

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF Palpa Cement Industries Limited

Opinion

We have audited the accompanying Financial Statements of Palpa Cement Industries Limited which comprises the Statement of Financial Position as at Ashad 32, 2079, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity & Statement of Cash Flows for the year ended Ashad 32, 2079, and Notes to Financial Statement including Summary of Significant Accounting Policies.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give a true and fair view in conformity with Nepal Financial Reporting Standards (NFRSs), of the state of affairs of Palpa Cement Industries Limited as at Ashad 32, 2079, and its profit, cash flows for the year ended on that date.

Basis of Opinion

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

We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

Managements Responsibility for the Financial Statements

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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



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

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

- v) Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Other Legal & Regulatory Requirements

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

Partner
SUBHASH & CO.
Chartered Accountants



Place: Kathmandu
Date: 2023-01-02
UDIN:230102CA00062rIPQS

Palpa Cement Industries Ltd.
Statement of Financial Position
As At 16th Jul, 2022 (Ashad 32, 2079)

Fig. in NPR

Particulars	Notes	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Assets			
Non Current Assets			
Property, Plant & Equipment	4	6,981,401,470	6,802,839,791
Intangible Assets	5	967,484	1,308,078
Deferred Tax Assets	6	-	-
Other Non-Current Assets	7	242,310,274	205,962,532
Total Non Current Assets		7,224,679,227	7,010,110,402
Current Assets			
Inventories	8	1,723,492,148	1,291,728,329
Financial Assets			
Trade Receivables	9	494,345,831	687,498,890
Cash & Cash Equivalent	10	157,757,910	17,898,677
Others	11	4,506,838	1,189,223
Other Current Assets	12	109,885,207	243,939,857
Income Tax Assets (Net)	21	3,100,645	636,595
Total Current Assets		2,493,088,579	2,242,891,570
Total Assets		9,717,767,806	9,253,001,971
Equity & Liabilities			
Equity			
Equity Share Capital	13 (a)	3,000,000,000	3,000,000,000
Other Equity	13 (b)	379,659,252	352,383,670
Total Equity		3,379,659,252	3,352,383,670
Non Current Liabilities			
Financial Liabilities			
Long Term Borrowings	14	4,520,315,456	4,917,757,403
Other Financial Liabilities	15	24,478,531	46,623,714
Provisions	16	-	-
Deferred Tax Liabilities	6	203,576,585	102,147,331
Total Non Current Liabilities		4,748,370,572	5,066,528,448
Current Liabilities			
Financial Liabilities			
Trade Payables	17	130,032,582	90,419,535
Short Term Borrowings	18	1,262,739,380	551,869,142
Other Current Financial Liabilities	19	92,313,788	94,755,041
Other Current Liabilities	20	103,348,008	94,376,978
Provisions	16	1,304,223	2,669,158
Income Tax Liabilities (Net)	21	-	-
Total Current Liabilities		1,589,737,982	834,089,854
Total Liabilities		6,338,108,554	5,900,618,302
Total Equity and Liabilities		9,717,767,806	9,253,001,971

Summary of Significant Accounting Policies

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Accompanying Notes are an Integral Part of Financial Statements

As Per Our Attached Report of Even Date

For: SUBHASH & CO.

Chartered Accountants

Place: Kathmandu

Date:

[Signature]
CFO

[Signature]
Director

[Signature]
Director

[Signature]
CA. S. K. Jhunjunwala
Partner

Palpa Cement Industries Ltd.
Statement of Profit or Loss & Other Comprehensive Income
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Particulars	Notes	Fig. in NPR	
		16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Income:			
Revenue From Operations	22	3,818,350,985	4,439,679,734
Cost of Sales	23	2,548,491,922	3,071,739,905
Gross Profit		1,269,859,063	1,367,939,829
Other Income	24	41,212,974	29,395,083
Expenses:			
Administration Expenses	25	118,198,112	116,413,405
Selling and Distribution Expenses	26	234,745,107	142,611,422
Operating Profit		958,128,819	1,138,310,085
Depreciation & Amortization	27	335,247,239	412,512,158
Finance Cost	28	494,176,743	459,215,057
Profit/(Loss) Before Tax		128,704,837	266,582,870
Tax Expense			
Current Tax	29		188,875
Deferred Tax	29	101,429,254	62,465,811
Net Profit/(Loss) For The Year		27,275,583	203,928,184
Other Comprehensive Income			
Actuarial Gain/ Loss on Defined Benefit Pension Schemes			
Tax Relating to Components of Other Comprehensive Income			
Total Other Comprehensive Income (OCI)		-	-
Basic/ Diluted Earnings Per Share (NPR)		1.22	9.15

Summary of Significant Accounting Policies

2

Accompanying Notes are an Integral Part of Financial Statements

As Per Our Attached Report of Even Date

For: SUBHASH & CO.

