

Ghorahi Cement Industry Limited

Auditor's Report & Annual Accounts for
the F/Y 2078-79

B.K. Agrawal & Co.
Kathmandu, Nepal

Member Crowe Global

Audit / Tax / Advisory



**Independent Auditors' Report
to the Members of
Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)**

Opinion:

We have audited the accompanying Standalone Financial Statements of M/s Ghorahi Cement Industry Limited (Formerly known as Ghorahi Cement Industry Private Limited) (hereinafter referred to as 'the Company') which comprise the Statement of Financial Position as at Ashad 32, 2079 (July 16, 2022), and the Statement of Profit or Loss, Statement of Total Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows attached thereto, for the year then ended and notes to the Standalone Financial Statements, including a summary of Significant Accounting Policies and other Explanatory Notes & information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements read together with Notes forming part of the Standalone Financial Statement give the information required by the provisions of Nepal Companies Act, 2063, as amended ("the Act") in the manner so required and, give a true and fair view in conformity with the Nepal Financial Reporting Standards (NFRS), of the state of affairs of the Company as at Ashad 32, 2079 (July 16, 2022), its Profit including its Total Comprehensive Income, Cash Flows and the Changes in Equity for the year ended on that date.

Basis of Opinion:

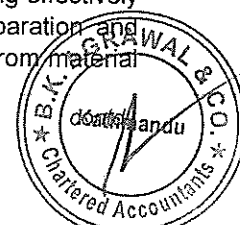
We conducted our audit in accordance with Nepal Standards on Auditing (NSA) issued by the Auditing Standard Board of Nepal. Our responsibilities under those Standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Entity in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal together with the ethical requirements that are relevant to our audit of the Standalone Financial Statement under the provisions of the Companies Act, 2063 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Responsibilities of Management and those charged with Governance for the Standalone Financial Statements:

The company's Management and Board of Directors are responsible for the preparation and fair presentation of these Standalone Financial Statements in accordance with Nepal Financial Reporting Standards. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Entity and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.



In preparing the Standalone Financial Statement, the respective management and Board of Directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Standalone Financial Statements

Our responsibility is to express an opinion on these Standalone Financial Statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Financial Statements are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Nepal Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

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

- Identify and assess the risks of material misstatement of Standalone Financial Statement, 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, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. We are also responsible for expressing our opinion on whether the Company has adequate internal financial controls in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statement, including the disclosures, and whether the Standalone Financial Statement represents 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be considered to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current period and are therefore the key audit matters.

We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

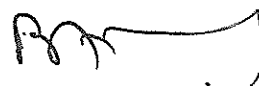
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Report on Other Legal and Regulatory Requirements

On the basis of our examination, we would like to further report that:

- i. We have obtained information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
- iii. In our opinion, the Statement of Financial Position, Statement of Profit or Loss, Statement of Total Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity attached thereto, for the year then ended and notes to the Standalone Financial Statements, including a summary of Significant Accounting Policies and other Explanatory Notes & information dealt with by this report are in compliance with the provisions of the Companies Act, 2063 and are in agreement with the books of account maintained by the company;
- iv. In our opinion, so far as appeared from our examination of the books, the business of the Company has been conducted satisfactorily; and
- v. To the best of our information and according to the explanations given to us and from our examination of the books of accounts of the Company necessary for the purposes of the audit, we have not come across cases where the Board of Directors or any employees of the Company have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused loss or damage to the company or committed any accounting frauds in the company.

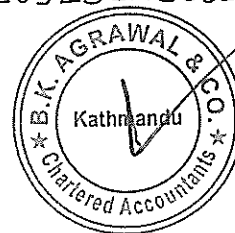
Kathmandu
Date: 2079.05.24



B.K. Agrawal, FCA
Managing Partner

For: B.K. Agrawal & Co.
Chartered Accountants

UDEN: 220923CA000181vQv3




Ghorahi Cement Industry Limited
 (Formerly known as Ghorahi Cement Industry Private Limited)
Standalone Statement of Financial Position
 As on Ashad 32, 2079 (July 16, 2022)



<u>Particulars</u>	<u>Notes</u>	As on Ashad 32, 2079 (July 16, 2022)	Restated As on Ashad 31, 2078 (July 15, 2021)
ASSETS			
Non Current Assets:			
Property, Plant and Equipme \	4	6,668,911,684	6,508,730,322
Intangible Assets	5	30,568,545	30,520,321
Right of Use Asset	6	1,696,922	1,756,149
Capital Work In Progress	7	10,541,517,936	9,260,810,600
Investment in subsidiary and associate	8	83,572,800	83,572,800
Current Assets:			
Inventories	9	1,930,418,290	1,606,597,458
Trade Receivables	10	1,631,752,267	1,261,208,570
Contract Assets	11	16,688,992	11,327,374
Cash and Cash Equivalents	12	56,766,325	201,646,755
Other Financial Assets	13	110,250,926	74,336,032
Prepayments	14	55,401,618	72,376,892
Other Current Assets	15	528,114,714	837,371,636
Current Tax Asset	16	-	14,795,308
Total Assets		21,655,661,019	19,965,050,217
EQUITY AND LIABILITIES			
Equity:			
Equity Share Capital	17	3,177,520,500	3,177,520,500
Retained Earnings	18	3,943,860,520	3,682,352,126
Other Reserve	19	79,060,000	79,060,000
Total Equity		7,200,441,020	6,938,932,626
Liabilities:			
Non Current Liabilities			
Long term Financing - Secured	20	7,548,181,507	7,949,986,974
Non-Current Financial Liability	21	760,003,610	-
Lease liability	22	1,863,401	1,790,495
Deferred Tax Liability (Net)	23	184,260,868	180,388,640
Current Liabilities			
Borrowings - Short Term	24	4,311,788,726	2,970,786,001
Trade Payables	25	636,297,672	855,388,278
Other Financial Liabilities	26	840,504,910	986,495,257
Contractual liabilities	27	157,619,731	81,281,946
Current Tax Liabilities	16	14,699,574	-
Total Equity & Liabilities		21,655,661,019	19,965,050,217

Summary of Significant Accounting Policies and
Notes to the Financial Statements

1 to 51


Shankar Lal Agiwal
GM - Finance

Kathmandu
Date: 2079.05.22


For & on behalf of the Board

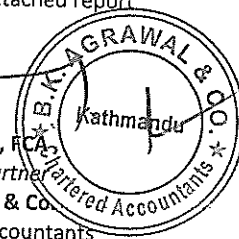

Aditya Sanghai
Director




Purushottam Lal Sanghai
Chairman

As per our attached report
of even date



B.K. Agrawal, FCA
Managing Partner
B.K. Agrawal & Co.
Chartered Accountants



Ghorahi Cement Industry Limited
 (Formerly known as Ghorahi Cement Industry Private Limited)
Standalone Statement of Profit or Loss
 For the Year ended Ashad 32, 2079 (July 16, 2022)



<u>Particulars</u>	<u>Notes</u>	<u>Amount in NPR</u>	
		<u>Year ended</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>	<u>Restated</u> <u>Year ended</u> <u>Ashad 31, 2078</u> <u>(July 15, 2021)</u>
<u>Income</u>			
Revenue from Operations	28	4,801,530,953	5,813,406,557
Cost of Sales	29	(3,762,275,974)	(4,680,258,529)
Gross Profit		1,039,254,979	1,133,148,028
Other Income	30	240,119,762	43,811,726
		1,279,374,741	1,176,959,754
<u>Expenses</u>			
Administrative, Selling & Distribution Expenses	31	(295,434,810)	(253,811,373)
Depreciation and Amortization	32	(369,802,240)	(330,177,557)
Profit from Operations		614,137,691	592,970,824
Finance Costs	33	(390,080,087)	(198,178,010)
Profit Before Tax		224,057,604	394,792,814
<u>Income Tax Expense:</u>			
Income Tax	34	(3,643,789)	(16,741,967)
Deferred Tax	34	(3,872,228)	(6,984,016)
Net Profit for the year		216,541,587	371,066,831
<u>Earning Per Equity Share</u>			
Basic	35	6.81	11.68
Diluted	35	5.45	11.68
Summary of Significant Accounting Policies and Notes to the Financial Statements	1 to 51		


 Shankar Lal Agiwal
 GM - Finance

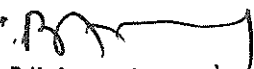
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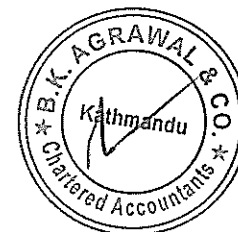
For & on behalf of the Board


 Aditya Sangha
 Director


 Purushottam Lal Sanghai
 Chairman

As per our attached report
 of even date



 B.K. Agrawal, FCA
 Managing Partner
 B.K. Agrawal & Co.
 Chartered Accountants



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Standalone Statement of Other Comprehensive Income
For the Year ended Ashad 32, 2079 (July 16, 2022)



<u>Particulars</u>	<u>Amount in NPR</u>	
	Year ended Ashad 32, 2079 (July 16, 2022)	<u>Restated</u> Year ended Ashad 31, 2078 (July 15, 2021)
Profit for the year as per statement of profit or loss	216,541,587	371,066,831
<u>Other comprehensive income, net of income tax:</u>		
a. Items that will not be reclassified to profit or loss		
Gains/(losses) from investments in equity instruments measured at fair value	-	-
Gains/(losses) on revaluation	-	-
Actuarial gains/(losses) on defined benefit plans	-	-
Income tax relating to above items	-	-
Net other compressive income that will not be reclassified to profit or loss	-	-
b. Items that are or may be reclassified to profit or loss		
Gains/(losses) on cash flow hedge	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-
Income tax relating to above items	-	-
Reclassify to profit or loss	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the period	216,541,587	371,066,831


Shankar Lal Agiwal
 GM - Finance

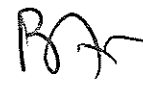
Kathmandu
 Date: 2079.05.22

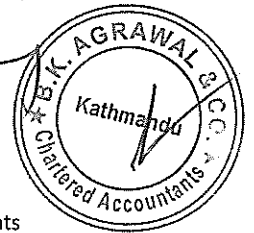
For & on behalf of the Board


Purushottam Lal Sanghai
 Chairman


Aditya Sanghai
 Director

As per our attached report
 of even date


B.K. Agrawal, FCA
 Managing Partner
B.K. Agrawal & Co.
 Chartered Accountants



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Standalone Statement of Cash Flows
For the Year ended Ashad 32, 2079 (July 16, 2022)



<u>Particulars</u>	<u>Amount in NPR</u>	
	Year ended Ashad 32, 2079 (July 16, 2022)	Restated Year ended Ashad 31, 2078 (July 15, 2021)
A. Cash Flow From Operating Activities:		
Net Profit Before Tax	224,057,604	394,792,814
<u>Adjustment for:</u>		
Depreciation and amortization	369,802,240	330,177,557
Interest expenses	390,080,087	198,178,010
Interest income	(507,611)	(4,597,771)
Provision for Corporate Social Responsibility	2,263,208	4,090,532
CSR Expensed	(4,559,343)	(26,144,161)
Prior Year Expenses Reversal	75,578,429	-
Gain on initial recognition of financial liability at fair value	(208,095,741)	-
Others Non Cash Expenses	17,084,653	434,125
Operating Profit before changes in Working Capital	865,703,526	896,931,106
(Increase)/Decrease in Inventories	(323,820,832)	(77,215,745)
(Increase)/Decrease in Trade Receivable	(370,543,697)	(145,285,473)
(Increase)/Decrease in Contract Assets	(5,361,618)	(11,327,374)
(Increase)/Decrease in Other Financial Assets	(35,914,894)	17,870,690
(Increase)/Decrease in Prepayments	16,975,274	(23,777,490)
(Increase)/Decrease in Other Current Assets	309,256,922	(358,234,787)
Increase/(Decrease) in Trade Payable	(219,090,606)	(466,514,311)
(Increase)/Decrease in Other Current Financial Liabilities	(160,778,865)	(100,032,534)
(Increase)/Decrease in Contractual liabilities	76,337,785	(40,114,917)
Net Cash from/(used in) Operating Activities	152,762,995	(307,700,835)
Less: Income Tax Paid	25,851,093	(18,240,667)
Less: Prior year Tax	(30,611,622)	-
Net cash from/(used in) operating activities	148,002,466	(325,941,502)
B. Cash Flow From Investing Activities:		
Purchase of Property, Plant and Equipment	(527,785,683)	(606,314,364)
Purchase of Intangible Asset	(2,186,916)	(175,000)
(Increase)/Decrease in Capital Work in Progress	(1,280,707,336)	(1,882,435,219)
Purchase of Investments	-	(54,250,000)
Interest Received	507,611	4,597,771
Net cash from / (used in) investing activities	(1,810,172,324)	(2,538,576,812)
C. Cash Flow From Financing Activities:		
Proceed /(Payment) in Long Term Secured Borrowings	(401,805,467)	3,660,431,071
Proceed /(Payment) in Long Term unsecured Borrowings	952,259,977	-
Proceed /(Payment) in Short Term Borrowings	1,341,002,725	(491,251,836)
Proceed /(Payment) of Lease Liabilities	(156,000)	-
Interest (Payment)	(374,011,807)	(199,842,344)
Redemption of Preference Shares (Payment)	-	(79,060,000)
Net Cash from/(Used in) Financing Activities	1,517,289,428	2,890,276,891
Net Increase/(Decrease) in Cash and Cash Equivalents	(144,880,430)	25,758,577
Cash and Cash equivalents as at the beginning of the year	201,646,755	175,888,178
Cash and Cash equivalents as at the end of the year	56,766,325	201,646,755

For & on behalf of the Board

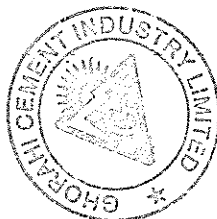
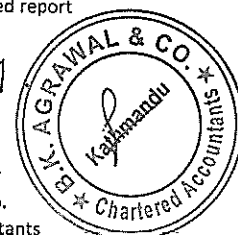
Shankar Lal Agiwal
GM - Finance

