Nepal Financial Reporting Standards (NFRSs) based Model Financial Statements

Accounting Standards Board
Anamnagar, Kathmandu, Nepal

January 2014

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Statement of Financial Position

As at .... Ashad 20XX (......... July 20XX)

Figures in NPR('000)

Assets	Notes	20X2	20X1
Non Current Assets			
Property, Plant and Equipment	3.1	47,501.00	42,153.00
Intangible Assets	3.2	5,917.00	3,162.00
Biological Assets	3.3	-	-
Investment Property	3.4	2,649.00	5,838.00
Investments in Associates	3.4	2,685.00	2,009.00
Other Investments	3.5	3,750.00	4,687.00
Deferred-tax Assets	3.6	211.00	365.00
Other Receivables	3.7	180.00	104.00
Total Non-Current Assets		**62,893.00**	**58,318.00**
Current Assets			
Investments	3.5	2,762.00	1,613.00
Inventories	3.8	21,194.00	19,425.00
Biological assets	3.3	-	-
Income tax receivable		-	-
Trade and other receivables	3.7	16,693.00	14,452.00
Cash and cash equivalents	3.9	21,765.00	17,775.00
Assets classified as held for sale		5,316.00	8,756.00
Total Current Assets		**67,730.00**	**62,021.00**
Total Assets		**130,623.00**	**120,339.00**
Equity			
Share Capital	3.10	7,568.00	7,428.00
Reserves	3.11	58,000.00	53,497.00
Non Controlling Interests		3,587.00	3,107.00
Total Equity		**69,155.00**	**64,032.00**
Liabilities			
Non Current Liabilities			
Loans and Borrowings	3.12	14,292.00	10,176.00
Employee Benefits	3.13	8,452.00	6,785.00
Deferred Government Grants/ Revenue		-	-
Derivative Financial Liabilities	3.5	43.00	56.00
Provisions	3.14	1,303.00	930.00
Deferred Tax Liabilities	3.6	1,451.00	1,706.00
Total Non-Current Liabilities		**25,541.00**	**19,653.00**
Current Liabilities			
Loans and borrowings	3.12	15,230.00	16,076.00
Trade and other payables	3.15	14,584.00	15,571.00
Income Tax Liability		2,644.00	2,342.00
Employee Benefits	3.13	2,817.00	1,696.00
Provisions	3.14	256.00	375.00

Derivative Financial Liabilities	3.5	69.00	48.00
Liabilities directly associated with assets classified as held for sale		327.00	546.00
Total Current Liabilities		**35,927.00**	**36,654.00**
Total Liabilities		**61,468.00**	**56,307.00**
Total Equity and Liabilities		**130,623.00**	**120,339.00**

Profit or Loss Statement

(On the basis of Nature of Expense)

For the year ended ....Ashad 20XX (....... July 20XX)

Figures in NPR'000

Particulars	**Notes**	**20X2**	**20X1**
Revenue from Operations	3.19	175,278.00	166,517.00
Other Income	3.19	3,068.00	3,625.00
Changes in Inventories of finished goods and W-I-P	3.8	(4,690.00)	(3,927.00)
Raw materials and consumables used		106,228.00	97,896.00
Staff Costs/Expenses	3.22	32,263.00	36,632.00
Depreciation and amortization expense		(10,962.00)	(10,775.00)
Distribution Expenses		-	-
Administrative Expenses	3.20	2,541.00	1,547.00
Other Operating Expenses	3.21	9,894.00	8,637.00
Profit From Operations		11,768.00	10,728.00
Finance Costs	3.23	584.00	842.00
Profit Before Tax		11,184.00	9,886.00
Income Tax Expense	3.24	2,782.00	4,209.00
Profit from Continuing Operations		8,402.00	5,677.00
Profit /(Loss) on Discontinued Operations (Net of tax)	3.18	374.00	(410.00)
Net Profit for the year		8,776.00	5,267.00
Basic Earnings per share (NPR)	3.26	11.06	6.62
Diluted Earnings per share (NPR)	3.26	9.93	6.34
Net Profit attributable to:			
Owners of the Company		8,296.00	4,919.00
Non-controlling Interests		480.00	348.00

Alternative Method

Profit or Loss Statement

(On the basis of Function of Expense)

For the year ended ....Ashad 20XX (....... July 20XX)

Figures in NPR('000)

Particulars	Notes	20X2	20X1
Revenue from operations	3.19	175,278.00	166,517.00
Cost of Sales	3.17	138,410.00	131,579.00
Gross Profit		**36,868.00**	**34,938.00**
Other Income	3.19	3,068.00	3,625.00
Distribution Expenses		(9,624.00)	(10,101.00)
Administrative Expenses		(9,164.00)	(9,919.00)
Other Operating Expenses		(9,380.00)	(7,815.00)
Profit From Operations		**11,768.00**	**10,728.00**
Finance Costs	3.23	584.00	842.00
Profit Before Tax		**11,184.00**	**9,886.00**
Income Tax Expense	3.24	2,782.00	4,209.00
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Owners of the Company		8,296.00	4,919.00
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Statement of Comprehensive Income

For the year ended ....Ashad 20XX (....... July 20XX)

Figures in NPR('000)

Particulars	Notes	20X2	20X1
Net Profit for the year as per Profit or Loss Statements		8,776.00	5,267.00
Other Comprehensive Income			
Loss on Revaluation		(4,460.00)	(1,154.00)
Available-for-sale Investments		(358.00)	1,542.00
Cash flow hedges		73.00	601.00
Exchange Gain/Loss arising on translation of foreign operations		2,084.00	1,024.00
Actuarial Gain/Loss on defined benefit pension schemes		266.00	157.00
Share of Associates' other comprehensive income		-	412.00
Tax relating to components of other comprehensive income		810.00	(389.00)
Total Other Comprehensive Income (OCI)		**(1,585.00)**	**2,193.00**
Total Other Comprehensive Income (TCI)		**7,191.00**	**7,460.00**

Statement of Changes in Equity

For the year ended ....Ashad 20XX (........ July 20XX)

Figures in NPR'000

Particulars	Notes	Share Capital	Share Premium	Capital Redemption Reserve	Treasury Share Reserve	Foreign Exchange Reserve	Revaluation Reserve	Other Reserve	Retained Earnings	Non Controlling Interest	Total
Balance at ..... Shrawan 20X1		7,428.00	22,434.00	50.00	(1,230.00)	4,435.00	4,326.00	3,155.00	20,327.00	3,107.00	64,032.00
Change in Accounting Policies		-	-	-	-	-	-	-	-	-	-
Restated Balance at 1 Shrawan 20X1		**7,428.00**	**22,434.00**	**50.00**	**(1,230.00)**	**4,435.00**	**4,326.00**	**3,155.00**	**20,327.00**	**3,107.00**	**64,032.00**
Profit for the year		-	-	-	-	-	-	-	8,296.00	480.00	8,776.00
Other Comprehensive Income		-	-	-	-	2,084.00	(3,434.00)	(440.00)	205.00	-	(1,585.00)
Surplus on revaluation of properties		-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of investments				-	-	-	-	-	-	-	-
Issue of Share Capital		190.00	786.00	-	-	-	-	(56.00)	56.00	-	976.00
Dividends to shareholders		-	-	-					(6,463.00)	-	(6,463.00)
Shares to be issued as part of consideration in business combination		-	-	-	-	-	-	2,500.00	-	-	2,500.00
Shared based payment		-	-	-	-	-	-	-	878.00	-	878.00
Issues of Shares held by ESOP to employees		-	-	-	164.00	-	-	-	127.00	-	291.00
Shared purchased for cancellation		(50.00)	-	50.00	-	-	-	-	(250.00)	-	(250.00)
Balance at 31 Ashad 20X2		**7,568.00**	**23,220.00**	**100.00**	**(1,066.00)**	**6,519.00**	**892.00**	**5,159.00**	**23,176.00**	**3,587.00**	**69,155.00**

Statement of Cash Flows
(Indirect Method)
For the year ended ……Ashad 20XX (….July 20XX)