Chartered Accountants

Place: Kathmandu

Date:

Bireet
CFO

[Signature]
Director

[Signature]
Director

[Signature]
CA. S. K. Jhunjunwala
Partner



Palpa Cement Industries Ltd.
Statement of Cash Flow
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Particulars	Fig. in NPR	
	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Cash Flow From Operating Activities:		
Profit/(Loss) For the Year	27,275,583	184,551,714
Adjustment of Non Cash Charges		
Depreciation on Property, Plant & Equipment	334,906,644	412,231,136
Amoritzation of Intangible Assets	340,595	17,844,582
Profit/(Loss) on Sale of PPE	-	-
Interest Income	(39,096,348)	(2,598,943)
Interest Cost	494,176,743	459,215,057
Deferred Tax	101,429,254	50,571,595
Current Tax	-	188,875
Cash Flow Before Working Capital Change	919,032,471	1,122,004,016
Changes In Working Capital		
Decrease/(Increase) In Inventory	(431,763,819)	(607,771,022)
Decrease/(Increase) In Trade Receivables	193,153,059	(211,014,014)
Decrease/(Increase) In Other Financial Assets	(3,317,615)	9,523,366
Decrease/(Increase) In Other Assets	97,706,909	326,494,523
Increase/(Decrease) In Trade Payables	39,613,047	(12,567,480)
Increase/(Decrease) In Financial Liabilities	(24,586,436)	(56,525,172)
Increase/(Decrease) In Other Liabilities	8,971,030	40,035,646
Increase/(Decrease) In Provisions	(1,364,935)	1,376,891
	(121,588,761)	(510,447,262)
Cash Generated From Operations	797,443,710	611,556,755
Income Tax Paid	(2,464,051)	(169,934)
Net Cash Flow From Operating Activities [1]	794,979,659	611,386,821
Cash Flow From Investing Activities		
Acquisitions of Property, Plant & Equipments	(517,401,905)	(338,901,805)
Proceeds From Sale of Property, Plant & Equipments	3,933,582	-
Acquisitions of Intangible Assets	-	(192,894,166)
Interest Income	39,096,348	2,598,943
Total Cash Flow From Investing Activities [2]	(474,371,975)	(529,197,028)
Cash Flow From Financing Activities		
Proceeds/(Repayment) - Long Term Borrowings	(397,441,946)	(300,630,438)
Changes in Short-term Borrowings	710,870,238	(288,806,532)
Interest Cost	(494,176,743)	(459,215,057)
Fixed Deposit	-	-
Proceeds From Issue of Share Capital	-	990,570,000
Proceeds From Share Application Money	-	(38,687,000)
Dividend Paid	-	-
Total Cash Flow From Financing Activities [3]	(180,748,451)	(96,769,027)
Net Increase/(Decrease) In Cash & Cash Equivalents [1+2+3]	139,859,233	(14,579,234)
Cash & Cash Equivalents At Beginning of The Year/Period	17,898,677	32,477,911
Cash & Cash Equivalents At End of The Year/Period	157,757,910	17,898,677
Components of Cash & Cash Equivalents		
Cash In Hand	283,853	283,853
Balance With Banks	157,474,057	17,614,824

Notes:

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

The Accompanying Notes are an Integral Part of Financial Statements







Palpa Cement Industries Ltd.
Statement of Changes In Equity
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Fig. in NPR

Particulars	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Total
Balance as on 01/04/2077	2,009,430,000	-	-	148,455,486	2,157,885,486
Addition In Capital	990,570,000				990,570,000
Profit/(Loss) For the Year				203,928,184	203,928,184
Other Comprehensive Income for the Year				-	-
Dividend Paid				-	-
Balance as on 31/03/2078	3,000,000,000	-	-	352,383,670	3,352,383,670
Balance as on 01/04/2078	3,000,000,000	-	-	352,383,670	3,352,383,670
Addition In Capital					-
Profit/(Loss) For the Year				27,275,583	27,275,583
Other Comprehensive Income for the Year				-	-
Dividend Paid				-	-
Balance as on 32/03/2079	3,000,000,000	-	-	379,659,252	3,379,659,252

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Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Significant Information, Accounting Policies & Notes to the Accounts

1 General Information

Palpa Cement Industries Pvt. Ltd. (Herein after referred to as 'The Company') is a Private Limited Company domiciled in Nepal registered under the Company Act, 2053 vide registration No. 67018/066/067 on 2009-10-26. The manufacturing unit is located at Sunwal - VDC 7, Sisauni Tol, Nawalparasi with its registered corporate office at Central Business Park, Thapathali, Kathmandu Metropolitan City, Ward No. 11, Nepal. The main objectives of company is to manufacture Cement & Clinker.