Aditya Sanghai
Director

Purushottam Lal Sanghai
Chairman

As per our attached report
of even date

B.K. Agrawal, FCA
Managing Partner
B.K. Agrawal & Co.
Chartered Accountants



Kathmandu
Date: 2079.05.22

Ghorahi Cement Industry Limited
 (Formerly known as Ghorahi Cement Industry Private Limited)
Standalone Statement of Changes In Equity
 For the Year ended Ashad 32, 2079 (July 16, 2022)



Amount in NPR

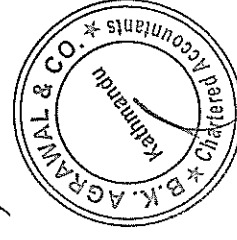
<u>Particulars</u>	<u>Equity Share Capital</u>	<u>Retained Earnings</u>	<u>Preference Share Redemption Reserve</u>	<u>Total</u>
Balance as at 1st Shrawan, 2077	3,026,210,000	3,465,098,951	79,060,000	6,570,368,951
Bonus Share issued to Equity shareholders @ 5%	151,310,500	(151,310,500)	-	-
Impairment of Financial assets	-	(2,503,156)	-	(2,503,156)
Profit for the year 2077-78, Restated	-	371,066,831	-	371,066,831
Balance as at Ashad 31, 2078	3,177,520,500	3,682,352,126	79,060,000	6,938,932,626
Profit for the Period	-	216,541,587	-	216,541,587
Prior Year Adjustments	-	75,578,429	-	75,578,429
Prior Year Tax	-	(30,611,622)	-	(30,611,622)
Balance as at Ashad 32, 2079	3,177,520,500	3,943,860,520	79,060,000	7,200,441,020

For & on behalf of the Board

Shankar Lal Agiwal
 Shankar Lal Agiwal
 Director
 Ghorahi Cement Industry Limited
 Purushottam Lal Sanghai
 Chairman

As per our attached report
 of even date

B.K. Agrawal
 B.K. Agrawal, FCA
 Managing Partner
 B.K. Agrawal & Co.
 Chartered Accountants



Shankar Lal Agiwal
 Shankar Lal Agiwal
 GM - Finance

Kathmandu

Date: 2079.05.22

Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



1. Corporate Information:

Ghorahi Cement Industry Limited (The "Company") (Formerly Known as Ghorahi Cement Industry Private Limited) is incorporated under Companies Act of Nepal as Pvt. Ltd. Co. vide registration no. 47286/064-065 dated 2064.04.21 subsequently converted into Limited Company on 2077.11.23 vide registration no.25879/077/078, having its registered Office at Ramshah Path, Kathmandu and Plant site at Laxminagar VDC, Dang District, Nepal. Dang District falls under the category of underdeveloped area and the company is eligible for the tax exemptions/rebates as are available under applicable Industrial Enterprises Act and Income Tax Act.

The Company's principal activity is to manufacture cement, clinker and cement related products.

The Company has two units i.e. Main unit and Unit 1 at Laxminagar VDC, Dang District, Nepal. From the Main Unit, commercial production of Clinker & Cement was started from B.S. 2069/05/16 and 2070/02/19 respectively. Unit-1 is still under construction as on the reporting date.

2. Basis of Preparation:

2.1 Statement of Compliance:

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Accounting Standards Board Nepal. These confirm, in material respect, to International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB). The financial statements have been prepared on a going concern basis. For all periods up to and including the year ended Ashad 32, 2075, the Company prepared its financial statements in accordance with Local Generally Accepted Accounting Practice (Local GAAP)

This section describes the critical accounting judgement that the company has identified as having potentially material impact on the company's financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. The company's accounting policies require the management to exercise judgement in making accounting estimates.

2.2 Reporting period and approval of financial statements:

The Company follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows:

Relevant Financial Statement	Nepalese Calendar Date/ Period	English Calendar Date/Period
Opening SFP* Date	Shrawn 1, 2078	July 16, 2021
Current Reporting Period	Shrawan 1, 2078 – Ashad 32, 2079	July 16, 2021– July 16, 2022

* Statement of Financial Position

Approval of Financial Statement of the company has been made by BOD meeting dated 2079.05.22.

2.3 Accounting Pronouncements:

The Company for its preparation of financial statement has adopted accounting policies to comply with the pronouncements made by The Institute of Chartered Accountants of Nepal (ICAN).

2.4 Accounting Convention:

The Financial Statements of the company have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

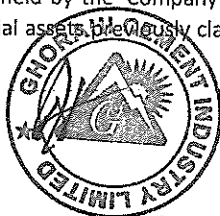
2.4 New reporting standards which were effective during the year:

There were certain amendments to accounting and reporting standards which are mandatory for the annual accounting period which began on July 16, 2021.

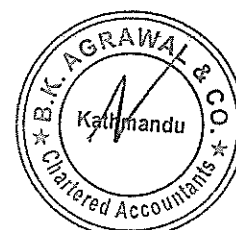
In addition to the above, the following three new standards have become applicable to the Company effective July 16, 2021:

NFRS 9 'Financial instruments' – This standard replaces the provisions of NAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces NAS 39 incurred loss impairment model. On July 16, 2021 (the date of initial application of NFRS 9), the management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate NFRS 9 categories (i.e. mainly financial assets previously classified as 'loans and receivables' have now been classified as 'amortized cost').

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Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

NFRS 15 'Revenue from contracts with customers' – This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. NFRS 15 replaces the previous revenue standards: NAS 18 Revenue, NAS 11 Construction Contracts, and the related interpretations on revenue recognition.

NFRS 16 'Lease' – July 1, 2019, the Company has adopted NFRS 16, 'Leases' which replaced accounting for leases, including NAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases - Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduced a single, on balance sheet lease accounting model for the Company. The accounting policies relating to Company's right-of-use-asset and lease liability are disclosed in notes 6 & 22.

The changes laid down by these standards (i.e. NFRS 9, NFRS 15 and NFRS 16) do not have any significant impact on these financial statements of the Company except as those stated above. Further, related changes to the accounting policies have been made in these financial statements.

2.5 Standards issued but not yet effective:

The new standard, NFRS 17 'Insurance Contracts' – are mandatory for accounting periods beginning on or after July 16, 2023 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

2.6 Presentation Currency:

The company's financial statement is presented in Nepalese Rupees which is also the company's functional currency.

2.7 Presentations:

The financial statements are prepared in Nepalese Rupees and rounded off to the nearest rupee. The figures for previous years are rearranged and reclassified wherever necessary for the purpose of facilitating comparison. Appropriate disclosures are made wherever necessary.

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. The Company classifies an asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. The Company classifies a liability as current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities as non-current.

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

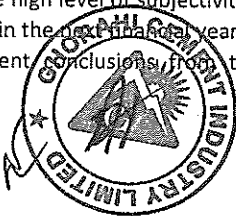
The company operating cycle has been defined as twelve-month period.

The statement of profit or loss has been prepared using classification "by function" method.

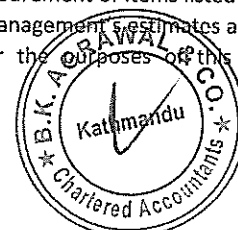
The statement of cash flows has been prepared using indirect method. Cash flows from operating activities, in addition to the adjustments from profit for non-cash and non-operating activities, movements in working capital, interest and taxes, separately include cash flows relating to employee bonus and retirement benefits.

2.8 Use of Estimates, assumptions and judgments:

The preparation of financial information requires the use of estimates and judgments about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items listed below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of this financial statements.



e



Ghorahi Cement Industry Limited
 (Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
 For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

2.9 Going Concern:

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

2.10 Materiality:

The company for the preparation of financial statements determines materiality based on the nature or magnitude, or both. Materiality is a pervasive constraint in financial reporting because it is pertinent to all of the qualitative characteristics.

3 Significant Accounting Policies:

NFRS requires adoption of accounting policies that are most appropriate to the company's circumstances determining and applying accounting policies. Management are required to make judgement in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the company's reported financial position, results or cash flows, stated below:-

a) Property, Plant and Equipment:

Property, plant and equipment are initially measured at cost in the statement of financial position. These are inclusive of all cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable for each class of assets. Property, plant and equipment are recognized as an asset, if and only if it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Cost includes the purchase price and other directly attributable costs of property, plant and equipment.

b) Intangible Assets:

Intangible assets are recognized on the basis of costs incurred to acquire and bring to use the specific intangible assets such as, software, where it is probable that such asset will generate future economic benefits in excess of its cost.

c) Depreciation and Amortization:

i) Depreciation and Amortization is calculated over the estimated useful life of the assets: An item of property, Plant and Equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The useful lives and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate.

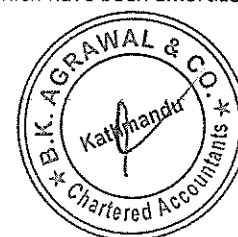
ii) The company based its assumptions and estimations on parameters available when the financial statement were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimated Useful life of assets have been taken as under:

Particulars	Useful Life (Years)
Buildings	10 to 50
Plant and Machinery	8 to 30
Office Equipment & Computer	5 to 15
Furniture & Fixtures	8
Vehicles	10 to 18
Other Assets	8
Packing Plant	30
Software	10

iii) Leasehold improvement is amortized on a straight-line basis using the rates determined with reference to the lease period.

iv) Mines Development Expenses: Various expenses for the development of mines which have been amortized on a straight-line basis using the rates determined with reference to the lease period.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

d) Inventories (As taken, valued and certified by the Management):

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 necessary estimated expenses and the variable selling expenses. The cost of obsolescence and other anticipated losses are also considered for determining the net realizable values.

In determining the cost of raw materials and packing materials, consumables, stores and spares, First In First Out (FIFO) method is used. Cost of inventory comprises of all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities), cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of finished goods includes the cost of raw materials, packing materials, direct Labor and appropriate proportion of fixed and variable production overheads incurred in bringing the inventory to their present location and condition.

<u>Particulars</u>	<u>Method</u>
Raw Materials & others	At cost on FIFO basis.
Packing Materials & consumables	At cost on FIFO basis.
Finished Goods	At weighted average cost or Net Realizable Value whichever is lower
Work-in-Progress	At weighted average cost

e) Revenue Recognition:

The Company has adopted NFRS 15 Revenue from contracts with customers, with effect from 16th July, 2021. NFRS 15 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the contracts with its customers and replaces NAS 18 Revenue and NAS 11 Construction Contracts.

The Company has adopted NFRS 15 using the cumulative effect method whereby the effect of applying this standard is recognized at the date of initial application (i.e. July 16, 2021). Accordingly, the comparative information in the Statement of Profit and Loss is restated.

Sale of Goods:

Revenue is recognized upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods.

Revenue from the sale of goods is recognized at the point in time when control is transferred to the customer which is usually on dispatch / delivery.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

Rendering of services:

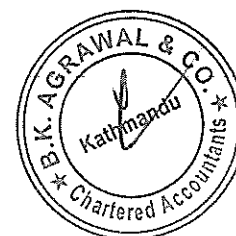
Revenue from rendering services is recognized over time by measuring progress towards satisfaction of performance obligation for the services rendered. The Company uses output method for measurement of revenue based on milestone reached or units delivered. Input method is used for measurement of revenue from processing and other service as it is directly linked to the expense incurred by the Company.

Interest Income:

Interest income is recognized using the effective interest method as set out in NFRS 9 – Financial Instruments: Recognition and Measurement, when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or Company of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Other incomes:

Other incomes have been recognized on accrual basis in financial statements except for cash flow information.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

Insurance & Other Claims

Insurance & Other Claims is recognised as amount received of insurance claim which is dependent on the replacement/repairs cost for damaged components of plant and machinery due to accident that occurred during current & earlier years.

Dividend Income:

Dividend Income is recognized on right to receive basis.

f) Employee Benefits:

i) Current employee benefits costs

Short-term employee benefits, such as salaries, paid absences, profit sharing bonus and social security costs such as PF are recognized over the period in which the employees provide the related services.

ii) Post-employment benefits

Gratuity

The gratuity payable to the employees is based on the Employees' service and basic salary of the employees and is determined @ 8.33% of basic salary as per section 53 of Labour Act, 2074 which is charged to the statement of profit or loss.

Leave Encashment

The defined benefit plan includes accumulated leave payment at the time of retirement.

The past service cost, which is charged immediately to the statement of profit or loss, is the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or curtailment (a significant reduction by the entity in the number of employees covered by a plan). A settlement is a transaction that eliminates all further legal and constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions.

The defined benefit asset or liability represents the present value of defined benefit obligations.

Staff Bonus

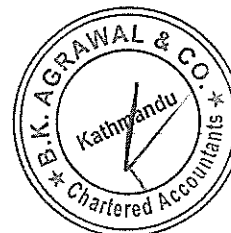
Staff bonus is accounted in accordance with the provisions of the Bonus Act, 2030 which is 10% of Profit before tax.

g) Borrowing Cost:

Borrowing cost directly attributable to acquisition and construction of assets that necessarily take substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of such assets up to the date when such assets are ready for intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

However, the Company consider initial processing fees as insignificant to determine effective interest rate. Hence, finance expense disclosed are approximately at effective interest rate.

It also includes preference share capital classified as a liability which are redeemable on a specific date and dividends on such is recognized in the statement of profit or loss as finance expense.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

h) Cash and cash equivalents:

Cash and cash equivalent include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' original maturities or less from the acquisition date that are subject to an insignificant risk of changes in their value and used by the company in the management of short term commitment. Cash and cash equivalent are classified as financial assets and treated accordingly.

For the purposes of the cash flow statement, cash and cash equivalent comprise cash and non-mandatory balances with banks and amounts due from banks with a maturity of less than three months.

i) Subsequent Expenditure:

Expenditure incurred to replace a component of an item of fixed assets that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of fixed assets. All other expenditure is recognized in the statement of profit or loss as an expense as incurred.

j) Impairment of Assets:

The Company identifies impairable fixed assets based on cash generating unit concept at the year-end for the purpose of arriving at impairment loss thereon, if any, being the difference between the book value and recoverable value of relevant assets. Impairment loss when crystalized is charged to revenue for the year.

k) Investment in Subsidiaries:

Subsidiaries are entities that are controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted at cost less impairment, if any.

l) Trade and other payables:

Liability for trade and other payables are carried at cost which is the fair value of goods and service received. The Company considers the carrying amount as approximately at fair value due to short term maturity of those instruments.