Figures in NPR '000

Cash Flows from Operating Activities	**Note**	**20X2**	**20X1**
Profit for the Year		**8,776.00**	**5,267.00**
Adjustment for:			
Depreciation on Property, Plant and Equipment		9,753.00	9,165.00
Impairment of Property, Plant and Equipment	3.1	1,000.00	1,000.00
Amortization of Intangible Assets	3.2	410.00	410.00
Impairment losses on intangible assets		100.00	500.00
Changes in value of Investment Property		2,837.00	1,478.00
Finance Income	3.16	(825.00)	(1,491.00)
Finance Expense	3.16	584.00	842.00
Share of Profit from associates	3.16	(960.00)	(931.00)
Profit on sale of discontinued operations, net of tax	3.18	(63.00)	(55.00)
Loss/ (gain) on sale of Property, plant and equipment		50.00	(30.00)
Income Tax Expense charged to profit or loss statement	3.24	2,782.00	4,209.00
Share based payment expense	3.22	1,464.00	1,695.00
Increase / Decrease in Trade and other receivables		(1,857.00)	(5,622.00)
Increase / Decrease in Inventories		(1,339.00)	(5,037.00)
Increase / Decrease in Trade and other payables		(408.00)	(2,899.00)
Increase/Decrease in Provisions		2,593.00	2,023.00
Increase / Decrease in other Liabilities		-	-
Cash generated from Operations.		**24,897.00**	**10,524.00**
Interest Paid		-	-
Income Tax Paid		(1,658.00)	(1,367.00)
Net Cash Flows from Operating Activities		**23,239.00**	**9,157.00**
Cash Flow from Investing Activities			
Proceeds from sale of Property, Plant and Equipment		400.00	80.00
Proceeds from sale of Investments/Financial Assets		400.00	-
Interest Received		244.00	272.00
Dividends Received		284.00	43.00
Disposal of Subsidiary/Discontinued Operation		6,300.00	700.00
Acquisition of Subsidiary, net of cash acquired		(3,185.00)	(1,524.00)
Acquisition of Property, plant and Equipment		(17,886.00)	(4,950.00)
Acquisition of Biological Assets		-	-
Acquisition of Investment property		-	-
Acquisition of Other Investments		-	-
Purchase of Intangibles		(650.00)	(895.00)
Purchase of Available for sale of financial assets	3.5	(148.00)	(52.00)
Development Expenditure		-	-
Net Cash flows from Investing Activities		(14,241.00)	(6,326.00)

Cash Flow from Financing Activities			
Proceeds from the issue of share capital		976.00	-
Purchase of Ordinary Shares for cancellation		(250.00)	(250.00)
Proceeds from the issue of Preference shares		-	-
Proceeds from other non- current borrowings		10,800.00	9,400.00
Repayment of Borrowings		(8,210.00)	(2,537.00)
Purchase of Treasury and ESOP Shares		-	(1,230.00)
Issue of Convertible Debt		-	8,500.00
Payment of Finance Lease Liabilities		(810.00)	(537.00)
Interest paid on convertible loan notes		(450.00)	(450.00)
Dividend paid		(6,472.00)	(4,988.00)
Net Cash Flows from Financing Activities		(4,416.00)	7,908.00
Net Increase in Cash and Cash Equivalents		4,582.00	10,739.00
Cash and Cash Equivalents at the beginning.....20X1		17,775.00	6,276.00
Exchanges (losses)/gains on cash and cash equivalents		(592.00)	760.00
Cash and Cash Equivalents at the end.....20X2		21,765.00	17,775.00

Alternative Method

Statement of Cash Flows
(Direct Method)
For the year ended ……Ashad 20XX (….July 20XX)

Figures in NPR

Cash Flows from Operating Activities	**Note**	**20XX**	**20XX**
Cash receipts from customers Cash paid to Suppliers Cash Paid to Employees Cash paid for other Expenses			
Cash generated from Operations			
Interest paid Income Tax Paid			
Net Cash Flows from Operating Activities		23,239	9,157
Cash Flow from Investing Activities			
Proceeds from sale of Property, Plant and Equipment Proceeds from sale of Investments/Financial Assets Interest Received Dividends Received Disposal of Subsidiary, net of cash disposed off Acquisition of Subsidiary, net of cash acquired Acquisition of Property, plant and Equipment Acquisition of Biological Assets Acquisition of Investment property Acquisition of Other Investments Development Expenditure			
Net Cash flows from Investing Activities		(14,241)	(6,326)
Cash Flow from Financing Activities			
Proceeds from the issue of share capital Proceeds from the issue of Preference shares Proceeds from other non- current borrowings Repayment of Borrowings Payment for buy back of shares Payment of Finance Lease Liabilities Payment of Transaction costs Dividend paid			
Net Cash Flows from Financing Activities		(4,416)	7,908
Net Increase in Cash and Cash Equivalents		4,582	10,739
Cash and Cash Equivalents at beginning.....20X1		17,775	6,276
Exchange (losses) / gains on cash and cash equivalents		(592)	7,60
Cash and Cash Equivalents at the end.....20X2		21,765	17,775

Significant Accounting Policies and Notes to Accounts

1. General Information

2. Significant Accounting Policies

2.1 Basis of preparation

2.1.1 Statement of Compliance

The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS). The Financial Statements were authorized for issue by the Board of Directors on [....date of approved by the Board]

2.1.2 Basis of Measurement

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

- Investment property is measured at fair value.
- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- Biological assets are measured at fair value less cost to sell.
- Available for sale financial assets are measured at fair value.
- Investments held-for-trade is measured at fair value.
- Derivative financial instruments are measured at fair value.
- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Impairment of asset is measured at fair value and related disposal cost.
- Assets acquired &Liabilities assumed in a business combination are recognized at fair value.

2.1.3 Critical Accounting Estimates

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

2.1.4 Functional and Presentation Currency

The financial statements are prepared in Nepalese Rupees, which is the company's functional currency. All the financial information presented in Nepalese Rupees has been rounded to the nearest thousands, except otherwise indicated.

2.2 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements requires the use of certain accounting estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are to be disclosed.

2.2.1 **Basis of consolidation** *(If consolidation financial statements is required)*

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity.

In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of income from the date on which control is obtained. They are de-consolidated from the date of control ceases.

2.2.2 **Non-controlling interests**

For business combinations the company recognised any non-controlling interest in the acquiree at the non-controlling interest’s proportionate share of the acquiree’s net assets.

2.2.3 **Associates**

Where the company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost. The company's share of post-acquisition profits and losses is recognized in the Consolidated Income Statement, except that losses in excess of the company's investment in the associate are not recognized unless there is an obligation to make good those losses.

Profits or losses arising on transactions between the company and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

2.2.4 **Joint ventures/Jointly Controlled Entities**

Jointly controlled entities are included in the financial statements using proportionate consolidation. The share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined on a line-by-line basis with those of the company.

Profits or losses arising on transactions between the company and jointly controlled entities are recognized only to the extent of unrelated investors' interests in the entity. The investor's share in the jointly controlled entity's profits and losses resulting from these transactions is eliminated against the asset or liability of the jointly controlled entity arising on the transaction.

2.2.5 **Transactions Eliminated on Consolidation**

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group’s interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2.6 Impairment of non- financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest parts of assets to which it belongs for which there are separately identifiable cash flows and its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the company's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

2.2.7 Foreign currency

Transactions entered into by company entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency" is NPR) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

2.2.8 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

2.2.9 Depreciation

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

Depreciation has been computed on SLM/ WDV Method. The estimate useful lives for the assets are as follows:

Freehold Buildings	............Years
Plant and Machinery	............Years
Fixtures and Fittings	............Years
Computer Equipment	............Years
Motor Vehicles	............Years

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

2.2.10 **Leased Assets**

When all the risks and rewards incidental to ownership of a leased asset are transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between principal and interest. The interest element is charged to the statement of comprehensive income over the period of the lease so that it represents a constant proportion of the lease liability. The principal element reduces the balance owed to the lesser.

When all the risks and rewards incidental to ownership are not transferred to the company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term.

2.2.11 **Intangible Assets**

Goodwill *(If there is a goodwill arising on acquisition)*
Goodwill represents excess of the cost of acquisition over the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is stated at cost less accumulated amortization and impairment losses.

Negative goodwill *(if there is a goodwill arising on acquisition)*
Negative goodwill arising on acquisition represents excess of the fair value of net identifiable assets acquired over the cost of acquisition.

Computer Software

Purchased computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the software. These costs are amortized over the estimated useful lives.

