFRS 1, "First Time Adoption of NFRS". The principal adjustments made by the company in restating its local GAAP Financial Statements, including the Statement of Financial Position as at July 16, 2018 and the Financial Statements as at and for the year ended July 16, 2019 are quantified and explained in detail as per Appendix A to E of NFRS 1 [First Time Adoption of NFRS]. The basic approach adopted is summarized hereunder:

- (a) All Assets & Liabilities have been classified into Financial Assets/Liabilities & Non-Financial Assets/Liabilities.
- (b) In accordance with NFRS 1, the resulting adjustments are considered as arising from events & transactions entered before date of transition & recognized directly in the retained earnings at the date of transition to NFRS.

**A. Exemption & Exceptions Availed**

NFRS 1 also allows the first time adopter certain Exemptions from the retrospective application of certain requirements of NFRS. Accordingly, the company has availed the following Exemptions/Mandatory Exceptions as per NFRS 1.

**A.1 NFRS Optional Exemptions**

**Investments in Subsidiaries and Associates**

NFRS 1 permits the first time adopter to measure investment in subsidiaries and associates. The Company has elected to consider earlier GAAP carrying amount of its investments in subsidiaries and associates on the date of transition to NFRS as deemed cost.

**A.2 NFRS Mandatory Exceptions**

**Estimates**

The Company's estimates in accordance with NFRS at the date of transition to NFRS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

NFRS estimates as at July 17, 2018 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for following items in accordance with NFRS at the date of transition as these were not required under previous GAAP except for impairment of Financial Assets based on Incurred Loss Model.

NFRS 1 treats the information received after the date of transition to NFRS as non-adjusting events. The entity shall not reflect that new information in its opening NFRS Balance Sheet (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error).

**Classification & Fair Value Measurement of Financial Assets or Financial Liabilities at initial recognition:**

The Financial Assets & Financial Liabilities have been classified on the basis of facts existing as at the date of transition to NFRS. In addition, the exemption permits prospective application of requirements of NFRS 9 "Financial Instruments" to transactions entered into on or after date of transition.



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**Sarbottom Cement Ltd.**  
(Formerly Sarbottom Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