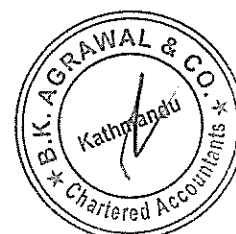
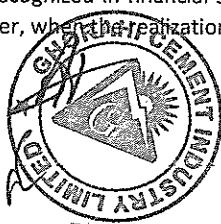
m) Provisions, Contingent Liability and Contingent Assets:

A provision is recognized for a present obligation (legal or constructive) as a result of past events if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and in respect of which a reliable estimate can be made. The amount recognized as provisions are determined based on best estimate of the amount required to settle the obligation at the balance sheet date. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent asset is not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and is recognized.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd....

n) Related party transactions:

All transactions with related parties are carried out by the Company at arm's length price.

o) Trade and other Receivables:

Trade and other Receivables are originated by the Company and are stated at cost less provisions for any uncollectible amount. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

p) Taxation:

Current Tax:

Current Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity. Current tax is the expected tax payable on the taxable income for the year using tax rates at the reporting date and any adjustment to tax payable in respect of previous years.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognized amounts, and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

Deferred Tax:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognized in respect of carried forward tax losses and tax credits.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available.

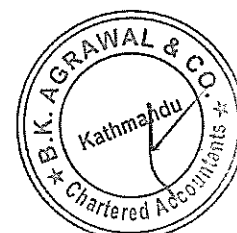
Therefore, in case of a history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

q) Leases:

The Company mainly has lease arrangements for land and building for offices, warehouse spaces and retail stores and vehicles. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use Assets (ROU Assets)

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold Land - 30 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 19 Impairment of non-financial assets

(ii) Lease Liabilities:

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liability and ROU assets have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

(iii) Short-term leases and leases of low-value assets

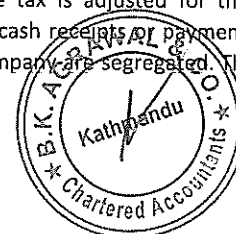
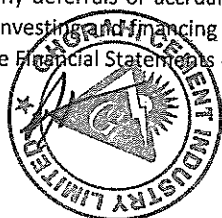
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

r) Cash Flow Statements:

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 or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated. The Cash flow statement is separately attached with the Financial Statements of the company.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

s) **Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies:**

The prior period expenses, if any, are charged separately to the statement of profit or loss. There is no change in the accounting policy during the year.

t) **Financial Instruments:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

i) **Initial recognition and measurement:**

The Company recognizes a financial asset in its balance sheet when it becomes party to the contractual provisions of the instrument. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss (FVTPL), transaction costs that are attributable to the acquisition of the financial asset.

Where the fair value of a financial asset at initial recognition is different from its transaction price, the difference between the fair value and the transaction price is recognized as a gain or loss in the statement of profit or loss at initial recognition if the fair value is determined through a quoted market price in an active market for an identical asset (i.e. level 1 input) or through a valuation technique that uses data from observable markets (i.e. level 2 input).

In case the fair value is not determined using a level 1 or level 2 input as mentioned above, the difference between the fair value and transaction price is deferred appropriately and recognized as a gain or loss in the statement of profit or loss only to the extent that such gain or loss arises due to a change in factor that market participants take into account when pricing the financial asset.

However, trade receivables that do not contain a significant financing component are measured at transaction price.

ii) **Subsequent measurement:**

For subsequent measurement, the Company classifies a financial asset in accordance with the below criteria:

The Company's business model for managing the financial asset, and

The contractual cash flow characteristics of the financial asset.

Based on the above criteria, the Company classifies its financial assets into the following categories:

Financial assets measured at amortized cost

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

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

Financial assets measured at amortized cost:

A financial asset is measured at the amortized cost if both the following conditions are met:

a) The Company's business model objective for managing the financial asset is to hold financial assets in order to collect contractual cash flows, and

This category applies to cash and bank balances, trade receivables, loans and other financial assets of the Company. Such financial assets are subsequently measured at amortized cost using the effective interest method.

Under the effective interest method, the future cash receipts are exactly discounted to the initial recognition value using the effective interest rate. The cumulative amortization using the effective interest method of the difference between the initial recognition amount and the maturity amount is added to the initial recognition value (net of principal repayments, if any) of the financial asset over the relevant period of the financial asset to arrive at the amortized cost at each reporting date. The corresponding effect of the amortization under effective interest method is recognized as interest income over the relevant period of the financial asset. The same is included under other income in the statement of profit or loss.

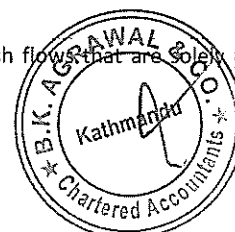
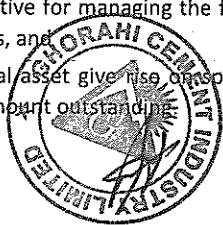
The amortized cost of a financial asset is also adjusted for loss allowance, if any.

Financial assets measured at FVTOCI:

A financial asset is measured at FVTOCI if both of the following conditions are met:

a) The Company's business model objective for managing the financial asset is achieved both by collecting contractual cash flows and selling the financial assets, and

b) 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.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

This category applies to certain investments in debt instruments. Such financial assets are subsequently measured at fair value at each reporting date. Fair value changes are recognized in the Other Comprehensive Income (OCI). However, the Company recognizes interest income and impairment losses and its reversals in the statement of profit or loss;

On Derecognition of such financial assets, cumulative gain or loss previously recognized in OCI is reclassified from the equity to statement of profit or loss.

Financial assets measured at FVTPL:

A financial asset is measured at FVTPL unless it is measured at amortized cost or at FVTOCI as explained above. This is a residual category applied to all other investments of the Company excluding investments in subsidiary and associate companies. Such financial assets are subsequently measured at fair value at each reporting date. Fair value changes are recognized in the statement of profit or loss.

Derecognition:

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognized (i.e. removed from the Company's balance sheet) when any of the following occurs:

- i) The contractual rights to cash flows from the financial asset expires;
- ii) The Company transfers its contractual rights to receive cash flows of the financial asset and has substantially transferred all the risks and rewards of ownership of the financial asset;
- iii) The Company retains the contractual rights to receive cash flows but assumes a contractual obligation to pay the cash flows without material delay to one or more recipients under a 'pass through' arrangement (thereby substantially transferring all the risks and rewards of ownership of the financial asset);
- iv) The Company neither transfers nor retains, substantially all risk and rewards of ownership, and does not retain control over the financial asset.

In cases where Company has neither transferred nor retained substantially all of the risks and rewards of the financial asset, but retains control of the financial asset, the Company continues to recognize such financial asset to the extent of its continuing involvement in the financial asset. In that case, the Company also recognizes an associated liability. The financial asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On Derecognition of a financial asset, the difference between the carrying amount and the consideration received is recognized in the statement of profit or loss.

Impairment of financial assets:

The Company applies expected credit losses (ECL) model for measurement and recognition of loss allowance on the following:

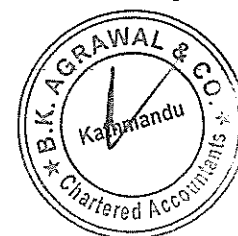
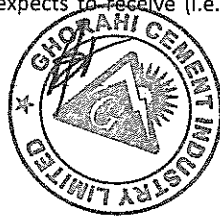
- i) Trade receivables and lease receivables,
- ii) Financial assets measured at amortized cost (other than trade receivables and lease receivables)
- iii) Financial assets measured at fair value through other comprehensive income (FVTOCI)

In case of trade receivables and lease receivables, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognized as loss allowance.

In case of other assets (listed as ii and iii above), the Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognized as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognized as loss allowance.

Subsequently, if the credit quality of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognizing impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect unbiased and probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

As a practical expedient, the Company uses a provision matrix to measure lifetime ECL on its portfolio of trade receivables. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the standalone statement of profit or loss.

Financial Liabilities

Initial recognition and measurement:

The Company recognizes a financial liability in its balance sheet when it becomes party to the contractual provisions of the instrument. All financial liabilities are recognized initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss (FVTPL), transaction costs that are attributable to the acquisition of the financial liability.

Where the fair value of a financial liability at initial recognition is different from its transaction price, the difference between the fair value and the transaction price is recognized as a gain or loss in the statement of profit or loss at initial recognition if the fair value is determined through a quoted market price in an active market for an identical asset (i.e. level 1 input) or through a valuation technique that uses data from observable markets (i.e. level 2 input).

In case the fair value is not determined using a level 1 or level 2 input as mentioned above, the difference between the fair value and transaction price is deferred appropriately and recognized as a gain or loss in the statement of profit or loss only to the extent that such gain or loss arises due to a change in factor that market participants take into account when pricing the financial liability.

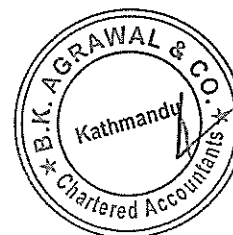
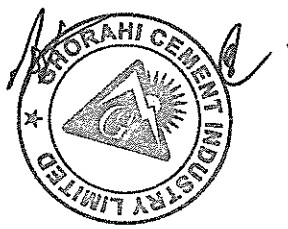
Subsequent measurement:

All financial liabilities of the Company are subsequently measured at amortized cost using the effective interest method.

Under the effective interest method, the future cash payments are exactly discounted to the initial recognition value using the effective interest rate. The cumulative amortization using the effective interest method of the difference between the initial recognition amount and the maturity amount is added to the initial recognition value (net of principal repayments, if any) of the financial liability over the relevant period of the financial liability to arrive at the amortized cost at each reporting date. The corresponding effect of the amortization under effective interest method is recognized as interest expense over the relevant period of the financial liability. The same is included under finance cost in the statement of profit or loss.

Derecognition:

A financial liability is derecognized 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 the Derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in the statement of profit or loss.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

De-recognition of financial instrument

A financial asset is primarily derecognized when:

- the rights to receive the cash flows from the asset have expired or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive the cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

A financial liability is derecognized 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

u) Fair value measurement:

The Company measures financial instruments, such as, derivatives at fair value at each reporting date.

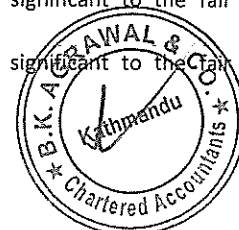
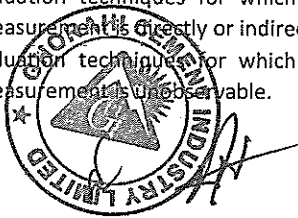
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between marked participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Significant Accounting Policies and Notes to the Standalone Financial Statements
For the year ended Ashad 32, 2079 (July 16, 2022)



Notes contd.....

v) 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. The company's equity shares are classified as equity instruments.

w) Earning Per Share:

Basic earning per share is calculated by dividing the profit attributable to ordinary equity holders of the company for the period by the weighted average number of ordinary shares outstanding during the year. For the calculation of diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares that arise in respect of convertible instruments, if any.

x) Foreign currency transactions:

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.

Conversion

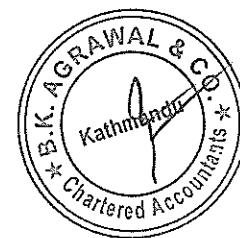
Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date.

Exchange differences

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss as per NRB Closing Date of SOFP Date.

Expenses/(Income) in Foreign Exchange

The bills for services rendered are raised in Nepalese Rupees. The payment received in foreign currency against these bills is credited and accounted for at the rate/rates prevalent on the date of receipt of payment. The gains/losses arising out of fluctuation in the exchange rates are accounted for on realization from bank.



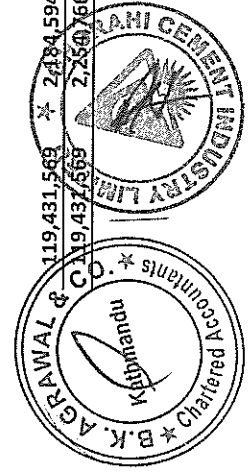
Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Particulars	Amount in NPR									
	Land	Buildings	Leasehold Development	Plant and Machinery	Office Equipment & Computer Accessories	Furniture & Fixtures	Vehicles	Lease Hold Assets (Packing Plant)	Other Assets	Total
Cost of Assets										
As on 1 Shrawan, 2077	119,431,569	2,818,969,773	51,533,899	5,253,382,615	44,363,438	37,527,776	63,558,310	-	1,048,508	8,389,815,888
Addition during the year	-	1,382,369	-	591,038,194	4,300,602	1,299,154	8,294,045	-	-	606,314,364
Acquisition /Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the Year	-	-	-	-	-	-	-	-	-	-
Adjustment /Revaluations	-	-	-	-	-	-	-	-	-	-
Impairment Reversal	-	-	-	-	-	-	-	-	-	-
Balance as on 31 Ashad, 2078	119,431,569	2,820,352,142	51,533,899	5,844,420,809	48,664,040	38,826,930	71,852,355	-	1,048,508	8,996,130,252
Addition during the year										
Acquisition /Capitalization	-	26,968,576	430,040	338,086,045	4,892,535	932,905	4,409,215	152,066,367	-	527,785,683
Disposal during the Period	-	-	-	-	-	-	-	-	-	-
Adjustment /Revaluations	-	-	-	-	-	-	-	-	-	-
Impairment Reversal	-	-	-	-	-	-	-	-	-	-
Balance as on 32 Ashad, 2079	119,431,569	2,847,320,718	51,963,939	6,182,506,854	53,556,575	39,759,835	76,261,570	152,066,367	1,048,508	9,523,915,935
Depreciation and Impairment										
As on 1 Shrawan, 2077	-	468,771,862	9,732,954	1,613,131,505	19,647,689	28,561,767	19,093,435	-	350,407	2,159,289,619
Depreciation charge for the year	-	96,814,175	2,276,537	215,574,395	5,327,771	3,108,713	4,874,737	-	133,983	328,110,311
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Adjustment (Charge to Reserve)	-	-	-	-	-	-	-	-	-	-
As on 31 Ashad, 2078	-	565,586,037	12,009,491	1,828,705,900	24,975,460	31,670,480	23,968,172	-	484,390	2,487,399,930
Depreciation charge for the Period	-	97,140,019	2,276,646	253,618,388	5,128,364	1,521,024	5,274,793	2,524,359	120,728	367,604,321
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment for the Period	-	-	-	-	-	-	-	-	-	-
As on 32 Ashad, 2079	-	662,726,056	14,286,137	2,082,324,288	30,103,824	33,191,504	29,242,965	2,524,359	605,118	2,855,004,251
Net Book Value										
As on Ashad End 2079	119,431,569	2,254,586,067	37,677,802	4,100,182,566	23,452,751	6,568,331	47,018,605	149,542,008	443,390	6,668,911,684
As on Ashad End 2078	119,431,569	2,250,766,105	39,524,408	4,015,714,909	23,688,580	7,156,450	47,884,183	-	564,118	6,508,730,322