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific/ technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

Other Intangible Assets

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Infrastructure considered being under the control of a regulator rather than an operator to be recognized as an intangible concession asset and amortized over the concession period as per Service Concession Arrangements (SCA). Accordingly additions to the infrastructure incurred by the operator to be accounted for as a construction contract with the regulator, with revenues and associated costs recognized in the income statement on a percentage of completion basis.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is amortised from the date of initial recognition; other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Patents and Trademarks ....Years
- Goodwill ....Years
- Computer Software ....Years
- Capitalised Development Costs ....Years

2.2.12 **Biological Assets** *(disclosed if there are any biological assets)*

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

2.2.13 **Investments**

Investments in debt and equity securities

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. Where the company has intent and ability to hold government bonds to maturity, they are stated at amortised cost less impairment losses. Other investments held by the company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised in the income statement.

The fair value of investments held for trading and investments available-for-sale is their quoted bid price at the reporting date/balance sheet date.

Investment property (disclosed if there are any investment properties)
Investment property is stated at fair value determined annually by an independent valuer. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement.

When an item of property, plant and equipment becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement.

2.2.14 **Trade and other receivables**
Trade and other receivables are stated at their cost less provision for impairment. The amount of the provision is recognized in the income statement.

2.2.15 **Inventories**
Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the variable selling expenses.

The cost is determined on first-in first-out (FIFO) method or 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.

2.2.16 **Cash and cash equivalents**
Cash and cash equivalents comprises cash balances, call deposits and other short term highly liquid investments. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included within borrowings in current liabilities on the balance sheet.

2.2.17 **Impairment**
The carrying amounts of the company's assets, other than biological assets, investment property, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that are not yet available for use, the recoverable amount are estimated at each balance sheet date. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

_2.2.18_ 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.

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary at the option of the directors. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon is recognized in the income statement as interest expense.

_2.2.19_ Convertible debt

The proceeds received on issue of the company's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognized in the "convertible debt option reserve" within shareholders' equity.

_2.2.20_ Borrowing costs

Interest-bearing borrowings are recognised initially at cost, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

_2.2.21_ Retirement Benefits

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

Defined benefit schemes

Defined benefit scheme surplus and deficit are measured at the fair value of plan assets at the reporting date; less plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus unrecognized past service costs; less the effect of minimum funding requirements agreed with scheme trustees.

Any difference between the expected return on assets and that actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognized in other comprehensive income in the period in which they arise.

Past service costs are recognized directly in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortized on a straight line basis over the vesting period.

Other long-term service benefits
Employees have a statutory entitlement to certain months' paid leave or the cash equivalent after certain years' of continued service to the company, but no entitlement if the employee leaves earlier. The obligation is calculated using the projected unit credit method and is discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

2.2.22 **Share-based Payments**
When Equity share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Other Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

When equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

2.2.23 **Taxation *(including deferred taxes*)**
Income tax on the profit or loss for the year comprises current taxes and deferred taxes. 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 balance sheet date and any adjustment to tax payable in respect of previous years.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

2.2.24 **Treasury shares**
Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

2.2.25 **Non-current assets held for sale and disposal**
Non-current assets and disposals are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or the plan will be withdrawn;
- Active programme to locate a buyer has been initiated;
- Asset or disposal company is being marketed at a reasonable price in relation to its fair value and
- Sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposals classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the Company's accounting policy; and
- Fair value less costs to sell.

After their classification as held for sale, non-current assets (including those in a disposal company) are not depreciated. The results of operations disposed during the year are included in the statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of has been discontinued or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal company’s discontinued operations.

2.2.26 **Government grants / Deferred Revenue**

Government grants received for capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the company. Where retention of a government grant is dependent on the company satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the statement of comprehensive income or netted against the asset purchased.

2.2.27 **Trade and other payables**

Trade and other payables are stated at their cost.

2.2.28 **Provisions**

The provisions for liabilities of uncertain timing or amount include those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

2.2.29 **Revenue**

Revenue from the sales of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right of return, the company defers recognition of revenue until the right to return has lapsed. However, where high volumes of sales are made to established wholesale customers, revenue is recognised in the period where the goods are delivered less an appropriate provision for returns based on past experience. The same policy applies to warranties, provided the amount of revenue can be measured reliably and it is probable that the company will receive any consideration, revenue for services is recognised in the period in which they are rendered.

2.2.30 Expenses

Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares, foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement when the right to receive payment is established.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

2.2.31 Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services/business segment, or in providing products or services within a particular economic environment/geographical segment, which is subject to risks and rewards that are different from those of other segments.

2.2.32 Discontinued operations

A discontinued operation is a clearly distinguishable component of the company's business that is discontinued or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

3. Other Explanatory Notes

(3) Other Explanatory Notes

3.1 Property, Plant and Equipment

Cost	Land and Building	Plant and Machinery	Furniture and fixture	Office Equipment	Under Constructi on	Total
Balance at….. Shrawan 20X1	23,430.00	40,074.00	3,525.00	2,379.00	-	69,408
Additions	-	15,000.00	1,000.00	500.00	3,500.00	*20,000*
Acquired through business Combinations	1,193.00	1,590.00	795.00	398.00	-	*3,976*
Revaluation Surplus of PPE	-	-	-	-	-	-
Transfer to Investment Property	-	-	-	-	-	-
Revaluation and adjustments	(4,504.00)	713.00	184.00	276.00	-	(3,331)
Reclassified to Non current Assets held for sale	(2,672.00)	(1,603.00)	(802.00)	(267.00)	-	(5,344)
Disposals	-	(2,500.00)	(500.00)	-	-	(3,000)
Balance at….. Ashad 20X2	***17,447.00***	***53,274.00***	***4,202.00***	***3,286.00***	***3,500.00***	***81,709***
Depreciation and Impariment Losses						-
Balance at….. Shrawan 20X1	-	23,901.00	1,582.00	1,772.00	-	27,255
Depreciation charged for the year	200.00	8,015.00	705.00	833.00	-	9,753
Adjustment due to Revaluations and others	(200.00)	400.00	200.00	50.00	-	450
Impairment Losses	-	1,000.00	-	-	-	1,000
Transfer to Investment Property	-	-	-	-	-	-
Reclassified to Non current Assets held for sale	-	(1,190.00)	(425.00)	(85.00)	-	(1,700)
Disposals	-	(2,400.00)	(150.00)	-	-	(2,550)
Balance at….. Ashad 20X2	-	29,726.00	1,912.00	2,570.00	-	34,208
Carrying Amount						-
At….. Shrawan 20X1	23,430.00	16,173.00	1,943.00	607.00	-	42,153
At….. Ashad 20X2	**17,447.00**	**23,548.00**	**2,290.00**	**716.00**	**3,500.00**	**47,501**

Leased Plant and Machinery (If any)

The Company leases production equipment under a number of finance lease agreements. At the end of each of the leases the company has the option to purchase the equipment at a beneficial price. At .....*Ashad 20XX* the net carrying amount of leased plant and machinery was NRs xx (20XX: NRs xx). The leased equipment secures lease obligations.

Security (If any)

Bank borrowings are secured on all property, plant and equipment of NRs........ (20XX: NRs...........)

Property, Plant and Equipment under construction

The net book value of assets under construction includes an amount of Rs.2, 000,000(20X1: Nil) relating to the group's new head office, which is currently under construction. The cost of the buildings will be depreciated once the property is complete and available for use. The estimated additional cost to completion of the property, and to which the group is contractually committed is Rs.1, 000,000(2011: Rs. 3,000,000).

