

INDEPENDENT AUDITOR'S REPORT

To the members of,

M/s BUTWAL DHAGO KARKHANA LIMITED

Disclaimer of Opinion

We have audited the accompanying financial statements of **M/s Butwal Dhago Karkhana Limited** ("the company"), which comprise the Statement of Financial Position as at Ashad 31st 2080 (Corresponding to July 16th, 2023), Statement of Profit and Loss, Statement of changes in Equity and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory notes.

We do not express an opinion on the accompanying Financial Statements of the Company because of the significance of the matters described in Basis for Disclaimer of Opinion Section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these Financial Statements.

Basis for Disclaimer of Opinion

The Institute of Chartered Accountants of Nepal (ICAN) changed the applicable financial reporting Framework to "Nepal Financial Reporting Standards (NFRS)" from "Nepal Accounting Standard (NAS)" effective from Financial Year 2073-74. However, the company's financial statement has not been prepared adopting Nepal Financial Reporting Standards (NFRS). The cumulative effect of not restating, presenting and disclosing financial information based on provisions of NFRS is uncertain and could be material and pervasive.

The company's inventories are carried in the statement of financial position at NPR 5,448,044 and these inventories are found not stated at lower of cost and net realizable value though management has written inventories are measured at lower of cost and net realizable value under significant accounting policies. We were unable to satisfy ourselves by alternative means concerning the inventories quantities held at 31st Ashad 2080 B.S. In addition, due to various reasons the company has not been in operation since March 2008 A.D. and items of property, plant and equipment are carried under historical cost convention method. We were unable to confirm or verify by alternative means property,



plant and equipment included in statement of financial position at a total amount of NPR 69,964,814 as on 31st Ashad 2080 B.S.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and Property, plant and equipment and the elements making up the statement of comprehensive income, statement of change in equity and statement of cash flows.

Besides that, we conducted our audit of the financial statement in accordance with Nepal Standards on Auditing (NSAs) and applicable laws. 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 Handbook of The Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Nepal (ICAN), we have fulfilled our ethical responsibilities in accordance with the ICAN's Handbook of The Code of Ethics for Professional Accountants.

Material Uncertainty Related to going Concern

We draw the attention to note 2.5 of Statement of Accounting Policies and Notes to Financial Statements, which describes the material uncertainty related to going concern of the company. The company has been suffering losses for last many years due to which the company has negative net worth amounting to Rs. 1,963,427,448 for fiscal year 2078-79 and Rs. 2,001,257,109 for fiscal year 2079-80. Furthermore, due to various reasons the company has not been in operation since March 2008 A.D. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS) and Companies Act 2063 and other applicable laws and regulations 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 statement, management is responsible for assessing organization's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.



Those charged with Governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibility for Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing (NSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statement.

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

- Identify and assess the risks of material misstatements 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, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Report on Other Legal and Regulatory Requirements

Based on our examination and explanations given to us, we would like to further report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. Proper books of accounts as required by law have been maintained by the company as far as it appears from our examination of such books.
3. In our opinion, Statement of Financial Position, Statement of Profit and Loss, Statement of changes in Equity and Cash Flow Statement have been prepared in conformity with provisions of the Company Act 2063 and same are in agreement with the books of accounts maintained by the Company.
4. To the best of our information and in accordance with explanations given to us and from our examination of the books of accounts of the company, necessary for the purpose our audit, we have not come across cases where Board of directors, representative or any employee of the company has acted contrary to the provisions of law or committed any misappropriation or caused or damage to the Company deliberately.
5. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book



6. The company has not acted in a manner to jeopardize the interest and security of the stakeholders.
7. The company has not complied following provisions as per Companies Act 2063:
 - a. As per section 86(3) of the Companies Act, 2063 “In forming the board of directors pursuant to 86(2) at least one independent director, in case of the number of directors not exceeding seven and at least two independent directors, in case of the number of directors exceeding seven shall be appointed from amongst the persons who have the knowledge as prescribed in the articles of association of the company and gained knowledge and experience in the subject related with the business of the company concerned.” As per the provision the company should appoint one independent director out of seven directors. However, independent director is yet to be appointed. The effect of non-appointment of independent director violates provisions of the Companies Act, the article of association of the company, and may have impact on the decision related to the business operations of the company. The material effect is hence uncertain and could be material and pervasive.
 - b. Meetings of the board of directors of a public company shall be held at least six times in a year. Provided, however, that the interval between any two meetings shall not exceed three months, the meetings of Board of Directors are not held as per Section 97(2) of Companies Act 2063.
8. Company has deducted tax at source on the house rent and land rent however the same has not been deposited in Inland Revenue Department.