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Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



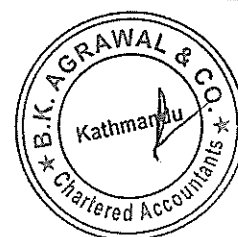
5 Intangible Assets

<u>Particulars</u>	<u>Amount in NPR</u>		
	<u>Computer Software</u>	<u>Mines Development Expenses</u>	<u>Total</u>
<u>Cost</u>			
As on 1 Shrawan, 2077	9,124,490	35,569,399	44,693,889
Addition during the year			
Acquisition / Capitalization	175,000	-	175,000
Disposal during the Year	-	-	-
Adjustment /Revaluations	-	-	-
Impairment Reversal	-	-	-
Balance as on 31 Ashad, 2078	9,299,490	35,569,399	44,868,889
Addition during the year			
Acquisition / Capitalization	1,140,000	1,046,916	2,186,916
Disposal during the Period	-	-	-
Adjustment /Revaluations	-	-	-
Impairment Reversal	-	-	-
Balance as on 32 Ashad, 2079	10,439,490	36,616,315	47,055,805
<u>Depreciation and Impairment</u>			
As on 1 Shrawan, 2077	4,312,784	7,985,474	12,298,258
Depreciation charge for the Period	682,137	1,368,173	2,050,310
Impairment for the Period	-	-	-
Disposals	-	-	-
Adjustment (Charge to Reserve)	-	-	-
As on 31 Ashad, 2078	4,994,921	9,353,647	14,348,568
Depreciation charge for the Period	755,586	1,383,106	2,138,692
Impairment for the Period	-	-	-
Disposals	-	-	-
As on 32 Ashad, 2079	5,750,507	10,736,753	16,487,260
<u>Net Book Value</u>			
As on Ashad End 2079	4,688,983	25,879,562	30,568,545
As on Ashad End 2078	4,304,569	26,215,752	30,520,321

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Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

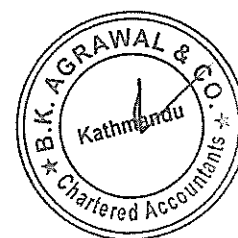
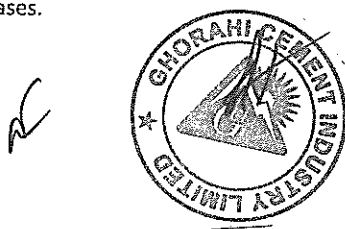
Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



6 Right of Use Assets:

<u>Particulars</u>	<u>Amount in NPR</u>	
	<u>Right of Use Assets Land</u>	<u>Total</u>
<u>Cost</u>		
As on 1 Shrawan, 2077	-	-
Addition during the year		
Acquisition / Capitalization	1,773,085	1,773,085
Disposal during the Year	-	-
Adjustment /Revaluations	-	-
Impairment Reversal	-	-
Balance as on 31 Ashad, 2078	1,773,085	1,773,085
Addition during the year		
Acquisition / Capitalization	-	-
Disposal during the Period	-	-
Adjustment /Revaluations	-	-
Impairment Reversal	-	-
Balance as on 32 Ashad, 2079	1,773,085	1,773,085
<u>Depreciation and Impairment</u>		
As on 1 Shrawan, 2077	-	-
Depreciation charge for the Period	16,936	16,936
Impairment for the Period	-	-
Disposals	-	-
Adjustment (Charge to Reserve)	-	-
As on 31 Ashad, 2078	16,936	16,936
Depreciation charge for the Period	59,227	59,227
Impairment for the Period	-	-
Disposals	-	-
As on 32 Ashad, 2079	76,163	76,163
<u>Net Book Value</u>		
As on Ashad End 2079	1,696,922	1,696,922
As on Ashad End 2078	1,756,149	1,756,149

The company has lease contracts for land at Kohalpur and Sunwal for packaging plants. The company has constructed buildings and installed plants and machinery on land. Leases of land have lease terms of 30 years from the date of commencement. The company's obligations under its leases are secured by the lessor's title to the leased assets. The company is restricted from assigning and subleasing the leased assets, and some contracts require the company to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments. The company also has certain leases of guest houses with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

8 Investments

<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Investment - wholly owned subsidiary.		
Ghorahi Cement Developing Company Private Limited 700,000 equity shares Face Value 100, paid up @Rs. 41.1040 (P.Y 41.1040) each	28,772,800	28,772,800
Jhenam Mines Private Limited 25,000 (P.Y 25,000) shares of Face Value 100, Paid-up @ Rs.20 each	500,000	500,000
Malarani Mines & Minerals Private Limited 36000 shares of face value 100 18000 Equity Shares @ Rs.100 (P.Y 18,000 @ Rs.100) Purchase 250 kitta @Rs.40000 (P.Y 2500 @ Rs.40000) Purchase 250 Kitta @Rs.30000 (P.Y 250 @ Rs.30000) Purchase 17500 Kitta @ Rs.100 (P.Y 17,500 @ Rs.100)	21,050,000	21,050,000
<u>Investment - Associates</u>		
Kiran Coal Udhyog Private Limited 28,500 shares of face value 100, purchase @ Rs.1166.6666 (P.Y 28,500 @ Rs.1166.6666)	33,250,000	33,250,000
Total	83,572,800	83,572,800

The all of above Investment in unquoted equity shares which is valued at cost. The Company does not have any quoted investments during the current and previous year.

Ghorahi Cement Developing Company Private Limited:

The Company has equity investment of 100% in Ghorahi Cement Developing Company Private Limited, The main objectives of the Company is to Purchase & sales of land & real estate work.

Jhenam Mines Private Limited:

The Company has equity investment of 100% in Jhenam Mines Private Limited. The main objectives of the company is to explore, excavate and trade into mines & minerals.

Malarani Mines & Minerals Private Limited

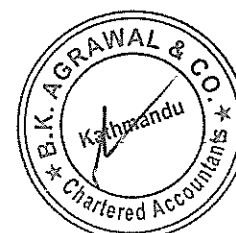
The Company has equity Investment of 100% (PY 50%) in Malarani Mines & Minerals Private Limited. The main objectives of the company is to explore, excavate and trade into mines & minerals.

Kiran Coal Udhyog Private Limited

The Company has equity investment of 47.5% in Kiran Coal Udhyog Private Limited. The main objectives of the company is to trading the coal, mines and minerals.

9 Inventories

<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Raw Material	862,937,983	810,546,306
Packing Material, Store & Spare	457,191,829	443,163,042
Work-in-progress	84,542,679	50,040,335
Finished Goods	525,745,799	302,847,775
Total	1,930,418,290	1,606,597,458



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

10 Trade Receivables

<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Trade Receivables		
Trade receivables	1,652,332,503	1,275,410,815
Less: Deferred Sales	(16,688,992)	(11,327,374)
Less: Allowance for expected credit losses	(3,891,244)	(2,874,871)
Total	<u>1,631,752,267</u>	<u>1,261,208,570</u>

10.1 Trade Receivable:

Trade receivables includes receivables from debtors during ordinary course of business and are non interest bearing.

10.2 Impairment of Trade Receivables:

For allowances, assets are tested collectively for impairment, and impaired, if necessary. Estimated irrecoverable amounts are based on the ageing of the receivable balances, taking previous cases of default into consideration and historical experiences.

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit ability of the customer is assessed, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes financial statements, credit agency information, industry information and in some cases bank references. Sales limits are established for each customer and reviewed constantly. Any sales exceeding those limits require approval from the management.

The concentration of credit risk is limited due to the fact that the customer base is large. For trade receivables, as a practical expedient, the Company computes credit loss allowance based on a provision matrix. The provision matrix is prepared based on historically observed default amounts over the expected life of trade receivables and is adjusted for forward-looking estimates.

Allowances of Credit Losses

<u>Movement in expected credit loss allowance on trade receivable</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Balance at the beginning of the year	2,874,871	2,503,156
Loss allowance measured at lifetime expected credit losses	1,016,373	371,715
Balance at the end of the year	<u>3,891,244</u>	<u>2,874,871</u>

10.3 Expected credit loss (ECL):

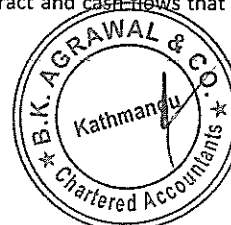
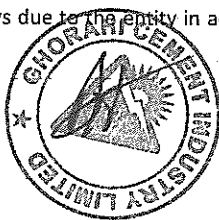
The Company recognises loss allowance for Expected Credit Loss on financial assets measured at amortised cost at an amount equal to life time ECLs except for the following, which are measured at life time ECLs:

- other short term receivables that have not demonstrated any increase in credit risk since inception.

The Company has elected to measure loss allowances for trade debts using NFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

Loss allowance for trade receivables are always measured at an amount equal to life time ECLs. Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

10.4 Secured Balance:

Secured trade receivables are considered secured on the basis of Bank Guarantee provided by the customers to the company and letter of credits in favor of the company..

<u>Particulars</u>	As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Secured, considered good	366,055,204	249,946,795
	<u>366,055,204</u>	<u>249,946,795</u>

10.5 Security:

Trade Receivable are pledged as security by the company against Borrowings.

11 Contract Assets:

<u>Particulars</u>	As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Contract Assets	16,688,992	11,327,374
Total	<u>16,688,992</u>	<u>11,327,374</u>

Contract assets relate to revenue earned from ongoing goods & services specified by customers during the period. As such, the balances of this account vary and depend on the volume of ongoing product & services at the end of the year.

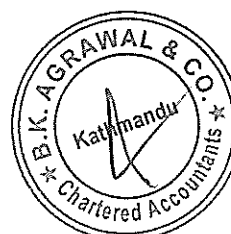
12 Cash and Cash Equivalent:

<u>Particulars</u>	As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Balances with Banks:		
- In current accounts	50,243,530	191,167,846
Cash In Hand (<i>As certified by the Management</i>)	6,522,795	10,478,909
Total	<u>56,766,325</u>	<u>201,646,755</u>

Balance at Bank in Term Deposits includes amount held by bank as fixed deposits having maturity of three months. Accordingly the same is classified as cash & cash equivalents.

Balances at bank in term & Call deposits earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The above balances are considered as the cash & cash equivalents for the purpose of Statement of Cash Flows.



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

13 Other financial assets

<u>Particulars</u>		As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Other Advances	13.1	86,349,130	50,628,585
Security Deposits		586,750	526,750
Deposit for statutory authorities with dispute cases		23,315,046	23,180,697
Total		110,250,926	74,336,032

13.1 Other Advances:

Other advances represents the balances given to subsidiary, associate & other company which is short term nature. It have been carried at cost as the effect of carrying these balances at amortised cost is not considered to be material for these financial statements.

14 Prepayments

<u>Particulars</u>		As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Prepaid Insurance and Expenses		55,401,618	72,376,892
Total		55,401,618	72,376,892

15 Other Current Assets:

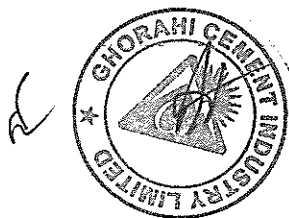
<u>Particulars</u>		As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Bank Guarantee Margin		1,331,403	1,331,403
Custom Margin Deposit		30,000	30,000
Letter of Credits & LC Margins		19,438,800	26,733,484
Advance to vendors & Contractors	15.1	497,939,648	732,640,853
Staff Advances		9,374,863	5,874,720
Value Added Tax Receivables		-	70,761,176
Total		528,114,714	837,371,636

15.1 Advance to vendors & Contractors:

It represents the advances given to raw material suppliers of main units and civil, mechanical, and electrical contractors for mobilisation and procurement of Unit 1.