3.2 Intangible Assets

Figures in NPR'000

Cost	**Goodwill**	**Development Costs**	**Customer Relationships**	**Trademarks, Licenses**	**Total**
Balance at ..... Shrawan 20X1	1,863.00	1,539.00	200.00	1,150.00	4,752.00
Acquisition through Business Combinations	595.00	-	200.00	1,800.00	2,595.00
Additions - Externally acquired	-	-	-	200.00	*200.00*
Other acquisitions internally developed	-	490.00	-	-	*490.00*
Balance at ....Ashadh 20X2	**2,458.00**	**2,029.00**	**400.00**	**3,150.00**	**8,037.00**
Amortization and Impairment Losses	-	-	-	-	-
Balance at ..... Shrawan 20X1	500.00	510.00	200.00	380.00	1,590.00
Amortization charge for the year	-	300.00	60.00	50.00	410.00
Impairment losses	100.00	20.00	-	-	120.00
Balance at .... Ashadh 20X2	***600.00***	**830.00**	***260.00***	***430.00***	***2,120.00***
Carrying Amount					-
At ....Shrawan 20X1	1,363.00	1,029.00	-	770.00	3,162.00
At ....Ashadh 20X2	**1,858.00**	**1,199.00**	**140.00**	**2,720.00**	**5,917.00**

3.3 Biological Assets (if the entity has any biological assets) 20XX 20XX

Balance at ....Shrawan as previously reported
Change in accounting policy recognised in retained earnings
Balance at ....Shrawan as restated
Increase due to new plantations/acquisition
Decrease due to sale
Harvested crop transferred to inventories
Increase in fair value less estimated point of sales
Balance at .... Ashad 20XX
Non Current
Current

3.4. Investment Property and Investment in Associates

Investment Property

	Amount (Rs. '000)
Balance at ...... Ashadh 20X1 as previously reported	5,838.00
Change in accounting policy recognised in Retained Earnings	-
Balance at ......Ashadh 20X1 as restated	5,838.00
Acquisitions	-
Reclassified to assets held for sale	(1,000.00)
Transfer from property, plant and equipment	-
Changes in Fair Value	(1,989.00)
Lease Incentives given(included in Prepayments)	(200.00)
Balance at .... Ashad 20X2	**2,649.00**

The carrying amount of investment property is the fair value of the property as determined by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the company's investment property. The company's current lease arrangements, which were entered into on an arm's length basis and which are comparable to those for similar properties in the same location, were taken into account.

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of xx years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

Investment in Associates

The following entities have been included in the consolidated financial statements using equity method:

Name	**Country of incorporation**	**Proportion of voting rights held at Ashadh 20X2**	**20X1**
XYZ Limited	US	25%	25%
PQR Limited	UK	17%*	17%*

* Although the Group's ownership interest in PQR Limited is less than 20%, the Group has warrants giving it the right to subscribe for additional share capital that would bring its holding to 30%. PQR Limited's articles of association allow a shareholder with 25% or more of its share capital to appoint a director to the board. Therefore it is considered that the company has the power to exercise significant influence and have treated the interest in PQR Limited as an associate.

Aggregated amounts relating to associates are as follows:

	20X2 Rs'000	20X1 Rs'000
Total assets	42,000	35,500
Total liabilities	29,500	25,000
Revenues	15,000	14,500
Profit	4,000	3,850
Unrecognised share of losses		
- arising during the year	-	-
- in aggregate	-	-

1. **Other Investments**

Summary	**Rs'000**	**Rs'000**
Non Current Assets	**20X2**	**20X1**
Available for sale Investments	3,125.00	4,021.00
Derivative Financial Assets	625.00	666.00
Total	**3,750.00**	**4,687.00**
Current Assets		
Available for sale Investments	448.00	62.00
Derivative Financial Assets	2,314.00	1,551.00
Total	**2,762.00**	**1,613.00**

The details are mentioned below:

A. Available for sale Investments

Rs'000

	20X2	**20X1**
Balance as at Ashadh 20X1	**4,083.00**	**2,489.00**
Additions	148.00	52.00
Disposals	(400.00)	-
Net (losses)/gains transferred to equity	(258.00)	1,542.00
Balance as at Ashadh 20X2	**3,573.00**	**4,083.00**
Less: non-current portion	**(3,125.00)**	**(4,021.00)**
Current portion	**448.00**	**62.00**

Available-for-sale financial assets include the following:

	20X2	20X1
	Rs.'000	**Rs.'000**
Quoted:	-	-
Equity securities	-	-
Preference shares	-	-
Unquoted:	-	-
Equity securities	-	-
Total	**3,573**	**4,083**

The fair value of quoted securities is based on published market prices. The fair value of the unquoted securities is based on expected cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities.

One of the Group's strategic investments is a 23% interest in DEF Limited. This company is not accounted for on an equity basis as the Group does not have the power to participate in the company's operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level and a contractual arrangement which enables the board to take all operational and strategic decisions without consultation with shareholders owning less than 30% of the share capital of DEF Limited.

B. Derivative financial instruments

	20X2	20X1
B-1 Derivative financial assets	**Rs.'000**	**Rs.'000**
Derivatives not designated as hedging instruments		
Interest rate swaps	897.00	926.00
Forward foreign exchange contracts	456.00	349.00
Total derivatives not designated as hedging instruments	**1,353.00**	**1,275.00**
Derivatives designated as hedging instruments		
Interest rate swaps - cash flow hedges	546.00	352.00
Interest rate swaps - fair value hedges	712.00	341.00
Forward foreign exchange contracts - cash flow hedges	328.00	249.00
Total derivatives designated as hedging instruments	**1,586.00**	**942.00**
Total derivative financial assets	**2,939.00**	**2,217.00**
Less non-current portion		
Interest rate swaps	(261.00)	(214.00)
Forward foreign exchange contracts	(364.00)	(452.00)
Current portion	**2,314.00**	**1,551.00**

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows. The fair value of the Group's interest rate and foreign exchange derivatives is based on broker quotes.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

B-2.Derivative financial liabilities	**20X2**	**20X1**
	Rs'000	**Rs.'000**
Derivatives not designated as hedging instruments		
Interest rate swaps	112	104
Forward foreign exchange contracts	-	-
Total derivatives not designated as hedging instruments	112	104
Total derivative financial liabilities	112	104
Less non-current portion		
Interest rate swaps	**(43.00)**	**(56.00)**
Forward foreign exchange contracts	-	-
Current portion	69.00	48.00

Cash flow interest rate swaps
The Group manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Normally the Group raises long-term borrowings at floating rates and swaps them into fixed rates.

Fair value interest rate swaps
The Group enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates.

Cash flow forward foreign exchange contracts
Foreign exchange risk arises when individual group operations enter into transactions denominated in a currency other than their functional currency. Where the risk to the Group is considered to be significant, Group treasury will enter into a matching forward foreign exchange contract with a reputable bank.

6.6 Deferred tax assets and liabilities
Deferred tax is calculated on temporary differences using a tax rate of 23% (20X1: 25%). Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the management believe it is probable that these assets will be recovered.

The movement on the deferred tax account is as shown below:

	Rs.'000
At Ashadh 20X1	(1,341.00)
Recognized in profit and loss	
Tax expense	(224.00)
Recognized in other comprehensive income	
Gains on hedging instruments in cash flow hedges	*(214.00)*
(Losses)/gains on available for sale investments	*59.00*
Share of associates gains and losses recognized in other comprehensive income	-
Revaluation of property	*1,026.00*
Actuarial gain on defined benefit pension schemes	*(61.00)*
	810.00
Arising on business combination	(485.00)
At Ashadh 20X2	(1,240.00)

The movements in deferred tax assets and liabilities during the period are shown below.

Details of the deferred tax liability, amounts recognized in profit or loss and amounts recognized in other comprehensive income are as follows:

				Rs '000	
Particulars	**Asset**	**Liability**	**Net**	**Charged/Credited to Profit or Loss**	**Charged/Credited to Equity**
	20X2	**20X2**	**20X2**	**20X2**	**20X2**
Accelerated capital allowances	212.00	-	212.00	(43.00)	-
Employee pension liabilities	51.00	-	51.00	(28.00)	(61.00)
Revaluations	-	(704.00)	(704.00)	-	1,026.00
Other temporary and Deductible differences	-	(335.00)	(335.00)	(153.00)	(155.00)
Available losses	200.00	-	200.00	-	-
Business combinations	-	(664.00)	(664.00)	-	-
Tax asset/ (liabilities)	**463.00**	**(1,703.00)**	**(1,240.00)**	**(224.00)**	**810.00**
Set off of tax	(252.00)	252.00	-	-	-
Net tax assets/ (liabilities)	**211.00**	**(1,451.00)**	**(1,240.00)**	**(224.00)**	**810.00**
	20X1	**20X1**	**20X1**	**20X1**	**20X1**
Accelerated capital allowances	255.00	-	255.00	(43.00)	-
Employee pension liabilities	140.00	-	140.00	(21.00)	(39.00)
Revaluations	-	(1,730.00)	(1,731.00)	-	289.00
Other temporary differences	-	(27.00)	(27.00)	(2,078.00)	(639.00)
Available losses	200.00	-	200.00	200.00	-
Business combinations	-	(179.00)	(179.00)	-	-
Tax asset/ (liabilities)	**595.00**	**(1,936.00)**	**(1,342.00)**	**(1,942.00)**	**(389.00)**
Set off of tax	(230.00)	230.00	-	-	-
Net tax assets/ (liabilities)	**365.00**	**(1,706.00)**	**(1,342.00)**	**(1,942.00)**	**(389.00)**