**A.3 Reconciliation between Previous GAAP & NFRS**

**(a) Reconciliation of Statement of Financial Position as at Date of Transition (Shrawan 1, 2075)**

| Particulars                          | Notes to First-Time Adoption | Previous GAAP*       | Cumulative Effect of Transition to NFRS | NFRS                 |
|--------------------------------------|------------------------------|----------------------|-----------------------------------------|----------------------|
| <b>Assets</b>                        |                              |                      |                                         |                      |
| <b>Non Current Assets</b>            |                              |                      |                                         |                      |
| Property, Plant & Equipment          | 2                            | 4,525,663,925        | 268,418,074                             | 4,794,081,999        |
| Intangible Assets                    |                              | 1,755,393            |                                         | 1,755,393            |
| <b>Financial Assets</b>              |                              |                      |                                         |                      |
| Investment                           | 6                            | 4,577,175            | 1,121,075                               | 5,698,250            |
| Deferred Tax Assets                  | 5                            | 86,955,479           | (54,675,956)                            | 32,279,523           |
| Other Non-Current Assets             |                              | 280,833,261          |                                         | 280,833,261          |
| <b>Total Non Current Assets</b>      |                              | <b>4,899,785,233</b> | <b>214,863,194</b>                      | <b>5,114,648,426</b> |
| <b>Current Assets</b>                |                              |                      |                                         |                      |
| Inventories                          | 4                            | 1,201,403,304        | 10,661,296                              | 1,212,064,601        |
| <b>Financial Assets</b>              |                              |                      |                                         |                      |
| Trade Receivables                    | 1                            | 1,330,757,409        | (6,653,787)                             | 1,324,103,622        |
| Cash & Cash Equivalent               |                              | 354,479,629          |                                         | 354,479,629          |
| Others                               |                              | 1,459,411,776        |                                         | 1,459,411,776        |
| Other Current Assets                 |                              | 144,687,239          |                                         | 144,687,239          |
| Income Tax Assets (Net)              |                              | 2,007,316            |                                         | 2,007,316            |
| <b>Total Current Assets</b>          |                              | <b>4,492,746,672</b> | <b>4,007,509</b>                        | <b>4,496,754,181</b> |
| <b>Total Assets</b>                  |                              | <b>9,392,531,905</b> | <b>218,870,703</b>                      | <b>9,611,402,608</b> |
| <b>Equity &amp; Liabilities</b>      |                              |                      |                                         |                      |
| <b>Equity</b>                        |                              |                      |                                         |                      |
| Equity Share Capital                 |                              | 1,980,000,000        |                                         | 1,980,000,000        |
| Fair Value Reserve                   | 6                            | -                    | 840,806                                 | 840,806              |
| Other Equity                         | 7                            | 1,407,453,399        | 217,582,750                             | 1,625,036,149        |
| Non-Controlling Interest             |                              | -                    |                                         | -                    |
| <b>Total Equity</b>                  |                              | <b>3,387,453,399</b> | <b>218,423,556</b>                      | <b>3,605,876,955</b> |
| <b>Non Current Liabilities</b>       |                              |                      |                                         |                      |
| <b>Financial Liabilities</b>         |                              |                      |                                         |                      |
| Long Term Borrowings                 |                              | 2,545,344,377        |                                         | 2,545,344,377        |
| Provisions                           |                              | -                    |                                         | -                    |
| Deferred Tax Liabilities             | 5                            | -                    | -                                       | -                    |
| <b>Total Non Current Liabilities</b> |                              | <b>2,545,344,377</b> | <b>-</b>                                | <b>2,545,344,377</b> |
| <b>Current Liabilities</b>           |                              |                      |                                         |                      |
| <b>Financial Liabilities</b>         |                              |                      |                                         |                      |
| Trade Payables                       |                              | 552,381,182          |                                         | 552,381,182          |
| Short Term Borrowings                |                              | 2,569,251,655        |                                         | 2,569,251,655        |
| Other Financial Liabilities          |                              | 124,850,766          |                                         | 124,850,766          |
| Other Current Liabilities            | 3                            | 195,736,618          | 447,147                                 | 196,183,764          |
| Provisions                           |                              | 17,513,908           |                                         | 17,513,908           |
| Income Tax Liabilities (Net)         |                              | -                    |                                         | -                    |
| <b>Total Current Liabilities</b>     |                              | <b>3,459,734,129</b> | <b>447,147</b>                          | <b>3,460,181,276</b> |
| <b>Total Liabilities</b>             |                              | <b>6,005,078,506</b> | <b>447,147</b>                          | <b>6,005,525,653</b> |
| <b>Total Equity and Liabilities</b>  |                              | <b>9,392,531,905</b> | <b>218,870,703</b>                      | <b>9,611,402,608</b> |

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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