16 Current Tax Assets/(Liabilities):

<u>Particulars</u>		As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Opening - Income Tax Refundable/(Payable)		14,795,308	13,296,608
Addition During the Period		4,760,529	18,240,667
Less- Prior year Adjustment During the Period		(30,611,622)	-
Provision for Tax - Current Period		(3,643,789)	(16,741,967)
Closing - Income Tax Refundable/(Payable)		(14,699,574)	14,795,308



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Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

17 Share Capital

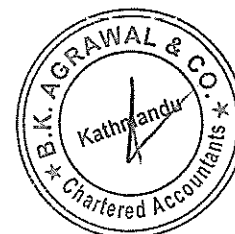
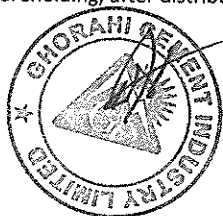
<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Authorized:		
68,000,000 (PY 58,000,000) Equity Shares of Rs. 100.00 each	6,800,000,000	5,800,000,000
(PY 10,000,000) Preference Shares of Rs. 100.00 each	-	1,000,000,000
	<u>6,800,000,000</u>	<u>6,800,000,000</u>
Issued:		
39,719,006 (PY 45,000,000) Equity Shares of Rs. 100.00 each	3,971,900,600	4,500,000,000
(PY 10,000,000) Preference Shares of Rs. 100.00 each	-	1,000,000,000
	<u>3,971,900,600</u>	<u>5,500,000,000</u>
Subscribed & Paid Up:		
31,775,205 Equity Shares of Rs.100.00 each	3,177,520,500	3,177,520,500
Total	<u><u>3,177,520,500</u></u>	<u><u>3,177,520,500</u></u>

17.1 Equity Share Capital Movements

<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Opening Share Capital	3,177,520,500	3,026,210,000
Bonus Share issued	-	151,310,500
	<u><u>3,177,520,500</u></u>	<u><u>3,177,520,500</u></u>

Rights, Preferences and Restrictions attached to Equity Share Capital

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

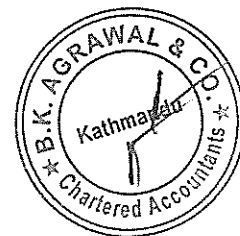
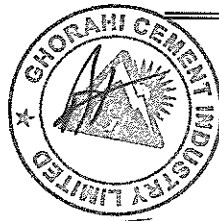


Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



17.2 Equity Shares held by <u>Name of the Shareholder</u>	As on Ashad 32, 2079 (July 16, 2022)		As on Ashad 31, 2078 (July 15, 2021)	
	%	No. of Share	%	No. of Share
Birendra Kumar Sanghai	12.40%	3,940,125	12.40%	3,940,125
Govind Lal Sanghai	12.40%	3,940,125	12.40%	3,940,125
Purushottam Lal Sanghai	10.20%	3,241,350	10.20%	3,241,350
Nilam Sureka Sanghai	8.00%	2,542,018	8.00%	2,542,018
Subhash Chandra Sanghai	6.13%	1,946,710	6.13%	1,946,710
Ram Chandra Sanghai	6.13%	1,946,710	6.13%	1,946,710
Shailesh Sanghai	6.27%	1,993,415	6.27%	1,993,415
Harsh Vardan Sanghai	6.27%	1,993,415	6.27%	1,993,415
Anju Sanghai	5.00%	1,588,761	5.00%	1,588,761
Trilok Chand Agarwal	3.78%	1,200,622	3.78%	1,200,622
Jagdish Prasad Agarwal	3.76%	1,194,270	3.76%	1,194,270
Tulsi Ram Agarwal	3.72%	1,181,565	3.72%	1,181,565
Ashok Kumar Agarwal	2.68%	851,235	2.68%	851,235
Anuj Agarwal	2.50%	794,063	2.50%	794,063
Vishal Agarwal	2.46%	781,357	2.46%	781,357
Nikunj Agarwal	2.44%	775,005	2.44%	775,005
Aditya Sanghai	1.10%	349,387	1.10%	349,387
Aditi Chokhani	1.10%	349,388	1.10%	349,388
Vivek Agarwal	0.78%	247,748	0.78%	247,748
Arpit Agarwal	0.78%	247,747	0.78%	247,747
Ashish Kumar Agarwal	0.76%	241,395	0.76%	241,395
Suresh Kumar Agarwal	0.44%	139,755	0.44%	139,755
Ashish Jindal	0.40%	127,050	0.40%	127,050
Kabita Agrawal	0.51%	161,989	0.51%	161,989
Total	100%	31,775,205	100%	31,775,205



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

18 Retained Earnings

<u>Particulars</u>	As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Opening	3,682,352,126	3,465,098,951
Bonus issued	-	(151,310,500)
Profit for the year, (PY Restated)	216,541,587	371,066,831
Impairment of Financial assets	18.1 -	(2,503,156)
Prior Year Adjustment	18.2 75,578,429	-
Prior Year Tax	18.3 (30,611,622)	-
Total	<u>3,943,860,520</u>	<u>3,682,352,126</u>

18.1 Impairment of Financial assets:

Financial assets, mainly trade receivables, which had previously not been impaired under the incurred loss model, have now been impaired under the expected credit loss model in a fully retrospective method from the beginning of Shrawan 01, 2077.

18.2 Prior Year Adjustment

During the year, the company has reversed the undistributed bonus of FY 2074-75 & FY 2075-76 of NPR 75,578,429 which was also reversed in tax assessment of FY 75/76 & 76/77.

18.3 Prior Year Tax

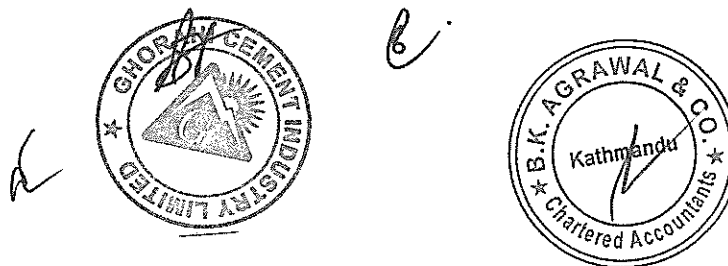
Prior Period tax pertain to FY 2075/76, 2076/77 & 2077/78 amounting to Rs.28,544,458, Rs.1,751,771 & Rs.315,393 respectively as per tax assessment order.

19 Other Reserve

<u>Particulars</u>	As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Preference Share Redemption Reserve	79,060,000	79,060,000
Total	<u>79,060,000</u>	<u>79,060,000</u>

Redemption Reserve:

Redemption Reserve has been created as per requirement of section 65.6 & 65.7 of Company Act, 2063.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

20 Secured Long term Financing

<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
From Banks:		
Term Loan	7,933,308,613	8,248,422,718
HP Loan	122,207,120	31,570,000
Total	8,055,515,733	8,279,992,718
Less:- Current maturities on borrowings from Banks	(507,334,226)	(330,005,744)
	<u>7,548,181,507</u>	<u>7,949,986,974</u>
Total	<u>7,548,181,507</u>	<u>7,949,986,974</u>

20.1 Loan Security:

- i) The local consortium loan is secured against hypothecation of entire fixed Assets, Current Assets as primary security.
- ii) For the secondary guarantee the Chairman and one director of the company has provided personal guarantee to the bank.

20.2 The company considers the initial interest rate agreed as per consortium agreement is to be the effective interest rate. Hence the finance expenses recognized is approximate to effective interest rate. i.e. The rate of interest on loan from concerned bank is considered as effective rate of interest and accordingly the borrowings are assumed to be at its fair value.

20.3 As per the Consortium (led by Himalayan Bank Limited) Meeting Minutes of the company held on Sunday, June 19th, 2022, it has been principally decided to finance the non-current assets which have not been financed by consortium banks amounting to Rs.180 crore (approx). It is assumed that the company will receive 80% on non-financial fixed assets, amounting to Rs. 135 crore (approx) as a term loan in the upcoming financial year. In this regard, some of the consortium banks have already taken the approval form from their approving authority.

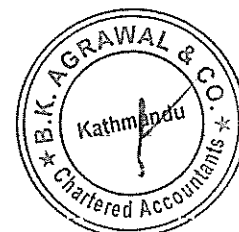
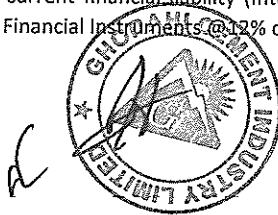
21 Non-Current Financial Liability

<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Advance from Directors & Shareholders	952,259,977	-
Less: Impact of present Value of Future Repayment	(208,095,741)	-
Interest Expenses arising During the year	15,839,374	-
Total	<u>760,003,610</u>	<u>-</u>

During the Period the company has received the interest free loan from company directors and shareholders amounting to Rs. 952.26 Millions. As per board minutes decision, the repayment should be done after July 15, 2024.

Accordingly, it has been classified as a non-current financial liability, measured under fair value through profit loss. The fair value of a financial liability, i.e., unsecured long-term financing, is measured at present value of payment made after July 15, 2024. The difference between the fair value and the carrying value is recognized as a gain or loss in the statement of profit or loss at initial recognition amounting to Rs.208.09 million.

Interest expenses on Non current financial liability (Interest Free Directors Loan) has been calculated using the effective interest rate under NFRS 9 Financial Instruments @ 12% on present value amounting to Rs.15.83 million.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

22 Lease Liability

<u>Particulars</u>	<u>As on</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>	<u>As on</u> <u>Ashad 31, 2078</u> <u>(July 15, 2021)</u>
Opening	1,790,495	-
Additions During the year	-	1,773,085
Adjustment During the year	72,906	17,410
Total	1,863,401	1,790,495

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate @12% at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

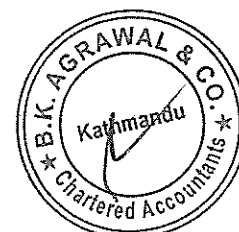
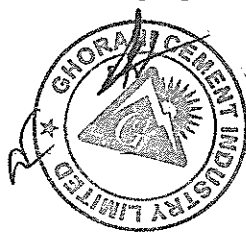
23 Deferred Tax Assets / (Liability)

<u>Particulars</u>	<u>As on</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>	<u>As on</u> <u>Ashad 31, 2078</u> <u>(July 15, 2021)</u>
Deferred Tax Assets / (Liabilities) as on 1st Sharwan	(180,388,640)	(173,404,624)
Add/ Less:-		
Tax income/(expense) during the period recognized in statement of profit or loss (net)	(3,872,228)	(6,984,016)
Deferred Tax Assets / (Liabilities) as on Period End	(184,260,868)	(180,388,640)

Details of Deferred Tax Assets / (Liability)

<u>Particulars</u>	<u>As on</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>	<u>As on</u> <u>Ashad 31, 2078</u> <u>(July 15, 2021)</u>
<u>On account of :</u>		
Property, Plant and Equipment and Intangible Assets	(184,005,401)	(181,744,019)
Defined Benefits Obligations	4,284,914	3,550,939
Right of Use Assets	101,815	105,369
Lease Liability	(111,804)	(107,430)
Inventories	(4,530,392)	(2,193,499)
Total	(184,260,868)	(180,388,640)

Deferred tax is calculated on temporary differences using tax rate of 6.00% (Previous year : 6.00%). Deferred tax has been recognized in respect of temporary differences giving rise to deferred tax asset/(liability).



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPK

24 Borrowings - Short Term

<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Working Capital (secured)*		
From Banks:		
Short Term, Import Loan & Working Capital Loan	3,804,454,500	2,640,780,257
Current maturities of long-term borrowing		
- From Banks	507,334,226	330,005,744
Total	4,311,788,726	2,970,786,001
*Security		

- i) The loan is secured against hypothecation of entire fixed Assets, Current Assets as primary security.
ii) For the secondary guarantee the chairman and one director of the company has provided personal guarantee to the bank.

25 Trade Payables

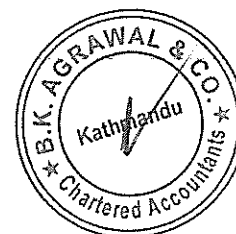
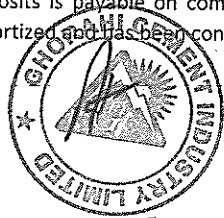
<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Sundry Creditors-Suppliers	636,297,672	855,388,278
Total	636,297,672.000	855,388,278

26 Other Financial Liabilities:

<u>Particulars</u>	<u>As on Ashad 32, 2079 (July 16, 2022)</u>	<u>As on Ashad 31, 2078 (July 15, 2021)</u>
Retention money payable	55,806,934	55,491,672
Security deposit payable	40,866,793	37,163,708
Statutory dues	39,505,827	58,072,373
Corporate social responsibility fund	2,263,208	4,559,343
Employee Payables		
- Salary & wages payable	43,986,074	33,892,110
- Bonus payable	22,632,081	117,074,319
- Defined contribution payables	196,249	168,400
- Employees defined benefit obligations	71,415,231	59,182,314
Expenses Payable	535,075,762	592,863,167
Audit Fee Payable	1,231,250	502,350
Shree Ganesh Ji Maharaj	1	1
Other Payable	27,525,500	27,525,500
Total	840,504,910	986,495,257

26.1 The retention money pertains to the amount payable to contractors/suppliers of Unit 1 expansion project. Such retention is payable on completion of the project. As the maturity of such retention is uncertain the same has not been amortized and has been considered to be carried out at fair value.

26.2 The security deposits pertains to the amount payable to contractors/suppliers of Unit 1 expansion project. Such security deposits is payable on completion of the project. As the maturity of such deposits is uncertain the same has not been amortized and has been considered to be carried out at fair value.



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)
Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

26.3 Corporate Social Responsibility Fund:

CSR expenses is accounted as per Industrial Enterprises Act 2020 (2076 BS) (the "Act").
Section 54 of Industrial Enterprises Act 2020 (2076 BS) makes it mandatory to allocate 1% of the annual profit to be utilized towards corporate social responsibility (the "CSR Requirement").
The fund created for CSR is to be utilized on the basis of annual plans and programs but in the sectors that are prescribed in the rules framed under the Act.

Accordingly, the company has allocated amounting to Rs.2.26 million during the Period.

The plan and the utilization progress report of the fund is required to be submitted to the Department of Industries.

The company has utilized CSR fund in following areas specified under Rule 37 of Industrial Enterprise Rules, 2076:

Particulars	Amount
1 Education Sector	200,000
2 Religious Sector	50,000
3 Local infrastructure development Sector	4,309,343
Total	4,559,343

Summary of CSR:

<u>Particulars</u>	As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Opening Balance	4,559,343	26,612,972
Provided During the Year	2,263,208	4,090,532
Utilized During the Year	(4,559,343)	(26,144,161)
Closing Balance	<u>2,263,208</u>	<u>4,559,343</u>

26.4 Staff Bonus:

Provision for Staff Bonus has been made at 10% of profit before CSR and tax during the Period which amounts to Rs.22.63 million during the Period.

<u>Particulars</u>	As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Profit before CSR and Tax	248,952,893	456,454,788
Bonus @10% of Profit before Tax	<u>22,632,081</u>	<u>41,495,890</u>

During the year, the company paid a bonus of Rs. 29.1 million from the provision of FY 2077/78 & remaining undistributed bonus has been written back as current year income.

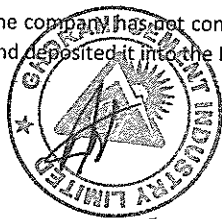
The company has reversed the undistributed bonus of FY 2074-75 & FY 2075-76 of NPR 75 million, which is reversed in the tax assessment of FY 75/76 & 76/77.