3.7 Trade and Other Receivables

Rs.'000

	20X2	20X1
Trade receivables	15,463.00	12,846.00
Less: provision for impairment of trade receivables	(851.00)	(896.00)
Trade receivables - net	14,612.00	11,950.00
Receivables from related parties	1,243.00	1,781.00
Loans to related parties	451.00	259.00
Total financial assets other than cash and cash equivalents		
Classified as loans and receivables	**16,306.00**	**13,990.00**
Prepayments	200.00	250.00
Other receivables	367.00	316.00
Total trade and other receivables	**16,873.00**	**14,556.00**
Less: non-current portion - Loan to related parties	(180.00)	(104.00)
Current portion	**16,693.00**	**14,452.00**

The fair values of trade and other receivables classified as loans and receivables are not materially different to their carrying values.

Movements on the group provision for impairment of trade receivables are as follows:

	20X2
	Rs.'000
At Ashadh 20X1	896.00
Provided during the year	851.00
Receivable written off during the year as uncollectible	(896.00)
Unused amounts reversed	-
At Ashadh 20X2	**851.00**

3.8 Inventories

	20X2	20X1
Raw materials and consumables	10,027.00	3,568.00
Work-in-progress	1,410.00	-
Finished goods and goods for resale	9,757.00	15,857.00
	21,194.00	**19,425.00**

Finished goods include an amount of Rs.95, 000(20X1: Rs.84, 000) carried at fair value less costs to sell.

3.9 Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	20X2	20X1
	Rs.'000	Rs.'000
Cash available on demand	17,412.00	14,802.00
Short-term deposits	4,353.00	2,973.00
	21,765.00	**17,775.00**

Included within cash and cash equivalents is:

Rs.3, 250,000 (20X1: Rs.3, 854,000) held by the ESOP trust which can only be used to benefit the employees.

Significant non-cash transactions are as follows:

	20X2	20X1
	Rs.'000	Rs.'000
Investing activities		
Equity consideration for business combination	2,500.00	-
PP&E purchased but not yet paid at year end	1,250.00	-
Financing activities		
Assets acquired under finance leases:		
Motor vehicles	864.00	-
Computers	-	600.00
Debt converted into equity	561.00	-

3.10 Share Capital

Authorised	20X2	20X2	20X1	20X1
	Number	Rs.'000	Number	Rs.'000
Ordinary shares of Rs. XX each	100,000,000.00	10,000.00	100,000,000.00	10,000.00
Redeemable preference shares of Rs. XX each (classified as Liability)	500,000.00	250.00	500,000.00	250.00
Total	**100,500,000.00**	**10,250.00**	**100,500,000.00**	**10,250.00**

Issued and Fully paid

	20X2	20X2	20X1	20X1
	Number	Rs.'000	Number	Rs.'000
Ordinary shares of Rs. XX each				
At the beginning of the year	74,280,000.00	7,428.00	74,780,000.00	7,478.00
Debt conversion rights exercised	1,200,000.00	120.00	-	-
Other issues for cash during the year	700,000.00	70.00	-	-
Purchase of own shares for Cancellation	(500,000.00)	**(50.00)**	(500,000.00)	(50.00)
At the end of the year	**75,680,000.00**	**7,568.00**	**74,280,000.00**	**7,428.00**

Redeemable preference shares of Rs. XX each

	20X2	20X2	20X1	20X1
	Number	Rs.'000	Number	Rs.'000
At the beginning of the year	225,000	113	150,000	75
Issued during the year	30,000	15	75,000	38
At the end of the year	**255,000**	**128**	**225,000**	**113**

Shares held by ESOP / Treasury shares

	20X2	20X2	20X1	20X1
	Number	**Rs.'000**	**Number**	**Rs.'000**
Ordinary shares held by the ESOP	3,302,500	1,066	3,850,000	1,230

The shares held by the ESOP are expected to be issued under share option contracts. The shares were acquired in 20X1. In 20X2, 547,500 shares were issued to employees.

3.11 Reserves

The following describes the nature and purpose of each reserve within the Equity -

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Shares to be issued	Shares for which consideration has been received but which are not issued yet.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Treasury shares and shares held by ESOP	Weighted average cost of own shares held in treasury and by the ESOP trust.
Convertible debt option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital).
Revaluation reserve	Gains/losses arising on the revaluation of the property (other than investment property).
Available-for-sale reserve	Gains/losses arising on financial assets classified as available for sale.
Cash flow hedging reserve	Gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognized elsewhere.

3.12 Loans and Borrowings

The details of value of loans and borrowings are as follows:

	20X2	20X1
	Rs.'000	**Rs.'000**
Non-Current		
Bank loans		
Secured	10,000.00	8,000.00
Unsecured	2,000.00	1,000.00
Collateralized borrowings	1,000.00	-
Redeemable preference shares	128.00	113.00
Finance lease creditor	1,164.00	1,063.00
	14,292.00	**10,176.00**
Current		
Overdrafts	-	100.00
Bank loans		
Secured	4,500.00	5,500.00
Unsecured	800.00	600.00
Collateralized borrowings	1,535.00	1,235.00
Convertible debt	7,682.00	8,086.00
Finance lease creditor	713.00	555.00
	15,230.00	**16,076.00**
Total loans and borrowings	**29,522.00**	**26,252.00**

3.13 Liability for Employee Benefits

Liabilities for employee benefits comprise:

	20X2	20X1
	Rs.'000	**Rs.'000**
Pensions - defined benefit schemes	9,706.00	7,552.00
share option scheme	1,263.00	678.00
Long-term service accrual	300.00	251.00
	11,269.00	**8,481.00**
Categorized as:		
-Due within one year or less	**2,817.00**	**1,696.00**
-Due after more than one year	**8,452.00**	**6,785.00**
	11,269.00	**8,481.00**

Details of the defined benefit schemes are as follows:

`	20X2			20X1		
	National Funded Scheme	***National Overseas schemes***	***Total***	***National Funded Scheme***	***National Overseas schemes***	***Total***
	Rs.'000	***Rs.'000***	***Rs.'000***	***Rs.'000***	***Rs.'000***	***Rs.'000***
Reconciliation to Consolidated statement Of financial position						
Fair value of plan assets	24,882	13,622	38,504	24,176	11,189	35,365
Present value of funded Obligations	(28,983)	(19,063)	(48,046)	(26,868)	(15,805)	(42,673)
Total	(4,101)	(5,441)	(9,542)	(2,692)	(4,616)	(7,308)
Present value of			-			-
Unfunded obligations	(1,215)	-	(1,215)	(1,185)	-	(1,185)
Unrecognized past Service cost	736	315	1,051	659	282	941
Net assets/ (liabilities)	(4,580)	(5,126)	(9,706)	(3,218)	(4,334)	(7,552)
Reconciliation of plan Assets						
Balance as at Ashadh 20X1	24,176	11,189	35,365	22,150	9,411	31,561
Exchange gain/(loss)	940	2,533	3,473	1,121	1,389	2,510
Expected return	286	122	408	358	154	512
Contributions by Participants	307	132	439	356	153	509
Contributions by Group	461	198	659	534	229	763
Benefits paid	(140)	(60)	(200)	(175)	(75)	(250)
Settlements	(1,078)	(462)	(1,540)	-	-	-
Actuarial gain/ (loss)	(70)	(30)	(100)	(168)	(72)	(240)
At Ashadh 20X2	24,882	13,622	38,504	24,176	11,189	35,365
Composition of plan assets						
Equities	7,465	4,087	11,552	7,253	3,357	10,610
Bonds	12,441	6,811	19,252	12,088	5,594	17,682
Property	2,985	1,634	4,619	2,901	1,343	4,244
Cash	1,991	1,090	3,081	1,934	895	2,829
	24,882	13,622	38,504	24,176	11,189	35,365