Further to that it has been now converted to a Limited Company under the name "Palpa Cement Industries Ltd." vide registration No. 264286/77/078 on 2021-07-05 through letter no. 62754.

The Financial Statements of The Company are approved for issue by the Company's Board of Directors on 2079/09/ ____.

2 Basis of Preparation

(a) Statement of Compliance

The Financial Statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) issued by the Nepal Accounting Standards Board (NASB), as per the provisions of The Institute of Chartered Accountants of Nepal Act, 1997. These confirm, in material respect, to NFRS as issued by the Nepal Accounting Standards Board. The Financial Statements have been prepared on a going concern basis. The term NFRS, includes all the standards and the related interpretations which are consistently used.

(b) Basis of Measurement

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

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

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

In addition, for Financial Reporting purposes, Fair Value measurements are categorized into Level 1, or 2, or 3 based on the degree to which the inputs to the Fair Value measurements are observable & the significance of the inputs to the Fair Value measurement in its entirety, which are described as follows:

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

(c) Use of Estimates

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



Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Significant Information, Accounting Policies & Notes to the Accounts

(d) Going Concern

The Financial Statements are prepared on a going concern basis. The Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources while assessing the going concern basis. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it.

(e) COVID - 19 Impact & Assessment

Economic Uncertainties & Market Volatility exists and shall continue as existing covid-19 variants are yet to be tamed & parallelly symptoms of new variants of COVID - 19 were being observed during the reporting period.

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

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

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

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

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

(f) Functional and Presentation Currency

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

(g) Changes in Accounting Policies

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

(h) Recent Accounting Pronouncements - Standards Issued but not Effective

i) **NFRS 9 "Financial Instruments"** has been issued but is effective for annual period beginning on or after July 16, 2021. Earlier application of this standard is also allowed, however, the Company has not opted for earlier application of NFRS 9. For the reporting of financial instruments, **NAS 32 Financial Instruments: Presentation**, **NAS 39 Financial Instruments: Recognition and Measurements** and **NFRS 7 Financial Instruments: Disclosures** have been applied. Company is evaluating impact of NFRS 9 on impairment of financial instruments.



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Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Significant Information, Accounting Policies & Notes to the Accounts

ii) **NFRS 14 "Regulatory Deferral Account"** has been issued but is effective for annual reporting period beginning on or after July 16, 2021.

iii) **NFRS 15 "Revenue from Contract with Customer"** has been issued but is effective for annual reporting period beginning on or after July 16, 2021. This standards has supersedes NAS 11 Construction Contracts, NAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the construction of Real Estate, IFRIC 18 Transfer of Assets from Customers; and SIC 31 Revenue-Barter Transaction Involving Advertising Servies. Company has considered NAS 18 for Revenue Recognition.

iv) **NFRS 16 "Leases"** has been issued but is effective for annual reporting period beginning on or after July 16, 2021. NFRS 16 requires lessees to recognise a right to use of asset and a liability for future payments arising from a lease contract. Lessor's accounting requirements remain aligned to the current approach under NAS 17.

v) **NFRS 17 "Insurance Contracts"** has been issued but is effective for annual reporting period beginning on or after July 16, 2024. As the company doesn't issues insurance & re insurance contracts, this standards doesn't have any impact even at earlier adoption.

(i) **Carve-outs**

Accounting Standard Board (ASB) has issued carve-outs as on Kartik 25, 2077 on impracticability to determine transaction cost of all previous years which is part of effective interest rate where, it is mentioned that the calculation of effective interest rate shall includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably. The Company has opted for this Carve-out, details of which has been mentioned in accounting policies of "Borrowings".

3 Significant Accounting Policies

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

i) **Recognition**

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

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

On transition to NFRS, the Company has elected to continue with the carrying value of all of its Property, Plant & Equipment recognized as at 1st Shrawan, 2075 (July 17, 2018) measured as per the Previous Local GAAP & have disclosed its Gross Acquisition Value along with Accumulated Depreciation separately.

ii) **Depreciation**

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

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



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Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Significant Information, Accounting Policies & Notes to the Accounts

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

List of Asset Categories	Life of Assets
Computer & Accessories	3 Years
Office Equipment	5 Years
Other Assets	5 Years
Furniture & Fixture	8 Years
Vehicles	8 Years
Heavy Equipments	9 Years
Plant & Machinery	24 Years
Mines Development	15 Years
Building	40 Years

iii) Derecognition

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

iv) Impairment of Assets

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

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

v) Capital Work-In-Progress

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

5) Intangible Assets

i) Recognition

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

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

ii) Amortization

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



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Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Significant Information, Accounting Policies & Notes to the Accounts