For A. Aryal and Associates

Chartered Accountants

CA Ankit Aryal

Membership No:1231

UDIN:231019CA01231b4irM

Place: Kathmandu

Date: 30th Ashwin 2080 B.S.

Butwal Dhago Karkhana Limited
Ramnagar, Butwal-10, Rupandehi

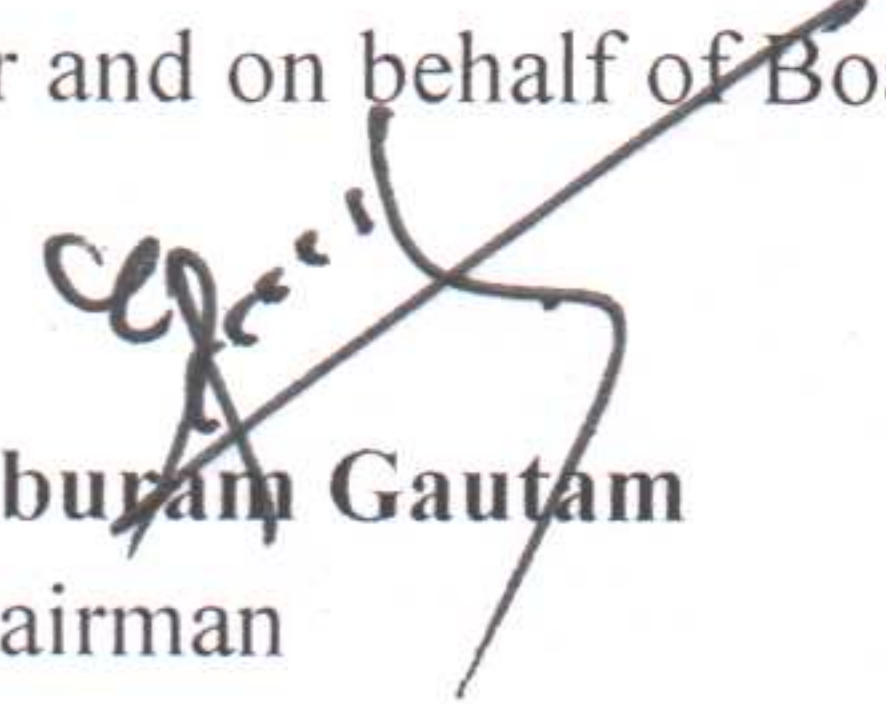
Statement of Financials Position As at 16 July, 2023(Ashad 31, 2080)

Particulars	Notes	Current Year	Previous Year
Assets			
Non-current assests			
Property Plant and Equipment (Gross Block)	5	502,881,757	502,881,757
Less: Accumulated Depreciation		(432,916,943)	(430,471,563)
Net Block		69,964,814	72,410,194
Net Fixed Assets		69,964,814	72,410,194
Current Assets			
Inventories	6	5,448,044	5,448,044
Cash and Cash Equivalentts	7	5,012,133	5,160,495
Debtors, Advance and Deposits	8	6,510,655	6,314,252
Total Current assets		16,970,832	16,922,792
Total Assets		86,935,647	89,332,986
Equity			
Capital and reserves			
Share Capital	9	373,119,700	373,119,700
Reserve and Surplus	10	(2,001,257,109)	(1,963,427,448)
Total Equity		(1,628,137,409)	(1,590,307,748)
Non Curent liabilities			
Secured Loan	11	54,489,857	91,616,447
Unsecured Loan	12	123,837,710	120,398,034
Non Curent liabilities		178,327,567	212,014,481
Current Liabilities & Provision	13	1,536,745,489	1,467,626,253
Total Current Liabilities		1,536,745,489	1,467,626,253
Total Equity and liabilities		86,935,647	89,332,986

Significant Accounting Policies & Notes to Accounts 1 to 4


Notes 1 to 21 form integral part of Financial Statements.