	20X2			20X1		
	National Funded Scheme	***National Overseas schemes***	***Total***	***National Funded Scheme***	***National Overseas schemes***	***Total***
	Rs.'000	***Rs.'000***	***Rs.'000***	***Rs.'000***	***Rs.'000***	***Rs.'000***
Reconciliation of plan						
Liabilities						
At Ashadh 20X1	26,868.00	15,805.00	42,673.00	23,725.00	12,775.00	36,500.00
Exchange (gain)/loss	1,155.00	2,572.00	3,727.00	1,163.00	1,972.00	3,135.00

Interest cost	1,746.00	1,027.00	2,773.00	1,542.00	830.00	2,372.00
Current service cost	238.00	148.00	386.00	275.00	148.00	423.00
Past service cost	-	-	-	256.00	125.00	381.00
Contributions by plan			-			-
Participants	307.00	132.00	439.00	356.00	153.00	509.00
Benefits paid	(140.00)	(60.00)	(200.00)	(175.00)	(75.00)	(250.00)
Settlements	(970.00)	(416.00)	(1,386.00)	-	-	-
Actuarial (gain)/loss	(221.00)	(145.00)	(366.00)	(274.00)	(123.00)	(397.00)
At Ashadh 20X2	**28,983.00**	**19,063.00**	**48,046.00**	**26,868.00**	**15,805.00**	**42,673.00**
Cumulative actuarial Gains (/losses) recognized in other comprehensive income						
At Ashadh 20X1	753	832	1,585.00	647	781	1,428.00
Recognised during the year	151	115	**266.00**	106	51	**157.00**
At Ashadh 20X2	**904**	**947**	1,851.00	753	832	1,585.00
Unrecognised past service cost						
At Ashadh 20X1	401.00	31.00	432.00	127.00	52.00	179.00
Arising during the year	145.00	123.00	268.00	530.00	104.00	634.00
Recognised during the year	-	-	-	(256.00)	(125.00)	(381.00)
At Ashadh 20X2	**546.00**	**154.00**	**700.00**	**401.00**	**31.00**	**432.00**

	20X2			***20X1***		
	National Funded Scheme	***National Overseas schemes***	***Total***	***National Funded Scheme***	***National Overseas schemes***	***Total***
	Rs.'000	***Rs.'000***	***Rs.'000***	***Rs.'000***	***Rs.'000***	***Rs.'000***
Included in administrative Expenses						
Current service cost	238.00	148.00	386.00	275.00	148.00	423.00
Past service cost	-	-	-	256.00	125.00	381.00
Settlement loss	108.00	46.00	154.00	-	-	-
Expected return on plan assets	(286.00)	(122.00)	(408.00)	(358.00)	(154.00)	(512.00)
Unwinding of discount on plan liabilities (interest cost)	1,796.00	1,055.00	2,851.00	1,589.00	855.00	2,444.00
At Ashadh 20X2	**1,856.00**	**1,127.00**	**2,983.00**	**1,762.00**	**974.00**	**2,736.00**

Principal actuarial assumptions

	20X2		20X1	
	National Scheme %	**Overseas Scheme %**	**National Scheme %**	**Overseas Scheme %**
Discount rate on plan liabilities	5.25	6	6.25	7
Expected rate of return on plan assets	2	3	3.5	4
Expected increase in pensionable salary	1	1.5	2	2.5
Expected increase in medical costs	5	5	5.5	5.5
Expected increase in deferred pensions	2	3	1	1.5
Expected increase in pensions-in-payment	2	2	1.5	1.5
Inflation rate	3.1	4	4.8	5.3

The expected return on plan assets is equal to the weighted average return appropriate to each class of asset within the schemes. The return attributed to each class has been reached following discussions with the actuaries.

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience.

The average life expectancy in years of a pensioner retiring at the age of 65 on Ashadh 20X2 date is as follows:

	20X2		20X1	
	National Scheme	**Overseas Scheme**	**National Scheme**	**Overseas Scheme**
Male	18	19	17	18
Female	21	23	21	22

The average life expectancy in years of a pensioner retiring at the age of 66, 20 years after Ashadh 20X2 date is as follows:

	20X2		20X1	
	National Scheme	**Overseas Scheme**	**National Scheme**	**Overseas Scheme**
Male	20	21	19	20
Female	23	25	23	24

Defined benefit obligation trends

	20X2	20X1	20X0	20X(1)	20X(2)
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Plan assets	38,504.00	35,365.00	33,597.00	31,917.00	30,321.00
Plan liabilities	(48,046.00)	(42,674.00)	(36,614.00)	(35,149.00)	(29,877.00)
Surplus/(deficit)	(9,542.00)	(7,309.00)	(3,017.00)	(3,232.00)	444.00
Experience adjustments on liabilities (Rs.'000)	348.00	377.00	256.00	215.00	189.00
As a % of plan liabilities	0.72%	0.88%	0.70%	0.61%	0.63%
Experience adjustments on assets (Rs.'000)	95.00	228.00	210.00	190.00	120.00
As a % of plan assets	0.25%	0.64%	0.63%	0.60%	0.40%

In accordance with actuarial advice, for the year ended Ashadh 20X2,12% of pensionable salary is contributed in respect of the National scheme and on average 10% of pensionable salary in respect of overseas schemes.

3.14 Provisions

	Onerous Contracts	**Warranty Claims/ Right of Return**	**Leasehold Dilapidation**	**Legal Disputes**	**National Insurance on Share Options**	**Total**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
At Ashadh 20X1	250.00	200.00	405.00	300.00	150.00	1,305.00
Charged to profit or loss	-	200.00	160.00	100.00	50.00	510.00
On acquisition	-	-	-	-	-	-
Other increases	-	-	-	-	-	-
Utilised in year	(125.00)	(138.00)	-	-	(38.00)	(301.00)
Released in year	-	-	-	-	-	-
Unwinding of discount	-	-	30.00	-	-	30.00
Foreign exchange rate movements	-	-	15.00	-	-	15.00
At Ashadh 20X2	**125.00**	**262.00**	**610.00**	**400.00**	**162.00**	**1,559.00**
Due within one year or less	125.00	91.00	-	-	40.00	**256.00**
Due after more than one year	-	171.00	610.00	400.00	122.00	**1,303.00**
	125.00	**262.00**	**610.00**	**400.00**	**162.00**	**1,559.00**

Onerous contracts predominantly relate to the excess of rents payable over rents receivable on sub-let office space. Inherent uncertainties in measuring the provision relate to estimates of the amount of rent that will be received in the future on vacant property, and estimating future rents on property where the current sub-lease is of a shorter duration than the head lease. Contracts of entities acquired in a business combination where, at the date of acquisition, the acquiree's obligations were in excess of the prevailing market rate on similar contracts are also classified as onerous contracts.

For certain products an obligation has been incurred to exchange the item if it breaks prematurely due to a lack of quality or give the client a refund if he is not satisfied. Revenue for the sale of the products is recognized once the good is delivered, however, a provision based on previous experience is recognized at the same time (revenue is adjusted for the amount of the provision).

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognized as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

As a number of legal disputes exists, the amount provided represents the management's best estimate of the liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action. Because of the nature of the disputes, management has not disclosed future information on the basis that they believe that this would be seriously prejudicial to corporate position in defending the cases brought against it.

National insurance is payable on gains made by employees on exercise of share options granted to them. The eventual liability to National Insurance is dependent on:

- the market price of the company's shares at the date of exercise;
- the number of options that will be exercised; and
- the prevailing rate of National Insurance at the date of exercise.

The company has entered into a reciprocal arrangement with certain employees such that the employees will reimburse the Group for any National Insurance liability. These are included in other receivables and amount to Rs. 162,000 (20X1: Rs.150,000).

3.15 Trade and other payables

	20X2	20X1
	Rs.'000	**Rs.'000**
Trade payables	12,789.00	11,487.00
Other payables	643.00	1,781.00
Accruals	146.00	1,398.00
Total financial liabilities, excluding loans and borrowings, Classified as financial liabilities measured at amortized cost	**13,578.00**	**14,666.00**
Other payables - tax and social security payments	743.00	481.00
Deferred income	213.00	364.00
Dividends payable	50.00	60.00
Total Trade and other payables	**14,584.00**	**15,571.00**

Segment Reporting

The reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, Chief Operating Officer and the Finance Director.