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

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

List of Asset Categories	Life of Assets
Softwares	5

iii) Derecognition

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

iv) Impairment of Assets

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

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

Cash & Cash Equivalent

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

Financial Assets

i) Initial Recognition & Measurement

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

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

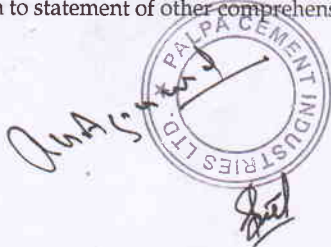
ii) Subsequent Measurement

a) Financial Assets carried at Amortized Cost (AC)

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

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

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



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Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Significant Information, Accounting Policies & Notes to the Accounts

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

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

iii) De-Recognition

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

iv) Impairment of Financial Assets

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

Financial Liabilities

i) Initial Recognition & Measurement

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

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

ii) Subsequent Measurement

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

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

iii) De-Recognition

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

Offsetting financial instruments

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



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Palpa Cement Industries Ltd.
Notes to the Financial Statements
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(Year Ended Upto Ashad 32, 2079)

Significant Information, Accounting Policies & Notes to the Accounts

(g) Inventories

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

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

(h) 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.

(i) Reserves & Funds

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

(j) Borrowings

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

Carve-Out:

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

(k) Provisions, Contingent Liabilities & Contingent Assets

(i) Provisions

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

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

(ii) Contingent Liabilities

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

(iii) Contingent Assets

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








Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Significant Information, Accounting Policies & Notes to the Accounts

(l) **Employee Benefits**

i) **Short Term Obligations**

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

ii) **Staff Bonus**

The entity has not created any provision for staff bonus in absence of Taxable Profit.

(m) **Revenue Recognition:**

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

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

i) **Revenue from Sale of Goods**

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

(n) **Leases**

Finance Leases

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

Operating Lease

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

(o) **Borrowing Costs**

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

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

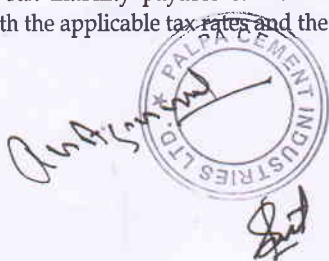
All other borrowing costs are recognized in Profit or Loss in the period in which they are incurred.

(p) **Income Taxes**

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

i) **Current Tax**

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



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Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

Significant Information, Accounting Policies & Notes to the Accounts

ii) Deferred Tax

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

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

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

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

(g) Cash Flow Statement

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

(r) Functional Currency & Foreign Currency Transactions

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

(s) Earnings Per Share

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

(t) Operating Segment

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

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

Company predominantly operates in the business of sale of cements and doesn't have major reportable segment.



Property, Plant & Equipments (PPE)

Particular	Land	Building	Furniture & Fixture	Computer & Accessories	Office Equipment	Plant & Machinery	Heavy Equipments	Vehicles	Mines Development	Other Assets	Total
Gross Block											
As on Shrawan 1,	103,626,680	2,703,497,085	18,064,735	8,359,104	10,801,344	4,294,048,317	342,541,265	40,693,748	25,536,782	2,373,577	7,549,542,638
Addition During the Year											
Acquisition	-	74,280,239	2,430,867	1,388,009	484,643	129,782,513	54,533,371	8,805,257	239,488,106	-	511,193,004
Capitalization	-	21,552,357	-	-	-	899,889	-	(6,139,095)	-	-	22,452,246
Disposal During the Year											
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	(6,139,095)
Balance as on Asl	103,626,680	2,799,329,682	20,495,602	9,747,113	11,285,987	4,424,730,720	397,074,636	43,359,910	265,024,888	2,373,577	8,077,048,794
Depreciation and Impairment											
As on Shrawan 1,	-	161,717,609	4,225,119	5,451,535	4,273,066	495,978,623	84,124,351	10,252,040	1,385,283	1,747,468	769,155,094
Depreciation Cha	-	89,765,621	2,434,565	2,311,177	2,178,069	182,266,662	41,328,752	5,182,362	8,954,276	485,161	334,906,644
Impairment For the Year											
Disposals	-	-	-	-	-	-	-	(2,205,513)	-	-	(2,205,513)
Adjustment	-	-	-	-	-	-	-	-	-	-	-
As on Baisakh En	-	251,483,230	6,659,684	7,762,712	6,451,134	678,245,285	125,453,103	13,228,889	10,339,559	2,232,629	1,101,856,226
Capital Work in Progress											
As on Ashad End	-	21,552,357	-	-	-	899,889	-	-	-	-	22,452,246
As on Ashad End 2079	-	461,017	-	-	-	5,747,884	-	-	-	-	6,208,901
Net Book Value											
As on Ashad End	103,626,680	2,563,331,834	13,839,616	2,907,569	6,528,279	3,798,969,584	258,416,914	30,441,708	24,151,499	626,109	6,802,839,791
As on Ashad End	103,626,680	2,548,307,469	13,835,919	1,984,401	4,834,853	3,752,233,319	271,621,533	30,131,021	254,685,329	140,948	6,981,401,470



Palpa Cement Industries Ltd.