**Reconciliation of Statement of Financial Position as at Ashad 31, 2076**

| Particulars                          | Notes to First-Time Adoption | Previous GAAP*        | Cumulative Effect of Transition to NFRS | NFRS                  |
|--------------------------------------|------------------------------|-----------------------|-----------------------------------------|-----------------------|
| <b>Assets</b>                        |                              |                       |                                         |                       |
| <b>Non Current Assets</b>            |                              |                       |                                         |                       |
| Property, Plant & Equipment          | 2                            | 6,254,974,821         | 419,397,618                             | 6,674,372,440         |
| Intangible Assets                    |                              | 2,537,718             |                                         | 2,537,718             |
| Financial Assets                     |                              | -                     |                                         |                       |
| Investment                           | 6                            | 4,577,175             | 423,415                                 | 5,000,590             |
| Deferred Tax Assets                  | 5                            | 106,991,416           | (84,076,845)                            | 22,914,571            |
| Other Non-Current Assets             |                              | 317,683,670           |                                         | 317,683,670           |
| <b>Total Non Current Assets</b>      |                              | <b>6,686,764,800</b>  | <b>335,744,189</b>                      | <b>7,022,508,989</b>  |
| <b>Current Assets</b>                |                              |                       |                                         |                       |
| Inventories                          | 4                            | 1,321,351,672         | 10,583,808                              | 1,331,935,480         |
| Financial Assets                     |                              |                       |                                         |                       |
| Trade Receivables                    | 1                            | 1,943,011,490         | (9,715,057)                             | 1,933,296,432         |
| Cash & Cash Equivalent               |                              | 228,390,982           |                                         | 228,390,982           |
| Others                               |                              | 456,767,768           |                                         | 456,767,768           |
| Other Current Assets                 |                              | 507,862,634           |                                         | 507,862,634           |
| Income Tax Assets (Net)              |                              | 2,806,840             |                                         | 2,806,840             |
| <b>Total Current Assets</b>          |                              | <b>4,460,191,387</b>  | <b>868,750</b>                          | <b>4,461,060,137</b>  |
| <b>Total Assets</b>                  |                              | <b>11,146,956,187</b> | <b>336,612,939</b>                      | <b>11,483,569,126</b> |
| <b>Equity &amp; Liabilities</b>      |                              |                       |                                         |                       |
| <b>Equity</b>                        |                              |                       |                                         |                       |
| Equity Share Capital                 |                              | 1,980,000,000         |                                         | 1,980,000,000         |
| Fair Value Reserve                   | 6                            | -                     | 317,561                                 | 317,561               |
| Other Equity                         | 7                            | 1,761,131,798         | 335,883,971                             | 2,097,015,769         |
| Non-Controlling Interest             |                              | -                     |                                         | -                     |
| <b>Total Equity</b>                  |                              | <b>3,741,131,798</b>  | <b>336,201,532</b>                      | <b>4,077,333,330</b>  |
| <b>Non Current Liabilities</b>       |                              |                       |                                         |                       |
| Financial Liabilities                |                              |                       |                                         |                       |
| Long Term Borrowings                 |                              | 3,202,817,327         |                                         | 3,202,817,327         |
| Provisions                           |                              | -                     |                                         | -                     |
| Deferred Tax Liabilities             | 5                            | -                     |                                         | -                     |
| <b>Total Non Current Liabilities</b> |                              | <b>3,202,817,327</b>  | <b>-</b>                                | <b>3,202,817,327</b>  |
| <b>Current Liabilities</b>           |                              |                       |                                         |                       |
| Financial Liabilities                |                              |                       |                                         |                       |
| Trade Payables                       |                              | 926,243,615           |                                         | 926,243,615           |
| Short Term Borrowings                |                              | 2,963,376,637         |                                         | 2,963,376,637         |
| Other Financial Liabilities          |                              | 121,320,840           |                                         | 121,320,840           |
| Other Current Liabilities            | 3                            | 164,113,443           | 411,407                                 | 164,524,850           |
| Provisions                           |                              | 27,952,527            |                                         | 27,952,527            |
| Income Tax Liabilities (Net)         |                              | -                     |                                         | -                     |
| <b>Total Current Liabilities</b>     |                              | <b>4,203,007,062</b>  | <b>411,407</b>                          | <b>4,203,418,469</b>  |
| <b>Total Liabilities</b>             |                              | <b>7,405,824,389</b>  | <b>411,407</b>                          | <b>7,406,235,796</b>  |
| <b>Total Equity and Liabilities</b>  |                              | <b>11,146,956,187</b> | <b>336,612,939</b>                      | <b>11,483,569,126</b> |

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**Sarbottom Cement Ltd.**  
(Formerly Sarbottom Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

**Reconciliation of Total Comprehensive Income for the Year Ended Ashad 31, 2076**

| Particulars                                                                 | Notes to First-Time Adoption | Previous GAAP*       | Cumulative Effect of Transition to NFRS | NFRS                 |
|-----------------------------------------------------------------------------|------------------------------|----------------------|-----------------------------------------|----------------------|
| <b>Income:</b>                                                              |                              |                      |                                         |                      |
| Revenue From Operations                                                     |                              | 7,042,447,131        |                                         | 7,042,447,131        |
| Other Income                                                                | 2                            | 4,846,890            | (311,667)                               | 4,535,223            |
| <b>Total Income</b>                                                         |                              | <b>7,047,294,022</b> | <b>(311,667)</b>                        | <b>7,046,982,355</b> |
| <b>Expenses:</b>                                                            |                              |                      |                                         |                      |
| Raw Materials Consumption                                                   |                              | 1,637,865,233        |                                         | 1,637,865,233        |
| Electricity/Power & Fuel                                                    |                              | 2,465,050,559        |                                         | 2,465,050,559        |
| Changes in Inventories of Finished Goods                                    | 4                            | (5,108,269)          | 77,489                                  | (5,030,780)          |
| Employee Benefit Expenses                                                   |                              | 324,637,466          |                                         | 324,637,466          |
| Depreciation and Amortization                                               | 2                            | 519,008,102          | (151,291,211)                           | 367,716,891          |
| Other Expenses                                                              | 1 & 3                        | 658,131,854          | 3,025,531                               | 661,157,384          |
| Finance Cost                                                                |                              | 414,285,792          |                                         | 414,285,792          |
| <b>Total Expenses</b>                                                       |                              | <b>6,013,870,736</b> | <b>(148,188,192)</b>                    | <b>5,865,682,544</b> |
| <b>Net Profit/(Loss) Before Tax from Continuing Operations</b>              |                              | <b>1,033,423,286</b> | <b>147,876,525</b>                      | <b>1,181,299,811</b> |
| <b>Tax Expense</b>                                                          |                              |                      |                                         |                      |
| Current Tax                                                                 |                              | 13,699               |                                         | 13,699               |
| Deferred Tax                                                                | 5                            | (20,035,937)         | 29,575,304                              | 9,539,367            |
| <b>Net Profit/(Loss) For The Year from Continuing Operations</b>            |                              | <b>1,053,445,524</b> | <b>118,301,221</b>                      | <b>1,171,746,745</b> |
| <b>Discontinued Operations</b>                                              |                              |                      |                                         |                      |
| Profit from Discontinued Operation before tax                               |                              | -                    |                                         | -                    |
| Tax expense on Discontinued Operation                                       |                              | -                    |                                         | -                    |
| <b>Net Profit/(Loss) For The Year</b>                                       |                              | <b>1,053,445,524</b> | <b>118,301,221</b>                      | <b>1,171,746,745</b> |
| <b>Other Comprehensive Income</b>                                           |                              |                      |                                         |                      |
| Actuarial Gain/ Loss on Defined Benefit Pension Schemes                     |                              | -                    |                                         | -                    |
| Tax Relating to Components of Other Comprehensive Income                    |                              | -                    |                                         | -                    |
| <b>Items that will not be reclassified to profit or loss</b>                |                              |                      |                                         |                      |
| Net fair value (losses)/gains on financial assets:                          |                              |                      |                                         |                      |
| Quoted Ordinary Shares                                                      | 6                            |                      |                                         | (697,660.00)         |
| <b>Items that are or may be reclassified subsequently to profit or loss</b> |                              |                      |                                         |                      |
| Deferred Tax asset / (liability) on other comprehensive income              |                              |                      |                                         | 174,415.00           |
| <b>Total Other Comprehensive Income (OCI)</b>                               |                              |                      |                                         | <b>(523,245.00)</b>  |
| <b>Total Comprehensive Income (TCI)</b>                                     |                              | <b>1,053,445,524</b> | <b>118,301,221</b>                      | <b>1,171,223,500</b> |