<u>Particulars</u>	As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Opening Bonus Payable	117,074,319	145,475,783
Paid During the Year	29,100,893	58,251,567
Reversal of bonus provision (Assessment)	75,578,429	-
Reversal of bonus provision of Previous Year	12,394,997	11,645,787
This Year Provision	22,632,081	41,495,890
Balance Bonus Payable	<u>22,632,081</u>	<u>117,074,319</u>

26.5 Defined Contribution Payables:

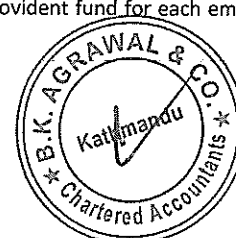
As per the requirements of the Social Security Act and Labour Act, every employer and employee are required to contribute 20% and 11%, respectively, of basic salary as a SSF and deposit it into the Social Security Fund. The same mandatory government scheme has been defined as a contribution plan in accordance with Nepal Accounting Standard (NAS) 19 'Employee Benefits'.

However, the company has not complied with the same and contributed 10% of the provident fund for each employee and employer and deposited it into the Employee Provident Fund (EPF).



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Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

26.6 Defined Benefits Payables:

A defined benefit plan is a poste employment benefit plan other than a defined contribution plan. The company recognizes following two types of employee liabilities as defined benefit obligations:

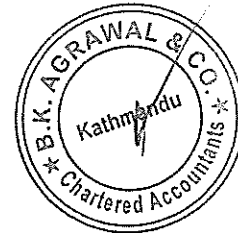
- a) Gratuity Liability
- b) Accumulated Leave Liability

The cost of the defined benefit obligations has not been determined using actuarial valuation from an independent actuary. The company has recognized gratuity obligations @8.33% of basic salary. As on year ended company has outstanding gratuity & leave encasement payable amounting to Rs. 6.19 crore and Rs. 94.62 lakh respectively. However, an actuarial valuation is not carried out considering it immaterial and hence actuarial gains or losses are not recognized. Instead the gratuity liability is fully funded to the corresponding DBP to the extent of gratuity entitlement earned by the employees in the same period. Employer's contribution to DBP is recognized as gratuity expense in profit or loss during the year.

27 Contractual liabilities:

<u>Particulars</u>	<u>As on</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>	<u>As on</u> <u>Ashad 31, 2078</u> <u>(July 15, 2021)</u>
Advance from Customers	143,523,045	71,518,107
Deferred Revenue	14,096,686	9,763,839
Total	157,619,731	81,281,946

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also generally includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery.



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

28 Revenue from Operations

<u>Particulars</u>	<u>Year ended</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>	<u>Year ended</u> <u>Ashad 31, 2078</u> <u>(July 15, 2021)</u>
Revenue from contracts with customers	4,758,413,198	6,083,481,077
Other operating revenues	78,665,548	6,911,233
Less: Incentives and Rebates	(31,214,946)	(267,221,914)
Less: Deferred revenue	(14,096,686)	(9,763,839)
Add: Deferred revenue of previous year	9,763,839	-
Total	4,801,530,953	5,813,406,557

28.1 Sale of goods:

The entity has applied NFRS 15 using the modified retrospective method and the comparative information has been restated and continues to be reported under NAS 18 and NAS 11. The details of accounting policies under NAS 18 and NAS 11 are disclosed separately if they are different from those under NFRS 15.

28.2 Significant accounting policy:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognises revenue when it transfers control over a product or service to a customer. In the comparative period, revenue was measured at the fair value of the consideration received or receivables.

In the comparative period, revenue was 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 and when recognition criteria related to sale of goods activities i.e when the significant risks and rewards of ownership of the goods have transferred to the buyer, with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Revenue include all revenue from ordinary activities of the company that are recorded net off Value Added Taxes and Excise Duty collected from the customer that are remitted or are to be remitted to the government authorities.

The company generates revenue from sale of goods in the ordinary course of business.

28.3 Nature of goods and services:

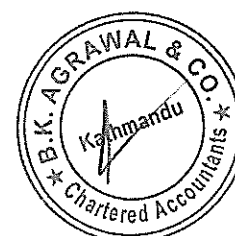
The company is engaged in the production, manufacture, and sale of cement and clinker under the brand names Sagarmatha, Gorkha, and Vishwakarma. The company is also engaged in supply of own products.

28.4 Timing of revenue recognition:

The entity recognizes revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

28.5 Sales Channel:

The entity sells through intermediaries, i.e., through its dealers and distributors. Also available to consumers and at construction sites directly.



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

28.6 Transaction price related to remaining performance obligations:

The revenue is recognized when control of the goods is transferred to the customer.

Variable consideration for pending performance obligation at Fiscal Year Closing dates

<u>Particulars</u>	<u>Year ended Ashad 32, 2079 (July 16, 2022)</u>	<u>Year ended Ashad 31, 2078 (July 15, 2021)</u>
Goods & Services Pending to be deliver	14,096,686	9,763,839
	<u>14,096,686</u>	<u>9,763,839</u>

28.7 Disaggregation of revenue from contracts with customers:

The Company derives revenue from sale of products from following major segments:

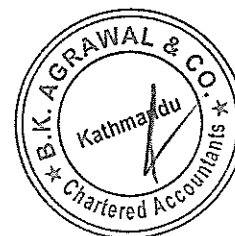
<u>Particulars</u>	<u>Year ended Ashad 32, 2079 (July 16, 2022) (NRS)</u>	<u>Year ended Ashad 31, 2078 (July 15, 2021) (NRS)</u>
i) Revenue from contracts with customers:		
Sale of products (Transferred at point in time)		
Manufacturing		
Nepal	4,617,042,205	5,999,625,600
Export	-	-
Trading	141,370,993	83,855,477
	<u>4,758,413,198</u>	<u>6,083,481,077</u>
ii) Other operating revenue:		
Transportation Services	78,665,548.00	6,911,233.00
	<u>78,665,548.00</u>	<u>6,911,233.00</u>
iii) Major Product lines		
Clinker	702,359,796.00	764,904,889.00
Cement	3,914,682,409.00	5,234,720,711.00
	<u>4,617,042,205.00</u>	<u>5,999,625,600.00</u>

28.8 Contract balances:

Trade receivables	1,635,643,511	1,264,083,441
Contract assets	16,688,992	11,327,374
Contract liabilities	157,619,731	81,281,946

28.9 Segment Balances:

These financial statements do not include disclosure relating to NFRS 8 "Operating Segments" as the Company's business is considered to be a single operating segment.



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

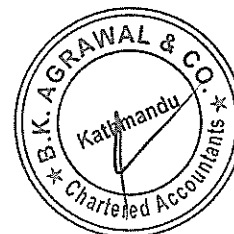
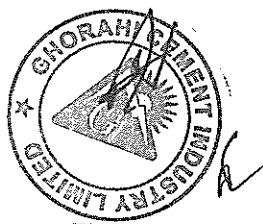
Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

29 Cost of Sales

<u>Particulars</u>	<u>Year ended Ashad 32, 2079 (July 16, 2022)</u>	<u>Year ended Ashad 31, 2078 (July 15, 2021)</u>
Opening Stock of Semi Finished/Finished Goods		
OPC Cement Semi Finished	22,147,722	12,452,594
PPC Cement Semi Finished	27,892,613	25,742,300
Clinker	302,847,775	184,862,306
	<u>352,888,110</u>	<u>223,057,200</u>
Add :		
Raw Material & Stores Spares Consumption	2,246,632,426	3,073,759,310
Fuel & Power Consumption	1,230,819,805	1,184,970,102
Manufacturing Expenses:		
Building Repairs	2,899,478	4,845,197
Factory Miscellaneous Expenses	5,806,739	4,327,856
Factory Canteen Expenses	15,319,320	12,402,136
Factory Insurance	19,491,367	23,727,183
Salary & Wages Expenses	265,400,339	232,160,929
Loader & Excavator Expenses	2,704,500	3,951,000
Repairs & Maintenance Plant & Machinery	130,241,802	149,356,994
Tipper / Tractor Running Expenses	32,742,421	25,035,256
Factory Security Guard Expenses	13,720,730	11,979,459
Certification Expenses	1,364,574	1,385,704
Cement-Packing Charge	4,841,846	7,426,718
Oil, Gas & Other Lubricants	2,223,279	16,072,398
Gratuity Expenses	9,950,899	4,989,954
Leave Encasement Expenses	166,156	-
Mines Expenses	18,686,842	22,371,555
Employee Bonus	16,663,819	31,327,688
Total	<u>4,019,676,342</u>	<u>4,810,089,439</u>
Less:		
Closing Stock of Semi Finished/Finished Goods		
OPC Cement Semi Finished / Finished	60,714,220	22,147,722
PPC Cement Semi Finished / Finished	23,828,459	27,892,613
Clinker	525,745,799	302,847,775
Total	<u>610,288,478</u>	<u>352,888,110</u>
Total	<u>3,762,275,974</u>	<u>4,680,258,529</u>



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

30 Other income

<u>Particulars</u>		<u>Year ended Ashad 32, 2079 (July 16, 2022)</u>	<u>Year ended Ashad 31, 2078 (July 15, 2021)</u>
Interest Income - Debtors		-	4,279,287
Interest Income - Call Accounts	30.1	507,611	318,484
Rent Income		651,311	420,000
Insurance Claims received	30.2	15,119,984	2,084,830
Gain on initial recognition of financial liability at fair value	30.3	208,095,741	-
Miscellaneous Income		3,350,118	50,972
Foreign Exchange Gain/Loss		-	3,100,681
Bonus written Back	30.4	12,394,997	11,645,787
Sundry Creditors Written Back		-	21,911,685
Total		240,119,762	43,811,726

30.1 Interest Income - Bank:

Interest income from Bank Deposits has been recognized using effective interest method as required by NAS 39. The rate of concerned bank from which interest income is earned is considered as effective rate of interest.

30.2 Insurance Claims received:

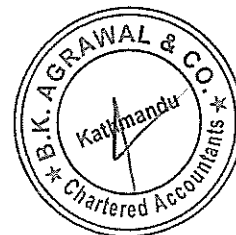
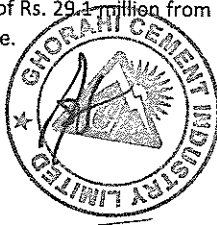
It is recognised as amount received of insurance claim which is dependent on the replacement/repairs cost for damaged components of plant and machinery due to accident that occurred during current & earlier years.

30.3 Gain on initial recognition of financial liability at fair value:

Gain on initial recognition of financial liability at fair value is the income recognized on unwinding of interest free loan received from related party at present value which is in accordance with NFRS 9, Financial Instruments. The fair value of a financial liability, i.e., unsecured long-term financing, is measured at present value of payment made after July 15, 2024. The difference between the fair value and the carrying value is recognized as a gain or loss in the statement of profit or loss at initial recognition amounting to Rs.208.09 million.

30.4 Bonus written Back:

During the year, the company paid a bonus of Rs. 29.1 million from the provision of FY 2077/78 & remaining undistributed bonus has been written back as current year income.



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

31 Administrative, Selling & Distribution Expenses

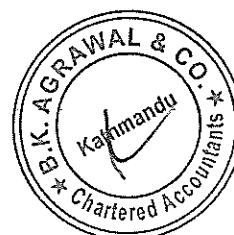
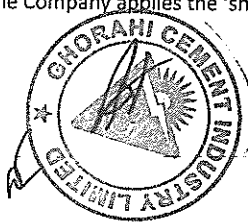
<u>Particulars</u>		<u>Year ended</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>	<u>Year ended</u> <u>Ashad 31, 2078</u> <u>(July 15, 2021)</u>
Employee Benefits Expenses	31.1	104,827,494	89,977,974
Short Term Lease Expenses	31.2	4,522,524	5,752,948
Auditors' remuneration	31.3	1,350,000	510,000
Donation		816,350	20,500
DG Running Expenses		45,050	68,055
Electricity & Water Expenses		758,180	551,370
Fine and Penalty		887,042	32,205
Foreign Exchange Gain/Loss		729,093	-
Legal Expenses		2,532,020	1,111,430
Office Upkeep Expenses		5,587,830	5,169,904
Mess Expenses		1,534,736	1,458,338
Membership Fee		1,547,894	1,071,156
Repairs & Maintenance - Computer, Printer & others		722,225	1,544,442
Repairs & Maintenance - Vehicle		2,962,383	3,788,299
Recruitment Expenses		275,947	163,123
Printing & Stationery		1,807,809	1,892,261
Prior Period Expenses		1,315,561	815,842
Rates & Taxes		471,525	577,989
Telephone, Postage & Internet		3,531,930	3,277,072
Travelling & Conveyance		4,433,599	1,764,436
Vehicle Running		4,463,764	5,472,707
Security Guard Expenses		318,000	318,000
Miscellaneous Expenses-Sales		37,751,278	10,815,481
COVID-19 -Expenses		-	317,370
Advertisement Expenses		84,331,463	95,809,222
Royalty Expenses		5,317,850	11,163,350
Bulker Running Expenses		19,313,682	5,905,652
Impairment Expenses		1,016,373	371,715
Corporate Social Responsibility		2,263,208	4,090,532
Total		295,434,810	253,811,373

31.1 Employee Benefits Expenses

<u>Particulars</u>		<u>Year ended</u> <u>Ashad 32, 2079</u> <u>(July 16, 2022)</u>	<u>Year ended</u> <u>Ashad 31, 2078</u> <u>(July 15, 2021)</u>
Salary & Allowances		95,054,970	75,353,768
Staff Welfare Expenses		1,007,508	1,272,241
Leave Encasement Expenses		-	1,464,703
Gratuity Expenses		2,796,754	1,719,060
Employee Bonus		5,968,262	10,168,202
		104,827,494	89,977,974

31.2 Short Term Lease Expenses:

The Company has certain leases of office space and guest house rent with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

31.3 Auditors' remuneration

<u>Particulars</u>	Year ended Ashad 32, 2079 (July 16, 2022)	Year ended Ashad 31, 2078 (July 15, 2021)
Audit Fee	1,000,000	510,000
Interim Period Audit Fee	250,000	-
Other certifications	100,000	-
	<u>1,350,000</u>	<u>510,000</u>

32 Depreciation and Amortization

<u>Particulars</u>	Year ended Ashad 32, 2079 (July 16, 2022)	Year ended Ashad 31, 2078 (July 15, 2021)
Depreciation on tangible assets	367,604,321	328,110,311
Amortization on intangible Assets	2,138,692	2,050,310
Depreciation on right of use Assets	59,227	16,936
Total	<u>369,802,240</u>	<u>330,177,557</u>

33 Finance Cost

<u>Particulars</u>	Year ended Ashad 32, 2079 (July 16, 2022)	Year ended Ashad 31, 2078 (July 15, 2021)
Interest expenses on		
- Long term finance - secured	33.1 754,233,661	542,921,781
- Short term finance - secured	33.1 326,009,329	147,391,562
- Lease Liability	33.2 228,906	62,410
- Financial Liability	33.3 15,839,374	-
Loan Agency & Management Fees	10,035,237	6,706,759
Guarantee commission	715,910	345,911
Bank Charges	1,818,519	2,056,516
	<u>1,108,880,936</u>	<u>699,484,939</u>
Less: Allocated to fixed capital expenditure	(718,800,849)	(501,306,929)
Total	<u>390,080,087</u>	<u>198,178,010</u>

33.1 Interest on Long Term & Short Term Finances:

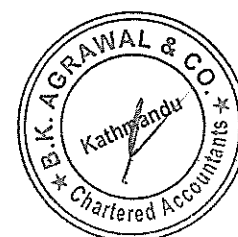
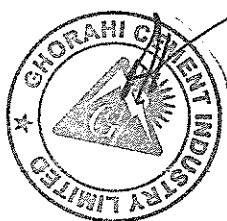
The company considers the initial interest rate agreed as per consortium agreement is to be the effective interest rate. Hence the finance expenses recognized is approximate to effective interest rate. i.e. The rate of interest on loan from concerned bank is considered as effective rate of interest.