5 Intangible Assets

Categories	Accounting Software - I	Accounting Software - II	Accounting Software - III	Accounting Software - IV	Total Ashad End
Gross Block					
As on Shrawan, 2078	27,000	53,000	45,000	1,530,000	1,655,000
Addition During the Year					-
Acquisition					-
Capitalization					-
Disposal During the Year					-
Adjustment/Revaluation					-
Balance As On Ashad End 2079	27,000	53,000	45,000	1,530,000	1,655,000
Amortisation & Impairment					
As on Shrawan, 2078	27,000	41,900	24,000	254,022	346,922
Depreciation Charge For the Year		11,100	10,500	318,995	340,595
Impairment For the Year					-
Disposals					-
Adjustment					-
As on Ashad End 2079	27,000	53,000	34,500	573,016	687,516
Capital Work in Progress					
As on Ashad End 2078					-
As on Ashad End 2079					-
Net Book Value					
As on Ashad End 2078	-	11,100	21,000	1,275,978	1,308,078
As on Ashad End 2079	-	-	10,500	956,984	967,484







Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

6 Deferred Tax Assets

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Deferred Tax Asset/(Liability)		
Property, Plant & Equipment	(350,388,145)	(250,356,231)
Changes in OH Component Inclusion in Cost of Conversion	(2,842,466)	(3,143,827)
Carried Forward of Losses	149,393,181	150,818,895
CSR Provision	260,845	533,832
Total	(203,576,585)	(102,147,331)
16th July, 2019 (Ashad 31, 2077)		(102,147,331)
(Charged)/Credited to Statement of Profit & Loss		-
(Charged)/Credited to Other Comprehensive Income		-
15th July, 2021 (Ashad 31, 2078)		(102,147,331)
(Charged)/Credited to Statement of Profit & Loss		(101,429,254)
(Charged)/Credited to Other Comprehensive Income		-
16th Jul, 2022 (Ashad 32, 2079)		(203,576,585)

7 Other Non Current Assets

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Capital Advances	241,671,064	205,387,156
Security Deposits	639,209	575,376
Total	242,310,274	205,962,532

8 Inventories

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
As Certified By Management		
Raw Materials	609,061,226	492,381,739
Power & Fuel	619,877,991	309,004,973
Packing Material	15,724,965	23,304,904
Semi Finished Goods	3,503,057	2,388,797
Finished Goods	138,760,511	142,297,981
Stores and Spares	336,564,398	322,349,935
Total	1,723,492,148	1,291,728,329

9 Trade Receivables

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Trade Receivables From Related Parties	37,418,503	72,400,000
Secured, Considered Good	27,867,486	55,411,032
Unsecured, Considered Good	429,059,842	559,687,858
Provision for Impairment of Trade Receivables	-	-
Total	494,345,831	687,498,890

10 Cash & Cash Equivalent

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Cash in Hand (As Certified By Management)	1,646,509	283,853
Bank Balance:		
- In deposit accounts with maturity of 3 months	150,000,000	-
- In current accounts	6,111,401	17,614,824
Total	157,757,910	17,898,677

Signature
PALPA CEMENT INDUSTRIES LTD.

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Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Up to Ashad 32, 2079)

11 Other Financial Assets

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Current		
Custom Dharauti (Returnable Goods)	276,000	
Bank Guarantee Margin	646,600	650,600
Letter of Credit Margin	3,573,572	538,623
Deposit Against Letter of Credit	10,666	
Total	4,506,838	1,189,223

12 Other Current Assets

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Prepaid Expenses	422,338	3,076,836
Advance to Suppliers		
Related Parties	-	-
Capital Advance to Suppliers	7,788,039	13,368,232
Other Advance to Suppliers	50,134,363	10,863,078
Custom Deposit	1,619,661	
Advance Against Staff & Labors	422,000	
Other Receivables	7,860,901	5,282,918
VAT Receivable	41,637,904	211,348,793
Total	109,885,207	243,939,857

13

(a) Equity Share Capital

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Authorised Capital:		
37,500,000 Ordinary Shares @ Rs.100 Each	3,750,000,000	3,750,000,000
Issued Capital:		
37,500,000 Ordinary Shares @ Rs.100 Each	3,750,000,000	3,750,000,000
Paid Up Capital:		
30,000,000 Ordinary Shares of NPR 100 Each	3,000,000,000	3,000,000,000
Total	3,000,000,000	3,000,000,000