**Sarbottom Cement Ltd.**  
(Formerly Sarbottom Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
For Period 17th July, 2019 - 15th July, 2020  
(Year Ended Upto Ashad 31, 2077)

**Reconciliation of Total Equity For the Year Ended Ashad 31, 2076 & Date of Transition (Shrawan 1, 2075)**

| Particulars                                                   | Notes to First-Time Adoption | 16th July, 2019<br>(Ashad 31, 2076) | 17th July, 2018<br>(Shrawan 1, 2075)<br>Restated Opening |
|---------------------------------------------------------------|------------------------------|-------------------------------------|----------------------------------------------------------|
| <b>Total Equity (Shareholder's Fund) As Per Previous GAAP</b> |                              | <b>3,741,131,798</b>                | <b>3,387,453,399</b>                                     |
| Adjustments:                                                  |                              |                                     |                                                          |
| Changes in OH Component Inclusion in Cost of Conversion       | 4                            | 10,583,808                          | 10,661,296                                               |
| Straight Lining of Rental Expenses                            | 3                            | (411,407)                           | (447,147)                                                |
| Change in Method of Depreciation                              | 2                            | 419,397,618                         | 268,418,074                                              |
| Impairment Losses on Trade Receivables                        | 1                            | (9,715,057)                         | (6,653,787)                                              |
| Deferred Tax Asset/(Liability)                                | 5                            | (84,076,845)                        | (54,675,956)                                             |
| Changes in Fair Value in Equity Investment in Listed Shares   | 6                            | 423,415                             | 1,121,075                                                |
| <b>Total Adjustments</b>                                      |                              | <b>336,201,532</b>                  | <b>218,423,556</b>                                       |
| <b>Total Equity as Per NFRS</b>                               |                              | <b>4,077,333,330</b>                | <b>3,605,876,955</b>                                     |

**Impact of NFRS on the Statements of Cash Flows for the Year Ended Ashad 31, 2076**

| Particulars                                                  | Notes to First-Time Adoption | Previous GAAP*       | Adjustments   | NFRS                 |
|--------------------------------------------------------------|------------------------------|----------------------|---------------|----------------------|
| Net Cash Flows from Operating Activities                     | 8                            | 2,579,349,314        | (397,483,749) | 2,181,865,565        |
| Net Cash Flows from Investing Activities                     | 8                            | (2,248,878,587)      | 3,612,235     | (2,245,266,352)      |
| Net Cash Flows from Financing Activities                     | 8                            | (456,559,375)        | 393,871,514   | (62,687,861)         |
| <b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b> |                              | <b>(126,088,647)</b> | <b>-</b>      | <b>(126,088,647)</b> |
| Cash and Cash Equivalent as on Shrawan 1, 2075               |                              | 354,479,629          | -             | 354,479,629          |
| <b>Cash and Cash Equivalent as on Ashadh 31, 2076</b>        |                              | <b>228,390,982</b>   | <b>-</b>      | <b>228,390,982</b>   |