Segmental performance is evaluated on the basis of profit or loss from operations calculated in accordance with IFRS but excluding non-recurring losses, such as goodwill impairment, and the effects of share-based payments.

Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior period.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities exclude tax liabilities and defined benefit liabilities. Loans and borrowings are allocated to the segments based on relevant factors (e.g. funding requirements).

	Segment 1	**Segment 2**	**Segment 3**	**Segment 4**	**Total**
	20X2	**20X2**	**20X2**	**20X2**	**20X2**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Revenue					
Total revenue	140,222.00	36,808.00	8,764.00	6,757.00	192,551.00
Inter-segmental revenue	(14,022.00)	-	-	-	(14,022.00)
Total revenue from External customers	**126,200.00**	**36,808.00**	**8,764.00**	**6,757.00**	178,529.00
Discontinued operations	-	-	-	(3,251.00)	(3,251.00)
Revenue per Consolidated statement of Comprehensive income	**126,200.00**	**36,808.00**	**8,764.00**	**3,506.00**	**175,278.00**
Depreciation	(6,570.00)	(2,041.00)	(460.00)	(482.00)	(9,553.00)
Amortization	(321.00)	(66.00)	(16.00)	(7.00)	(410.00)
Segment profit	**9,530.00**	**2,758.00**	**694.00**	**339.00**	**13,321.00**
Impairment of assets					(1,500.00)
Share-based payments					(1,464.00)
Share of profits in associates					960.00
Finance expense					(584.00)
Finance income					825.00
Segment profit included in discontinued operations					(374.00)
Profit before tax and discontinued operations					11,184.00

	Segment 1	Segment 2	Segment 3	Segment 4	Total
	20X2	20X2	20X2	20X2	20X2
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Additions to non-current assets	16,552.00	7,448.00	2,359.00	682.00	27,041.00
Reportable segment assets	81,537.00	24,914.00	5,797.00	5,467.00	117,715.00
Investment in associates					2,685.00
Available for sale financial assets					3,573.00
Derivative financial assets					2,939.00
Tax assets					211.00
Head office property					3,500.00
Total assets					**130,623.00**

Reportable segment liabilities	13,428	5,190	1,414	883	20,915
Loans and borrowings (excluding leases and overdrafts)					27,645
Defined benefit pension scheme					9,706
Derivative financial liabilities					112
Deferred tax liabilities					1,451
Employee benefits					1,563
Other unallocated and central liabilities					76
Total liabilities					**61,468**

	External revenue by Location of customers		Non-current assets by location of assets	
	20X2	20X1	20X2	20X1
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Country A	78,874.00	74,934.00	27,786.00	25,567.00
Country B	43,820.00	41,629.00	17,540.00	17,290.00
Country C	35,056.00	33,303.00	11,803.00	10,559.00
Country D	10,500.00	9,651.00	4,928.00	3,871.00
Others	7,028.00	7,000.00	-	-
	175,278.00	**166,517.00**	**62,057.00**	**57,287.00**

3.16 Cost of Goods Sold

	20X2	20X1
Material consumed		
Raw materials		
At .... Shrawan		
Purchases		
At .... Ashad		
Raw material consumed Total		
Packing materials		
At .... Shrawan		
Purchases		
At .... Ashad		
Packing material consumed		
Work in process		
At .... Shrawan		
At .... Ashad		
Net change in work-in-process		
Production and manufacturing overheads		
Finished goods stock		
At .... Shrawan		
At .... Ashad		
Net change in finished goods stock		
Cost of sales	**138,410.00**	**131,579.00**

3.17 Discontinued Operation

During year 20X1, assets were sold as part of the disposal of one of the segment, for a cash consideration of Rs. 700,000.

During the year 20X2, 100% interest was sold in K Limited which the only operation is presented as discontinued operation in 20X2. It was classified as held for sale in Ashadh 20X1.

The post-tax gain on disposal of discontinued operations was determined as follows:

	20X2	20X1
Consideration received (and net cash inflow):	**Rs.'000**	**Rs.'000**
Cash	6,300.00	700.00
Net assets disposed (other than cash):		
Property, plant and equipment	6,542.00	621.00
Intangibles	50.00	-
Trade and other receivables	124.00	-
Other financial assets	40.00	-
Trade and other payables	(546.00)	-
	6,210.00	**621.00**
Pre-tax gain on disposal of discontinued operation	90.00	79.00
Related tax expense	(27.00)	(24.00)
	63.00	**55.00**

The post-tax gain on disposal of discontinued operations was determined as follows:

	20X2	20X1
Result of discontinued operations	**Rs.'000**	**Rs.'000**
Revenue	3,251.00	11,452.00
Expenses other than finance costs	(2,800.00)	(12,000.00)
Finance costs	(52.00)	(48.00)
Tax (expense)/credit	(88.00)	131.00
Gain from selling discontinued operations after tax	63.00	55.00
	374.00	**(410.00)**

Earnings per share from discontinued operations

	20X2	20X1
	Rs.	**Rs.**
Basic earnings/(loss) per share	0.50	(0.55)
Diluted earnings/(loss) per share	0.42	(0.47)

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	20X2	20X1
	Rs.'000	**Rs.'000**
Operating activities	311.00	(465.00)
Investing activities	6,300.00	700.00
Financing activities	(52.00)	(48.00)
	6,559.00	**187.0**

3.18 Other Income

	20X2	20X1
Revenue from Operations	**Rs.'000**	**Rs.'000**
Sale of goods	171,772.00	163,130.00
Rendering of services	3,506.00	3,387.00
	175,278.00	**166,517.00**
Other Income		
Rental Income from Investment Property	1,200.00	1,120.00
Sub- lease rental income	83.00	83.00
Others	1,785.00	2,422.00
	3,068.00	**3,625.00**

3.19 Administrative Expenses

	20X2	20X1
Lease Rentals		
Communication Expenses		
Printing, Stationery and Reproduction costs		
Travel and Transportation costs		
Advertisement Expenses		
Audit Fees and Expenses		
Other Professional Fees and Expenses		
Board and AGM Expenses		
Other		
Total	**2,541.00**	**1,547.00**

3.20 Other Operating Expenses

	20X2	20X1
Repair and Maintenance of PPE		
Research and Development expenses		
Amortization of negative goodwill		
Provisions		
Restructuring costs expenses		
Loss on disposal of PPE		
Maintenance of Investment Property		
Others		
Total	**9,894.00**	**8,637.00**

3.21 Staff Costs

	20X2	20X1
	Rs.'000	**Rs.'000**
Wages and salaries	21,960.00	25,421.00
Short-term non-monetary benefits	1,171.00	1,356.00
Defined contribution pension cost	2,050.00	2,373.00
Defined benefit pension cost	2,983.00	2,736.00
Other long-term employee benefits	293.00	339.00
Share-based payment expense	1,464.00	1,695.00
Other contributions	2,342.00	2,712.00
	32,263.00	**36,632.00**

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including the directors.

	20X2	20X1
	Rs.'000	**Rs.'000**
Salary	850.00	750.00
Other long-term benefits	3,228.00	-
Total pension and other post-employment benefit costs	1,953.00	2,147.00
Compensations for loss of office	10.00	10.00
Share based payment expense	1,464.00	1,695.00
	7,505.00	**4,602.00**

3.22 Finance Costs

	20X2	**20X1**
	Rs.'000	**Rs.'000**
Finance leases (interest portion)	54.00	123.00
Interest expense on financial liabilities measured at amortized cost	641.00	631.00
Net change in fair value of cash flow hedges transferred from equity	(200.00)	-
Dividends paid on redeemable preference shares	9.00	8.00
Ineffective portion of changes in fair value of cash flow hedges	50.00	50.00
Unwinding of discount on provisions	30.00	30.00
Total finance expense	**584.00**	**842.00**

3.23 Tax Expenses *(Recognized in the Income Statement)*

	20X2	**20X1**
	Rs.'000	**Rs.'000**
Current tax expense		
Current tax on profits for the year	2,552.00	2,036.00
Adjustment for under provision in prior periods	94.00	100.00
Total current tax	**2,646.00**	**2,136.00**
Deferred tax expense		
Origination and reversal of temporary differences	224.00	2,142.00
Recognition of previously unrecognized deferred tax assets	-	(200.00)
	224.00	1,942.00
Tax expense excluding tax on sale of discontinued operation and share of tax of equity accounted associates	**2,870.00**	**4,078.00**
Income tax expense from continuing operations	**2,782.00**	**4,209.00**
Income tax expense/(credit) from discontinued operation (excluding gain on sale)	88.00	(131.00)
	2,870.00	**2,870.00**
Tax expense excluding tax on sale of discontinued operation and share of tax of equity accounted associates	2,870.00	4,078.00
Income tax on gain on sale of discontinued operation	27.00	24.00
Share of tax charge of equity accounted associates	192.00	186.00
Total tax expense	**3,089.00**	**4,288.00**

3.24 Assets classified as held for sale

Non-current assets or groups of assets and liabilities are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets are carried at the lower of their carrying amount and fair value less costs to sell, and are presented separately in current assets and liabilities in the Statement of Financial Position.