(b) Other Equity

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Retained Earnings		
Balance at the Beginning of the Year	352,383,670	148,455,486
(+) Profit For the Year	27,275,583	203,928,184
(+) Other Comprehensive Income	-	-
Available For Distribution	379,659,252	352,383,670
(-) Dividend Paid		
Balance at the End of the Year	379,659,252	352,383,670






Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

14 Long Term Borrowings

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Hire Purchase Loan		
Himalayan Bank Ltd.	29,682,000	-
Nepal Investment Bank Ltd.	8,650,179	10,612,097
Long Term Loan		
Global Bank Ltd.	1,408,559,957	1,501,809,483
Himalayan Bank Ltd.	939,333,710	1,001,519,446
Nabil Bank	613,654,532	654,279,379
Nepal Investment Bank Ltd.	981,844,680	1,046,845,047
Sanima Bank Ltd.	965,822,411	1,029,761,935
(-) Term Loan Current Portion	(427,232,013)	(327,069,985)
Total	4,520,315,456	4,917,757,403

15 Other Non Current Financial Liabilities

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Retention Money	24,478,531	46,623,714
Total	24,478,531	46,623,714

16 Provisions

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Non - Current		
Provision For Leave Encashment		
Provision For Gratuity		
Non Current Provisions	-	-
Current		
Provision For Corporate Social Responsibility	1,304,223	2,669,158
Provision For Bonus	-	-
Current Provisions	1,304,223	2,669,158

17 Trade Payable

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Trade Payable From Related Parties	-	-
Trade Payable From Others	130,032,582	90,419,535
Total	130,032,582	90,419,535

18 Short Term Borrowings

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Secured		
Overdraft		
Global IME Bank	67,291,951	12,887,708
Himalayan Bank Ltd.	35,326,631	7,268,252
Nepal Investment Bank Ltd.	42,249,330	14,968,727
Nabil Bank Ltd.	15,639,455	7,674,470
Working Capital Loan		
Global Bank Ltd.	130,000,000	40,000,000
Himalayan Bank Ltd.	200,000,000	46,000,000
Nabil Bank Ltd.	140,000,000	-
Nepal Investment Bank Ltd.	150,000,000	81,000,000




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Notes to the Financial Statements
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(Year Ended Upto Ashad 32, 2079)

Sanima Bank Ltd.	55,000,000	15,000,000
Current Maturity of LTL	427,232,013	327,069,985
Total	1,262,739,380	551,869,142

19 Other Current Financial Liabilities

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Other Payable	1,314,968	510,000
Customer Deposit	110,295	-
Payables Against Capital Purchase		
Others	30,092,840	47,692,818
Related Parties	-	7,688
Retention Money	13,036,128	10,087,751
Other Employee Related Payable		
Salaries and Wages Payable	13,337,406	11,425,246
Staff Deposit Payable	34,422,151	24,741,785
Staff Payable	-	289,752
Total	92,313,788	94,755,041

20 Other Current Liabilities

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Provision for Expenses		312,444
Audit Fee Payable	999,775	507,275
Advance From Customers		
From Related Parties		
From Others	70,691,257	65,723,515
Statutory Dues		
TDS Payable	20,772,877	5,587,825
Excise Payable	3,222,013	4,584,378
Royalty Payable	7,352,707	3,861,884
Reverse VAT Payable		18,738
Other Liabilities		
Payable Against Letter of Credit	-	13,664,000
Rent Payable	309,379	116,921
Total	103,348,008	94,376,978

21 Income Tax (Assets)/Liabilities (Net)

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Income Tax Liabilities		(188,875)
Income Tax Assets	3,100,645	825,470
Total	3,100,645	636,595

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Palpa Cement Industries Ltd.
Notes to the Financial Statements
For Period 16th July, 2021 - 16th Jul, 2022
(Year Ended Upto Ashad 32, 2079)

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22 Revenue From Operations

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Revenue From Cement Sales	2,851,280,816	2,796,512,659
Revenue From Clinker Sales	948,145,324	1,621,957,753
Other Operating Income		
Revenue From Trading	12,278,635	14,735,354
Revenue From Scrap Sales	6,646,210	6,473,967
Total	3,818,350,985	4,439,679,734

23 Cost of Sales

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Raw Materials Consumed	926,670,018	914,609,985
Packing Materials Consumed	118,451,210	86,318,545
Other Materials Consumed	25,793,301	13,552,250
Production Expenses (Sch 24A)	1,475,154,184	2,092,999,437
 (+) Opening stock - FG	142,297,981	108,719,452
(+) Opening Stock - WIP	2,388,797	227,015
(-) Closing Stock - WIP	(3,503,057)	(2,388,797)
(-) Closing Stock - FG	(138,760,511)	(142,297,981)
Total	2,548,491,922	3,071,739,905

23A Production Expenses (Sch 23A)