33.2 Interest on Lease Liability:

Interest Expenses are the finance expense accrued/recognized on the present value of all the lease payments over the lease period.

33.3 Interest on Financial Liability:

Interest expenses on Non current financial liability (Interest Free Directors Loan) has been calculated using the effective interest rate under NFRS 9 Financial Instruments @12% on present value amounting to Rs.15.83 million.



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Amount in NPR

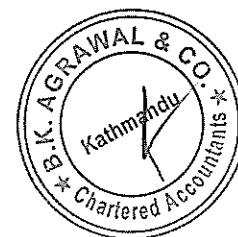
34 Income Tax Expenses

<u>Particulars</u>	<u>Year ended Ashad 32, 2079 (July 16, 2022)</u>	<u>Year ended Ashad 31, 2078 (July 15, 2021)</u>
Current Period	3,643,789	16,741,967
Total Current Tax Expense	<u>3,643,789</u>	<u>16,741,967</u>
Deferred tax Expense		
Origination and Reversal of Temporary Differences	3,872,228	6,984,016
Deferred Tax Expense/(Income)	<u>3,872,228</u>	<u>6,984,016</u>
Total Tax Expense	<u>7,516,017</u>	<u>23,725,983</u>

35 Earning Per Share

<u>Particulars</u>	<u>Year ended Ashad 32, 2079 (July 16, 2022)</u>	<u>Year ended Ashad 31, 2078 (July 15, 2021)</u>
Net Profit available for Equity Shareholders for Basic Earnings Per Share	216,541,587	371,066,831
Basic - weighted Average Number of Equity Shares Outstanding during the year	31,775,205	31,775,205
Basic Earnings Per Share	6.81	11.68
Net Profit available for Equity Shareholders for Diluted Earnings Per Share	216,541,587	371,066,831
Diluted - weighted Average No. of Equity Shares during the Period	39,719,006	31,775,205
Diluted Earnings Per Share	5.45	11.68

According to the decision made by the board of directors at the Annual General Meeting on 2079/03/25, the company will issue an Initial Public Offering (IPO) of 7943801 equity shares in the upcoming year, and diluted earnings per share have been adjusted accordingly.



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



36 Income Tax:

Provision for Income Tax has been made as per the provisions of Income Tax Act, 2058 after availing the concession/ rebate as per section 11(3) (Kha) of Income Tax Act, 2058 as follows:

Nature of Business	Tax Rate as per Income Tax Act, 2058	Rebate available U/s 11(2kha) of IT Act 2058	Effective Tax Rate after availing rebate u/s 11(Kha) of IT Act 2058	Rebate available U/s 11(3) of IT Act, 2058*	Applicable Tax Rate as per IT Act, 2058
Manufacturing-Local	25%	20%	20% 25%-20%	70%	6% (20% - 70%)
Trading Business	25%				25%

*The Company is eligible to claim 70% rebate on the applicable tax rate (i.e. applicable tax rate of 6%) on the taxable income from manufacturing activity for the period of 10 Period from the Period of commencement of commercial production as per sec 11(3)(Kha) of Income Tax Act, 2058.

The Income Tax assessment has been completed by the tax authorities up to F/Y 2077-78, the company has accepted all the matter raised. There is not any dispute pending with regards to Income Tax.

Although the Company is a manufacturing industry registered with Department of Industries, it has undertaken trading activity and has sold raw materials and diesel during the Period to various sub contractors/vendors at Mines Site where the same is not easily available & sale of some raw material is also undertaken to avoid degradation of its quality. The Company has paid tax on profit arising due to trading activities at 25% as per the provisions of prevailing taxation laws.

37 New Expansion Unit 1:

From fiscal year 2074-75, the company has begun a new expansion in the Dang district on the compound of its main unit, Ghorahi Cement Industries Ltd. The annual clinker and grinding production capacities will be 957,000 MT and 420,000 MT, respectively. At the reporting date, the company has the following assets and liabilities, which are related to New Expansion-Unit 1.

Particulars	Assets	Liabilities	Financial Position Reference
Advance Provided to Contractor & Suppliers	119,854,374	-	Other Current Assets
Letter of Credit balances	4,069,436	-	Other Current Assets
Capital Nature Inventories	89,452,709	-	Inventories
Retention Money	-	48,028,418	Other Financial Liabilities
Security deposit of Contractor	-	31,552,687	Other Financial Liabilities
Capital Creditors	-	92,901,001	Trade Payable
Total	213,376,519	172,482,106	

38 Borrowing Cost Capitalized:

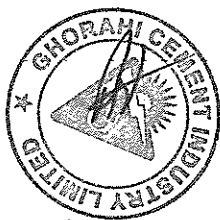
The Company has capitalized the interest on borrowing as per best invested in Project unit 1. During the year following interest has been capitalized in Unit 1 which is as follows:

Particulars	Interest Capitalized	
	FY 2078-79	FY 2077-78
Interest of dedicated Term loan for project	718,800,849	501,306,929
Total	718,800,849	501,306,929

39 Capital Work in Progress:

The movements in Capital Work-in-progress are as follows:

Particulars	Opening CWIP	Additions during the year	Interest Capitalized	Less: Capitalization	Closing CWIP
Mines Development	6,288,467	16,589,796	1,713,528	-	24,591,791
Building	2,335,234,875	71,162,398	180,221,890	-	2,586,619,163
Plant and Machinery	6,815,153,541	352,835,315	536,865,431	-	7,704,854,287
Building Staff Qtr	80,663,591	15,143,052	-	(8,119,944)	87,686,699
Lease Hold Assets (Packing Plant)	23,470,126	263,794,911	-	(149,499,041)	137,765,996
Total	9,260,810,600	719,525,472	718,800,849	(157,618,985)	10,541,517,936



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



40 The Company has capitalized the following direct/indirect expenses in Capital Work In Progress (Unit 1).

Particulars	Current Year Amount	Previous Year Amount
Electricity Expenses	19,443,232	22,404,703
Bank Charges	33,485	1,547,104
Certification Expenses	15,000	365,000
Consultancy Fee	-	65,000
Insurance Premium	22,862,260	10,276,519
Loan Agency / Management fee Expenses	4,500,000	6,375,000
Other expenses	-	5,919,967
Salary & Wages Expenses	39,226,903	36,283,918
Reverse VAT	154,626	929,183
Total	86,235,506	84,166,394

41 Events after Reporting Date

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the financial statements.

42 Contingent Liabilities and Commitments:

S.No.	Particulars	FY 2078-79	FY 2077-78
42.1	Bank Guarantee	25,027,044	25,027,044
42.2	Letter of Credit	233,811,115	620,300,878
42.3	Capital commitments	-	35,884,077
42.5	Litigation - Custom and Value Added Tax	14,818,926	14,818,926
42.6	Nepal Electricity Authority	1,241,365,823	1,157,281,151
	Total	1,515,022,908	1,853,312,076

42.1 Bank Guarantee

The company has given Bank Guarantee for Rs.25.03 (P.Y 25.03) million in ordinary course of business.

42.2 Letter of Credit

There are unexpired Letter of Credit amounting to Rs.233.81 (P.Y 620.3) million at the year end.

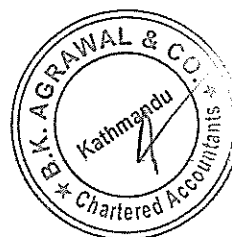
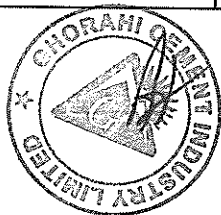
42.3 Litigation - Custom and Value Added Tax

i The Krishnagar Custom office has assessed the Custom Duty and Value Added Tax on differential amount of value between notified rate for customs valuation as prescribed by department of Custom and actual invoice submitted by company on Coal import. Additional demand notice of Rs.24,32,163 for Custom Duty and Rs.66,43,733 for Value Added Tax has been served against company. The company has not accepted the valuation determined by Krishnagar Custom office and deposited the equivalent amount & has gone for appeal.

ii The Nepalgunj Custom office has assessed the Custom Duty, Excise duty and Value Added Tax on differential Import duty & Excise duty rate between declaration rate in Pragyapatra and tariff rate prescribed by Department of Custom for Bulker import. Additional demand, vide notice dated 2076.07.26 chalani no.3987 of Rs.39,85,044 for Custom Duty, Rs.10,97,283 for excise duty and Rs.6,60,703 for Value Added Tax has been served against company. The company has not accepted the valuation determined by Krishnagar Custom office and deposited the equivalent amount & has gone for appeal in Revenue Tribunal.

Dispute on account on Custom Valuation

Financial year	Under Dispute	Deposit for Dispute
2072-73 Coal	9,075,896	9,075,896
2076-77 Bulker	5,743,030	5,743,030
Total	14,818,926	14,818,926



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



42.4 Nepal Electricity Authority

The Company has received electricity bill arrears up to Ashad 2079 amounting to Rs. 124.13 cr in Shrawan 2079 Bill, out of which company has booked the liability of Rs.34.51 cr. This is subjected to un-resolved matter with Nepal Electricity Authority which includes additional fee of dedicated trunk line, difference of old & increased tariff rates upto Ashad 2077 not considered monthly rebate of timely payment due to arrears Ashad 2079 i.e. 124.13 cr. has been treated as Contingent liability.

However, company has not paid and only provided in books of accounts Rs. 34.51 Cr. The company has appealed for the administrative review at NEA, Ministry of Energy, Water Resources and Irrigation, Government of Nepal. No decision has been made regarding this matter by any Authorities. Also the above matter is pending in the Jurisdiction of Honourable Court.

43 Financial Risk Management Objectives And it's Policies

The Company's financial assets majorly comprise of trade receivables, other receivables, margin money, deposits and cash & cash equivalents. The Company's financial liabilities majorly comprise of deferred payment credit, trade payables, and other commitments.

The Company is exposed to credit risk and liquidity risk arising out of operations and the use of financial instruments. The Board of Directors have overall responsibility for establishment and review of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions affecting business operations and the Company's activities. The company is exposed to market risk, credit risk and liquidity risk for which BOD reviews and agrees policies for managing each risks which is summarized below:-

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and economic condition. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest Rate Risk

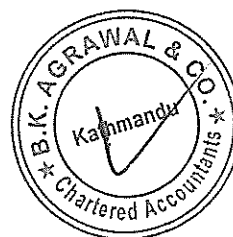
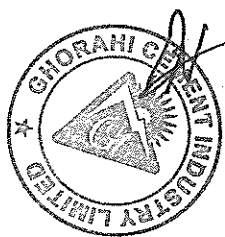
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank terms loan, overdraft and short term deposits.

The Company manages its interest rate risk by negotiating with highly reputed commercial banks.

- Consortium Loan

The Company has obtained consortium loans from various banks, except bridge-gap loans and hire purchase loans. The following amounts were outstanding as on the statement of financial position date:

Particulars	2078-79	2077-78
Term Loan IV	206,687,417	328,687,419
Term Loan V	4,888,101,880	5,012,895,664
Term Loan VI	903,519,316	924,303,901
Term Loan VII	1,935,000,000	1,982,535,735
Total	7,933,308,613	8,248,422,719



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

The Company manages major currency exposures within prescribed limits, through use of forward exchange contracts.

The details of forward exchange contracts for balance outstanding at year end are as follows:-

Particulars	Currency	Payable Amount	Hedged	Unhedged
- Trade Payable	USD	281,782	-	281,782

Commodity Price Risk

The Company is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of coal, limestone, gypsum, fly ash bauxite, Iron ore, pet coke, furnace oil, diesel etc. and therefore require a continuous supply of the same.

The Company manages this risk by purchasing coal, bauxite, Iron ore, pet coke, furnace oil, diesel etc. from the suppliers identified by the management and the Company has long term relation with the suppliers.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade Receivables

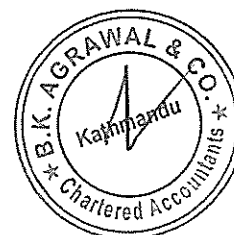
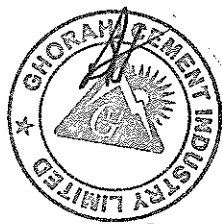
Customer credit risk is being driven by Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

Cash Deposits

Credit risk from balances with banks and financial institutions are managed by maintaining the balances with highly reputed commercial banks only.

Liquidity Risk

The Company's monitors its risk to a shortage of funds on a regular basis through cash forecast. The Company's objective is to maintain a balance continuity of funding and flexibility through the use of bank overdrafts and term loans. Access to source of funding is sufficient.