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**Sarbottam Cement Ltd.**  
(Formerly Sarbottam Cement Pvt. Ltd.)  
**Notes to the Financial Statements**  
**For Period 17th July, 2019 - 15th July, 2020**  
**(Year Ended Upto Ashad 31, 2077)**

**Notes to NFRS First Time Adoption**

**Impairment Losses on Trade Receivables**

NFRS requires financial assets to be impaired if there is objective evidence that financial asset or group of financial assets is experiencing significant financial difficulty, defaults in payments or other evidence of impairment. Accordingly, the Company has recognised provision for trade receivables of NPR.6,653,787 as on transition date (Shrawan 1, 2075) & NPR.9,715,057 as on Ashadh 31, 2076 with impact to retained earnings.

**Change in Method of Depreciation**

Under earlier GAAP, the Company used to follow depreciation method and rates as specified in Income Tax Act, 2058. Under NFRS, from Financial Year 2074/75, the method of depreciation has been changed from Written Down Method (WDV) to Straight Line Method (SLM). This change in accounting estimate has resulted in decrease of depreciation by NPR.268,410,931, increase in gain on sale of PPE by NPR.7,144. This has resulted in net increase in retained earnings by NPR.268,418,075 & corresponding increase in PPE as on transition date (Shrawan 1, 2075). Similarly, decrease of depreciation by NPR.151,291,211, increase in loss on sale of PPE by NPR.311,667. This has resulted in net increase in retained earnings by NPR.150,979,544 & corresponding increase in PPE as on Ashadh 31, 2076.

**Straight Lining of Lease Rental:**

Under earlier GAAP, rental expenses were recognised based actual rent payable during the year. NFRS requires rental payments under an operating lease to be recognised as an expense on a straight-line basis over the lease term. Accordingly, the Company has recognised lease equalization liability of NPR.447,147 as on transition date (Shrawan 1, 2075) with impact to retained earnings. Similarly, rental expenses for the year ended Ashad 31, 2076 has decreased by NPR.35,740 with corresponding impact in lease equalization liability.

**Changes in OH Component Inclusion in Cost of Conversion**

NFRS requires the cost of conversion to include a systematic allocation of Fixed & Variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings and equipment, and the cost of factory management and administration. Accordingly, the value of inventory has increased by NPR.10,661,296 as on the date of transition (Shrawan 1, 2075) with corresponding impact to retained earnings. Similarly, the value of inventory has increased by NPR.10,583,808 for the year ended Ashad 31, 2076 and impact of the same on Statement of Profit & Loss amounts to NPR.77,489.

**Deferred Tax Asset/(Liability)**

NFRS requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred tax has been revised on account of recognition of Lease Equalization Liability, Change in Method of Depreciation & Impairment of Trade Receivables. On Transition Date (Shrawan 1, 2075) to NFRS Deferred Tax Asset stands reversed with increase in Deferred Tax Liability having an impact of NPR.54,395,687 on retained earnings. Whereas for the year ended (31 st Ashad, 2076) Deferred Tax Charge to Profit & Loss increased by NPR.29,575,304.

**Changes in Fair Value in Equity Investment in Listed Shares**

NFRS requires that 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. On Transition Date (Shrawn 1, 2075) to NFRS, increase in fair value of Equiry Instrument in Listed Shares of NRS.1,121,075 has recognized through Other Comprehensive Income (OCI) with corresponding impact in Investment. Accordingly, decrease in fair value of Equiry Instrument in Listed Shares of NRS.497,660 has recognized through Other Comprehensive Income (OCI) with corresponding impact in Investment on Ashadh 31, 2076.

**Retained Earnings:**

Retained earnings has been adjusted consequent to the above NFRS Transition adjustments.

**Short Term Borrowings in Cash Flow Statement**

NFRS requires short term borrowings including overdraft to be disclosed under financing activities unless such short term borrowings are integral part of cash management system of the company and payable on demand. In such scenario, overdrafts are disclosed under cash and cash equivalents in Statements of Cash Flows. Accordingly, the Company has disclosed short-term borrowings under financing activities. Similarly, interest expenses on short term borrowings are disclosed under financing activities under NFRS. Also interest income on temporary investment are disclosed under investing activities.