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Electricity/Power & Fuel	1,017,431,216	1,263,554,932
Generator Running Expenses	214,624,308	531,956,014
Security	5,786,729	6,422,637
Insurance Premium	9,596,966	10,930,441
Repair & Maintenance Expense Block A	107,153	953,421
Repair & Maintenance Expense Block D	63,030,977	106,298,977
Cleaning & Maintainance Expenses	2,517,372	1,230,994
Salaries & Allowances	63,828,022	93,378,455
Wages	81,028,892	69,028,059
Mess Expenses	6,108,821	5,802,863
Other Manufacturing Expenses	11,093,729	3,442,643
Total	1,475,154,184	2,092,999,437

24 Other Income

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Insurance Claim	2,529,854	515,000
Interest Income	39,096,348	16,621,933
Exchange Gain/(Loss)	-	1,129,705
Profit on Sale of Fixed Assets	(413,228)	-
Miscellaneous Income	-	11,128,445
Total	41,212,974	29,395,083




Palpa Cement Industries Ltd.
Notes to the Financial Statements
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Fig.in NPR

25 Administration Expenses

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Electricity	212,149	102,981
Salaries & Allowances	32,915,689	33,760,765
Staff Welfare	4,032,169	4,314,206
Bonus	-	-
Insurance Premium	3,524,101	2,689,092
Repair & Maintenance Expense Block B	3,709,860	636,799
Repair & Maintenance Expense Block C	2,261,749	1,964,240
Rent	4,394,889	4,175,563
Rates & Taxes	6,964,578	6,466,695
Consultancy Fees	8,035,439	5,536,770
Audit Fee	1,000,000	500,000
Tax Audit Fee	15,000	15,000
Local Conveyance	72,910	90,059
Printing & Stationery	2,154,701	1,974,675
Travelling	5,793,764	5,002,167
Bank Chages & Commission	6,712,440	7,870,642
Membership & Subscription	140,000	772,550
Donation	3,383,959	1,586,689
Communication Charges	2,411,794	2,065,487
Guest Entertainment	392,079	142,585
Miscellaneous Expenses	37,379	40,336
Office Upkeep & Maintenance	999,395	740,425
Sundry Balance Written Off A/C	1,338,425	81,362
Annual Maintenance Charges	1,501,480	360,675
Vehicles Running Expenses	18,910,766	18,607,762
Postage & Courier Charge	156,122	129,407
Assessment Expenses	1,653,864	12,917,829
Pooja Expenses	2,576,793	629,709
Cleaning & Maintainance Expenses	825,184	445,180
Fine & Penalty	767,210	101,000
CSR Provision	1,304,223	2,692,756
Total	118,198,112	116,413,405

26 Selling and Distribution Expenses

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Salaries & Allowances	30,427,109	31,145,266
Business Promotion	557,026	23,784,127
Selling & Distribution	12,066,748	9,064,542
Advertisment & Promotion	20,808,655	44,647,276
Commission	170,885,569	33,970,212
Total	234,745,107	142,611,422



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Fig.in NPR

27 Depreciation & Amortization

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Depreciation of Property, Plant and Equipments	334,906,644	412,231,136
Amortization of Intangible Assets	340,595	281,022
Total	335,247,239	412,512,158

28 Finance Cost

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Interest On Term Loan	457,731,759	404,304,752
Interest On Working Loan	36,444,984	55,073,102
Interest On Security Deposit	-	283,168
(-) Finance Cost Capitalized to Property, Plant & Equipment	-	(445,965)
Total	494,176,743	459,215,057

29 Income Tax Expense

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

(a) Income Tax Expense

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Current Tax on Profit For The Year	-	188,875
Deferred Tax For The Year	101,429,254	62,465,811
Income Tax Expense	101,429,254	62,654,686

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Palpa Cement Industries Ltd.
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For Period 16th July, 2021 - 16th Jul, 2022
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30 Fair Value Measurements

(i) Financial Instruments by Category & Hierarchy

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

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

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

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

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

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

31 Financial Risk Management

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

i) Credit Risk

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

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

Impairment for Trade Receivables:

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Gross Carrying Amount	494,345,831	687,498,890
Impairment Losses	-	-
Carrying Amount of Trade Receivables	494,345,831	687,498,890

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

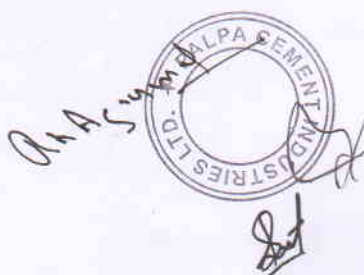
ii) Liquidity Risk

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

a) Financing Arrangements:

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

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Short Term Borrowings	1,262,739,380	551,869,142
Long Term Borrowings	4,520,315,456	4,917,757,403
Total Borrowings	5,783,054,837	5,469,626,545



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b) Maturity of Financial Liabilities:

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

Particulars	16th Jul, 2022 (Ashad 32, 2079)		15th July, 2021 (Ashad 31, 2078)	
	< 1 Year	> 1 Year	< 1 Year	> 1 Year
Trade Payables	130,032,582		90,419,535	
Borrowings	1,262,739,380	4,520,315,456	551,869,142	4,917,757,403
Other Non Current Financial Liabilities		24,478,531		46,623,714
Other Current Financial Liabilities	92,313,788		94,755,041	
Total Financial Liabilities	1,485,085,751	4,544,793,987	737,043,718	4,964,381,117

iii) Market Risk

a1) Foreign Currency Risk Exposure

The Company imports are predominantly denominated in INR. As the exchange rate between India & Nepal is fixed, Company doesn't have foreign currency risk for its transactions.

b1) Interest Rate Risk

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

b2) Interest Rate Sensitivity

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

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Interest Rate - Increase By 100 Basis Points*	49,949,710	60,254,585
Interest Rate - Decrease By 100 Basis Points*	(49,949,710)	(60,254,585)

* Holding all other Variable Constant

32 Capital Management

The Company has Equity Share Capital & Reserves as the source of capital. The primary objective of the Company's capital management is to maximize the shareholder value & provide adequate return to shareholders. To maintain or adjust the Capital Structure, the company may issue new shares for further capital infusion.

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Palpa Cement Industries Ltd.
Notes to the Financial Statements
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33 Related Party Disclosure

Key Managerial Personnel

Chairman - Mr. Shrawan Kumar Agrawal
 Director - Mr. Rajesh Kumar Agrawal
 Director - Mr. Vishnu Kumar Agrawal
 Director - Mr. Binod Kumar Shrestha
 CEO - Mr. Atul Dalmia
 CFO - Mr. Bineet Agrawal

Related Entities

RMC Cement Pvt. Ltd.
 Rajesh Metal Crafts Pvt. Ltd.
 RMC Construction Pvt. Ltd.
 Purvanchal Cement Pvt. Ltd.
 RMC Investment Pvt. Ltd.

Fig. in NPR

(a) Key Management Personnel Compensation:

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Short Term Employee Benefits	5,654,000	9,264,000
	5,654,000	9,264,000

(b) Related Party Transactions:

Particulars	KMP	Other Related Entities	Total
Sales			
For The Year Ended 16th July, 2022 (Ashad 32, 2079)		70,143,413	70,143,413
For The Year Ended 15th July, 2021 (Ashad 31, 2078)		155,423,806	155,423,806
Purchases			
For The Year Ended 16th July, 2022 (Ashad 32, 2079)		47,166,038	47,166,038
For The Year Ended 15th July, 2021 (Ashad 31, 2078)		45,847,521	45,847,521
Services Purchase			
For The Year Ended 16th July, 2022 (Ashad 32, 2079)	3,600,000		3,600,000
For The Year Ended 15th July, 2021 (Ashad 31, 2078)	3,600,000		3,600,000

(c) Related Party Balances:

Particulars	KMP	Other Related Entities	Total
Trade Receivables			
As at 16th July, 2022 (Ashad 32, 2079)		37,418,503	37,418,503
As at 15th July, 2021 (Ashad 31, 2078)		72,400,000	72,400,000
Trade Payables			
As at 16th July, 2022 (Ashad 32, 2079)		-	-
As at 15th July, 2021 (Ashad 31, 2078)		7,688	7,688
Share Application Money			
As at 16th July, 2022 (Ashad 32, 2079)			-
As at 15th July, 2021 (Ashad 31, 2078)			-
Net Staff Payable			
As at 16th July, 2022 (Ashad 32, 2079)	2,536,067		2,536,067
As at 15th July, 2021 (Ashad 31, 2078)	1,321,922		1,321,922







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34 Legal Matters & Contingent Liabilities

Entity has not recognised the contingent Liabilities of Income Tax assessed by Inland Revenue Department for FY: 2075/76 as the entity has applied for administrative review & verdict of the same is awaited.

35 Corporate Social Responsibility

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

36 Earnings Per Share

Particulars	16th Jul, 2022 (Ashad 32, 2079)	15th July, 2021 (Ashad 31, 2078)
Profit For the Year	27,275,583	203,928,184
Weighted Avg. No. of Equity Shares O/S During the Year	22,292,551	22,292,551
Nominal Value of Equity Shares	100	100
Earnings Per Share	1.22	9.15

37 Assets Pledged

To Collateralize its borrowings following arrangements has been done:

Entity has entered into Pari Passu agreement where it has pledged all its movable/non movable assets (Existing & Future Expansions), Individual Guarantee has also been provided by Directors along with that first charge over income so generated from project has also been given to the consortium banks.

38 Regrouping of Figures:

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

39 Miscellaneous:

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