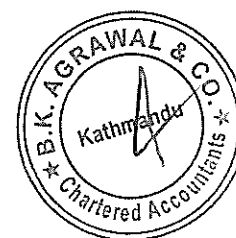
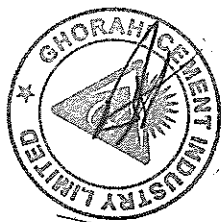
Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



44 Classification of Assets and Liability based on Maturity

<i>Amount in NPR</i>					
As on Ashad 2079					
<u>Particulars</u>	<u>Less than 1 year/ On Demand</u>	<u>1 to 5 Years</u>	<u>More Than 5 Years</u>	<u>No Stated Maturity</u>	<u>Total Amount</u>
Financial Assets					
Trade Receivable	1,631,752,267	-	z	-	1,631,752,267
Contract Assets	16,688,992	-	-	-	16,688,992
Cash and Cash Equivalents	56,766,325	-	-	-	56,766,325
Other Financial Assets	110,250,926	-	-	-	110,250,926
Total Financial Assets (A)	1,815,458,510	-	-	-	1,815,458,510
Non Current Liabilities:					
Financial Liabilities					
Secured Long term Financing	-	5,546,713,988	2,001,467,519	-	7,548,181,507
Unsecured Long term Financing	-	760,003,610	-	-	760,003,610
Lease liability	171,600	964,392	727,409	-	1,863,401
Current Liabilities					
Financial Liabilities					
Borrowings	4,311,788,726	-	-	-	4,311,788,726
Trade Payables	636,297,672	-	-	-	636,297,672
Other Financial Liabilities	840,504,910	-	-	-	840,504,910
Total Financial Liabilities (B)	5,788,762,908	6,307,681,990	2,002,194,928	-	14,098,639,826
Net Financial Assets/(Liabilities) (A-B)	(3,973,304,398)	(6,307,681,990)	(2,002,194,928)	-	(12,283,181,316)



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



45 Financial Instruments:

The fair value of the assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

a) Fair Value of cash and short-term deposits, trade and other short term receivables, trade payables, other current liabilities, short term loans from banks and other financial instruments approximate their carrying amounts largely due to the short term maturities of these instruments

b) Financial Instruments with fixed and variable interest rates are evaluated by the company based on parameters such as interest rates and individual credit worthiness of the counterparty. Based on this evaluation, allowances are taken to the account for the expected losses of these receivables.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

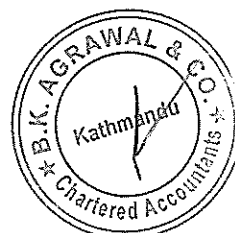
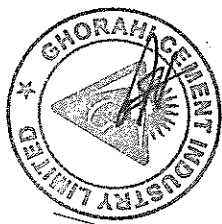
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data;

The carrying amounts and fair values of financial instruments by class are as follows:

Particulars	Carrying value			Fair value measurement using		
	Fair value through profit and loss ('FVTPL')	Fair value through other comprehensive income ('FVOCI')	Amortised cost	Level 1	Level 2	Level 3
Financial Assets						
Trade Receivable			1,631,752,267	-	-	1,631,752,267
Contract Assets	-	-	16,688,992	-	-	16,688,992
Cash and Cash Equivalents	-	-	56,766,325	-	-	56,766,325
Other Financial Assets	-	-	110,250,926	-	-	110,250,926
Total Financial Assets (A)	-	-	1,815,458,510	-	-	1,815,458,510
Non Current Liabilities:						
Financial Liabilities						
Secured Long term Financing	-	-	7,548,181,507	-	-	7,548,181,507
Unsecured Long term Financing	760,003,610	-	-	-	-	760,003,610
Lease Liability	-	-	1,863,401	-	-	1,863,401
Current Liabilities						
Financial Liabilities						
Borrowings	-	-	4,311,788,726	-	-	4,311,788,726
Trade Payables	-	-	636,297,672	-	-	636,297,672
Other Financial Liabilities	-	-	840,504,910	-	-	840,504,910
Total Financial Liabilities (B)	760,003,610	-	13,338,636,216	-	-	14,098,639,826



Ghorahi Cement Industry Limited
(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



46 Capital Management:

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders and Redeemable Preference Share capital which is considered as liability under NFRS. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by equity.

<u>Particulars</u>	As on Ashad 32, 2079 (July 16, 2022)	As on Ashad 31, 2078 (July 15, 2021)
Borrowings	11,859,970,233	10,920,772,975
Less: Cash and bank balances	(56,766,325)	(201,646,755)
Net debts	11,803,203,908	10,719,126,220
Equity	7,200,441,020	6,938,932,626
Debt/Equity Ratio	1.64	1.54

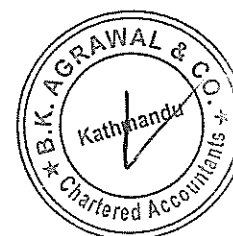
In order to achieve this overall objective, the company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans or borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the year ended 32, Ashad-2079

47 Lease:

The following are the amounts recognised in profit or loss:

<u>Particulars</u>	Year ended Ashad 32, 2079 (July 16, 2022)	Year ended Ashad 31, 2078 (July 15, 2021)
Depreciation expense of right-of-use assets	59,227	16,936
Interest expense on lease liabilities	228,906	62,410
Expense relating to short-term leases & low-value assets	4,522,524	5,752,948
	4,810,657	5,832,294



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



48 Segment Information

48.1 Segment Information

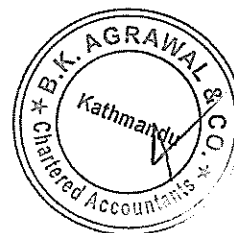
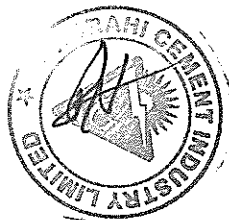
The Company is primarily engaged in the business of "Cement" for Nepali market which mainly involves sale of "Packaged Cement", "Loose Cement" and "Clinker", which is governed by the same set of risks and returns. Hence there is only one business and geographical segment. Accordingly, segment information has not been disclosed except information about major customer. All these products have similar risks and returns because of similar nature of products and similar production processes. The chief operating decision maker and all functional managers reviews the operating results of the business as a whole. Further, internal organizational and management structure of the Company is not based on product differentiation.

48.2 Information about major customers

Information about the extent of its reliance on its major customers, if revenue from a single external customer amounts to 5 percent or more of the entity's revenue.

The Company majorly manages its sales operation network through distributors. Company have following major distributor:-

Particular	Revenue	Percentage of Total
Mangal Hardware	1,321,810,383	28.63%
Sagarmatha Traders	431,151,455	9.34%
Shree Shukreswori Enterprises	378,957,336	8.21%
Total	2,131,919,174	46.18%



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



49 Related party disclosures:

49.1 Identification of Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements

a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity
- (ii) has significant influence over the reporting entity or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Company Identifies the following as the related parties under the requirement of NAS 24.

Holding Company:

None

Wholly Owned Subsidiary Company

Ghorahi Cement Developing Company Private Limited
Jhenam Mines Private Limited
Malarani Mines & Minerals Private Limited

Associates Company

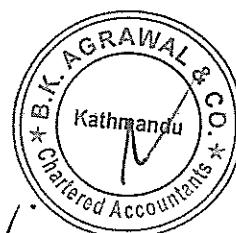
Kiran Coal Udhyog Private Limited

Key Managerial Personnel:

Purushottam Lal Sanghai - *Chairman & Director*
Govind Lal Sanghai- *Director*
Aditya Sanghai - *Director*
Harsh Vardan Sanghai-*Director*
Trilok Chand Agarwal- *Director*
Sanjay Bansal - *Operation Head*
Anil Kumar Agrawal - *CFO*
Shankar Lal Agiwal - *General Manager Finance*
Devendra Sinha - *Executive Director*

Entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, by Key Managerial Personnel

Bishwakarma Mines & Minerals Private Limited
Infusion Private Limited
Kapilvastu Cement Udyog Private Limited
Manakamana Mines & Minerals Private Limited
Morang Cement Industries Private Limited
Unique Reality Private Limited
Jhenam Land Developers Private Limited
Riddhi Siddhi Developers Private Limited
Sunpur Agrofarm Private Limited
Shree Pashupati Cement Private Limited
Vishwakarma Cements Private Limited
Sagarmatha Sports and Event Private Limited
Sagarmatha Ready Mix Concrete Private Limited
Sagarmatha Precast Solutions Private Limited



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



49.2 Following transactions were carried out with related parties in the ordinary course of business:

Description	For the year ended Ashad 32, 2079		For the year ended Ashad 32, 2078	
	Key Management Personnel	Enterprises over which KMP exercise significant influence	Key Management Personnel and their relatives	Enterprises over which KMP exercise significant influence

Purchase of Goods

Bishwakarma Mines & Minerals Private Limited	-	71,860,153	-	107,617,617
Vishwakarma Cements Private Limited	-	27,243,292	-	10,835,528
Sagarmatha Ready Mix Concrete Private Limited	-	16,527,545	-	2,209,762
Sagarmatha Precast Solutions Private Limited	-	21,911,262	-	7,157,796
Total	-	137,542,251	-	127,820,703

Sale of Goods (Net of Excise Duty)

Shree Pashupati Cement Private Limited	-	332,838,905.50	-	297,393,149
Vishwakarma Cements Private Limited	-	5,070,690.09	-	98,460,770
Sagarmatha Ready Mix Concrete Private Limited	-	65,240,272.65	-	83,075,650
Sagarmatha Precast Solutions Private Limited	-	31,150,836.56	-	25,441,981
Total	-	434,300,705	-	504,371,550

Purchase of Capital Goods

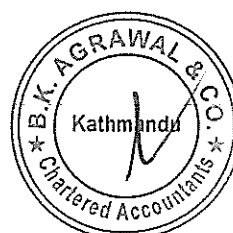
Sagarmatha Ready Mix Concrete Private Limited	-	-	-	-
Sagarmatha Precast Solutions Private Limited	-	-	-	-
Vishwakarma Cements Private Limited	-	18,554,966	-	-
Total	-	18,554,966	-	-

Rent Income

Kapilvastu Cement Udyog Private Limited	-	60,000	-	60,000
Sagarmatha Ready Mix Concrete Pvt. Ltd.	-	60,000	-	60,000
Sagarmatha Precast Solutions Pvt. Ltd.	-	60,000	-	60,000
Manakamana Mines & Minerals Pvt. Ltd.	-	48,000	-	48,000
Vishwakarma Mines & Minerals Pvt. Ltd.	-	48,000	-	48,000
Shree Pashupati Cement Private Limited	-	120,000	-	60,000
Vishwakarma Cements Private Limited	-	120,000	-	60,000
Total	-	516,000	-	396,000

Balances Recoverable/(Payable)

Ghorahi Cement Developing Company Private Limited	-	18,390,806	-	6,890,806
Malarani Mines & Minerals Private Limited	-	2,801,420	-	2,751,420
Bishwakarma Mines & Minerals Private Limited	-	1,972,713	-	14,437,104
Infusion Private Limited	-	487,585	-	-
Kapilvastu Cement Udyog Private Limited	-	102,000	-	48,000
Manakamana Mines & Minerals Private Limited	-	2,899,539	-	1,759,827
Morang Cement Industries Private Limited	-	(1,157)	-	(1,157)
Unique Reality Private Limited	-	6,752,291	-	6,752,291
Shree Pashupati Cement Private Limited	-	65,110,409	-	14,567,884
Vishwakarma Cements Private Limited	-	(4,036,449)	-	(3,149,492)
Sagarmatha Sports and Event Private Limited	-	5,000,000	-	(262,430)
Sagarmatha Ready Mix Concrete Private Limited	-	158,032,912	-	198,053,805
Sagarmatha Precast Solutions Private Limited	-	17,442,165	-	28,218,662
Total	-	274,954,235	-	270,066,720



Ghorahi Cement Industry Limited

(Formerly known as Ghorahi Cement Industry Private Limited)

Notes forming part of the Standalone Financial Statements as on Ashad 32, 2079 (July 16, 2022)



Description	For the year ended Ashad 32, 2079		For the year ended Ashad 32, 2078	
	Key	Enterprises over	Key	Enterprises over
Remuneration paid to KMP's				
Short-term employee benefits:				
Aditya Sanghai	363,636	-	363,636	-
Sanjay Bansal	600,000	-	600,000	-
Satyavir Prasad Gupta	9,011,058	-	19,046,100	-
Anil Kumar Agrawal	5,171,100	-	5,171,100	-
Shankar Lal Agiwal	6,972,650	-	6,064,834	-
Harish Chandra	3,340,766	-	3,532,387	-
Total	25,459,210	-	34,778,057	-

Advance from Directors & Shareholders

From Chairman:

Purushottam Lal Sanghai	107,103,074	-	-	-
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From Directors:

Govind Lal Sanghai	130,199,995	-	-	-
Aditya Sanghai	11,548,455	-	-	-
Harshwardhan Sanghai	65,882,223	-	-	-
Total	207,630,673	-	-	-

From Shareholders:

Aditi Chokhani	11,548,466	-	-	-
Birendra kumar Sanghai	130,199,995	-	-	-
Kabita Sanghai	21,000,000	-	-	-
Anju Sanghai	40,000,000	-	-	-
Ashish Kumar Agarwal	30,000,000	-	-	-
Ashok Kumar Agrawal	10,000,000	-	-	-
Nikunj Agrawal	18,500,000	-	-	-
Vishal Agarwal	16,500,000	-	-	-
Vivek Agrawal	46,500,000	-	-	-
Arpit Agrawal	25,000,000	-	-	-
Anuj Agrawal	48,500,000	-	-	-
Ram Chandra Sanghai	64,367,773	-	-	-
Sailesh Sanghai	65,882,223	-	-	-
Subhash Chandra Sanghai	64,367,773	-	-	-
Ashish Jindal	16,500,000	-	-	-
Neelam Surekan	28,660,000	-	-	-
Total	637,526,230	-	-	-
Sub Total	952,259,977	-	-	-

50 Regrouping & Restatement of previous year Figures:

Previous Period's figures' have been restated, regrouped & rearranged wherever necessary as per requirement of New Standard.

51 Miscellaneous:

- Balance confirmation certificate of all payables and receivables are confirmed in few cases rest are in the process of obtaining from them.
- Notes 1 to 51 form an integral part of the Statement of financial position and Statement of profit or loss.