3.25 Earnings Per share

	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	20X2	**20X2**	**20X2**	**20X1**	**20X1**	**20X1**
Numerator	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Profit for the year and earnings used in basic EPS	7,922.00	374.00	8,296.00	5,329.00	(410.00)	4,919.00
Add: interest on convertible debt	606.00	-	606.00	596.00	-	596.00
Less: tax effect of above items	(158.00)	-	(158.00)	(169.00)	-	(169.00)
Earnings used in diluted EPS	**8,370.00**	**374.00**	**8,744.00**	**5,756.00**	**(410.00)**	**5,346.00**
Denominator	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**
Weighted average number of shares used in basic EPS	74,980.00	74,980.00	74,980.00	74,280.00	74,280.00	74,280.00
Convertible debt	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Employee share options	1,500.00	1,500.00	1,500.00	-	-	-
Contingent share consideration on business combinations	1,600.00	1,600.00	1,600.00	-	-	-
Weighted average number of shares used in diluted EPS	**88,080.00**	**88,080.00**	**88,080.00**	**84,280.00**	**84,280.00**	**84,280.00**

3 million employee options (20X1: 1.5 million) have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at Ashadh 20X2.

3.26 Changes in Accounting Policies(If any)

In the current financial year the company adopted NAS 6 *Property, plant and equipment*, NAS 07 Revenue. The adoption of NAS 06 and NAS 07 (or other changes in accounting policies) has resulted in the (describe the changes and its effects). This change has been accounted for by restating comparatives and adjusting the opening balance of retained earnings at 1 Shrawan 20XX.

Impact of changes in accounting policy

The changes in accounting policy, when applied consistently to 20XX and 20XX, had the following impact:

On Opening Retained Earnings:

On Net Profit

3.27 Commitments

Capital Commitment

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	20XX	**20XX**
Property, Plant and Equipment		
Intangible Assets		
Total		

Operating lease commitments

The company leases a number of warehouses and factory facilities under operating leases.

	20XX	**20XX**
Less than one year		
Between one and five years		
More than five years		
Total		

The company leases a number of warehouse and factory facilities under operating leases. The leases typically run for an initial period of between five and ten years, with an option to renew the lease after that date. Lease payments are increased annually to reflect market rentals. None of the leases includes contingent rentals.

3.28 Contingencies

The company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

The company has given guarantees in the ordinary course of business amounting to NRs xx (200XX: NRs xx)

There are unexpired letters of credit amounting to NRs xx (200XX: NRs xx).

Additional demands have been raised on matters relating to taxation which the company has not acknowledged and filed appeals to the courts in the jurisdiction. As the matter is prejudicial no liabilities are expected to arise pending decision of the court.

3.29 Business Combinations(if any)

Acquisitions

On (date) the company acquired all the shares in (name of company acquired for NRs xx, satisfied in cash. The acquisition was accounted for using the purchase method of consolidation. In the nine months to (Reporting date) the subsidiary contributed net profit of NRs xx to the consolidated net profit for the year.

Disposal

On (date) the Company disposed of the subsidiaries comprising its (name of division disposed). The subsidiaries contributed NRs xx to the consolidated net profit for the year ended (Reporting date) and NRs xx for the five months ended (date of disposal).

Effect of Acquisition and Disposal

The acquisitions and disposal had the following effect on the company's assets and liabilities.

	Acquisition 20XX	Disposal 20XX
Property, Plant and Equipment		
Inventories		
Trade Receivables		
Other Receivables		
Cash and Cash equivalents		
Loans and Borrowings		
Employee Benefits		
Deferred Tax Liabilities		
Trade Payables		
Net Identifiable Assets and liabilities		
Goodwill /(Negative goodwill) on acquisition		
Consideration paid/(received) satisfied in cash		
Cash (acquired)/disposed of		
Net Cash Outflow/ (Inflow)		

In 20XX the company received a valuation report on the assets acquired in its 20XX acquisition. The report was not completed at the time of publishing the 20XX financial statements. As a result of the valuation, the above value attributed to property, plant and equipment has been reduced by NRs xx (refer note 1). A corresponding adjustment has been made to negative goodwill (refer note 2).

The adjustments have been made effective at the date of acquisition, and the consequent amendments to depreciation and amortisation have been recognised in the current year. If the 20XX financial statements had been restated, net profit for 20XX would have been increased by NRs xx: an increase of NRs xx relating to reduced depreciation and a decrease of NRs xx relating to reduced amortisation of negative goodwill.

3.30 Related Party Transactions

Identity of related parties

The company is controlled by (name of the parent company) which owns xx percent of the company's shares. The remaining xx percent shares are widely held. The ultimate parent company of the company is (name of the ultimate parent company) incorporated in (name of the country)

The following transactions were carried out with related parties:

(i) Sale of goods and services	**20XX**	**20XX**
Sale of goods		
- Associates		
- Joint ventures		
Sale of services		
- Associates		
- Joint Ventures		
(ii) Purchase of goods and services	**20XX**	**20XX**
Purchase of goods		
- Associates		
- Joint ventures		
Purchase of services		
- Associates		
- Joint ventures		

(iii) Key Management Compensation	**20XX**	**20XX**
Salaries and other short term employees' benefits		
Termination benefits		
Post employment benefits		
Share based benefits		
Total		

Directors of the company and their immediate relatives control xx percent of the voting shares of the company. A director of a subsidiary also has a xx percent share in the joint venture. Loans to directors amounting to NRs xx (20XX: NRs xx) are included in "other receivables" (refer note 7). No interest is payable by the directors (or disclose if interest is payable)

In addition to their salaries, the company also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, directors and executive officers retire at age xx and are entitled to receive annual payments equivalent to xx percent of their salary at the date of retirement until the age of xx, at which time their entitlement falls to xx percent of their salary at the date of retirement.
Executive officers also participate in the company's share option programme (refer note 13).

Total remuneration included in "Staff Costs" (refer note 22)	20XX	20XX
Directors		
Executive Officers		
Total		
Other Related Party Transactions		
Associates		

During the year ended .....Ashad 20XX associates purchased goods from the Group in the amount of NRs xx (20XX: NRs xx) and at.... Ashad 20XX associates owed the company NRs xx (20XX: NRs xx). Transactions with associates are priced on an arm's length basis. During the year ended.... Ashad 20XX the company repaid a loan of NRs xx received from one of its associates. No dividends were received from associates in 20XX or in 20XX.

3.31 Group Enterprises

Control of the group

The company is a wholly-owned subsidiary of [name]. The Group's ultimate parent company is [name].

Significant Subsidiaries	Name	Country of Incorporation	Ownership Interest
		20XX	20XX

3.32 Events after the Reporting Period

(List the major events that have occurred after the balance sheet date segregating into):

(i) Events that have been adjusted:
- Litigation that has been settled which existed at the balance sheet date.

(ii) Events that have not been adjusted but required for disclosure only:
- Business Combinations.
- Claims.

3.33 Current /Non Current Assets and Liabilities

Current Assets are expected to be realized within the normal operating cycle of the entity or within twelve months after the reporting period or are intended for sale or consumption within the normal operating cycle of the entity or are held primarily for the purpose of trading or are cash and cash equivalents. All other assets are classified as Non-current Assets.

Current Liabilities are expected to be settled in the entity's normal operating cycle or are primarily held for trading or are due to be settled within a period of twelve months after the reporting period. All other liabilities are classified as non- current liabilities.

3.34 Prior Period Errors

Prior Period Errors are omissions or misstatements in an entity's financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the affected prior years' financial statements. Sometimes such changes may not be practicable, in such cases it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period.