For and on behalf of Board


Baburam Gautam
Chairman


Dhruba Prasad Rijal
Director

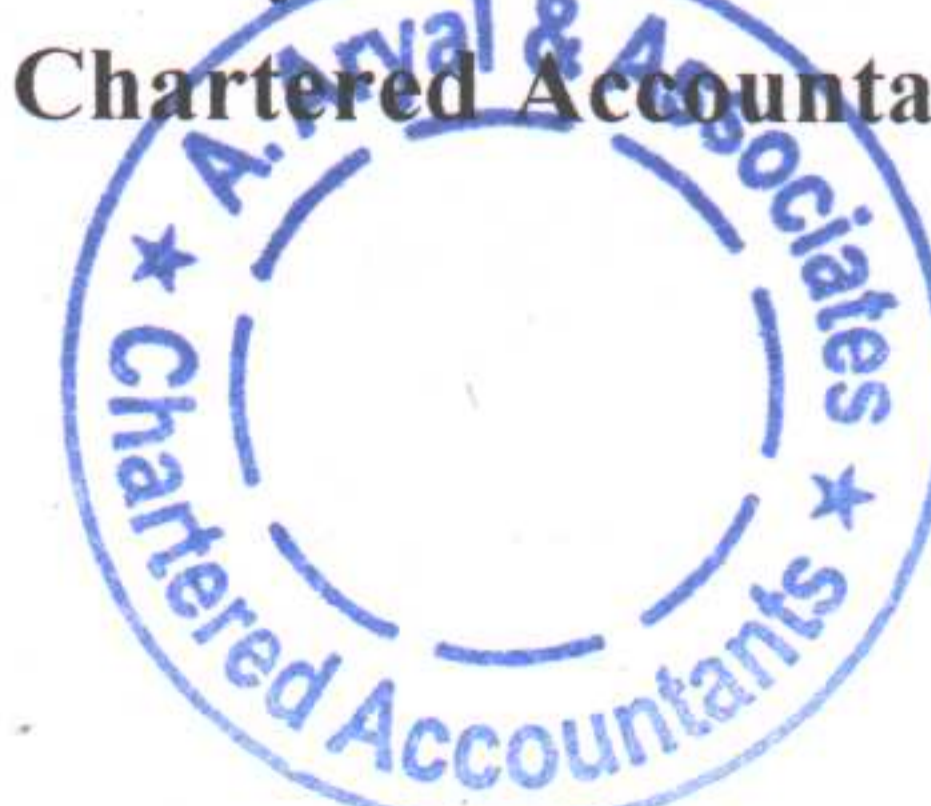
Sabal Rijal
Director


Dolraj Sharma
For General Manager

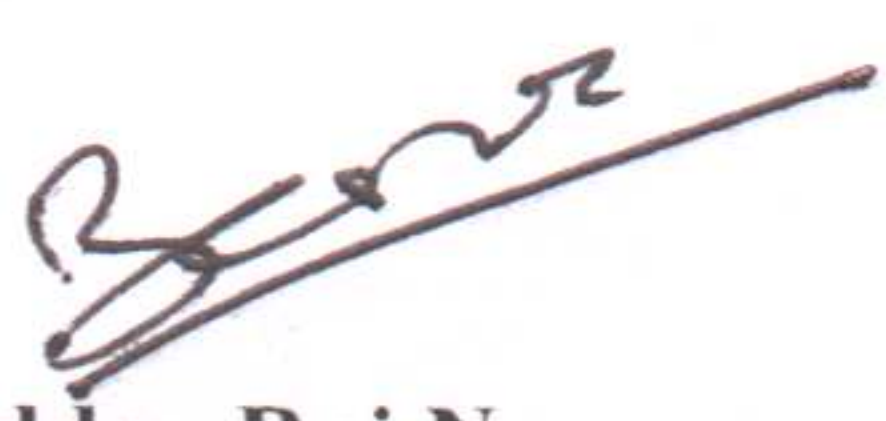


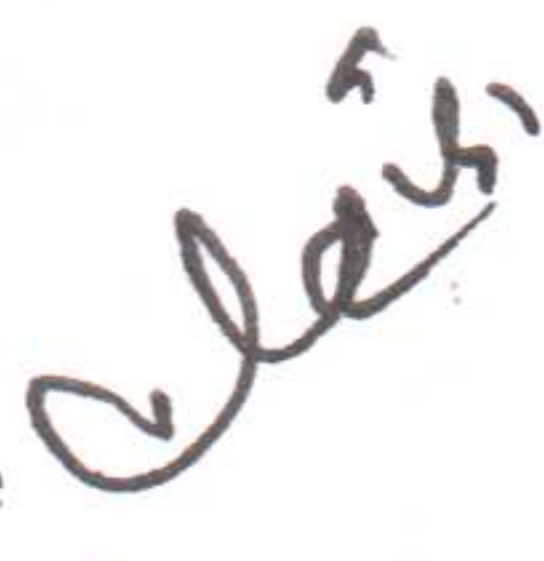
As per our Report of Even Date

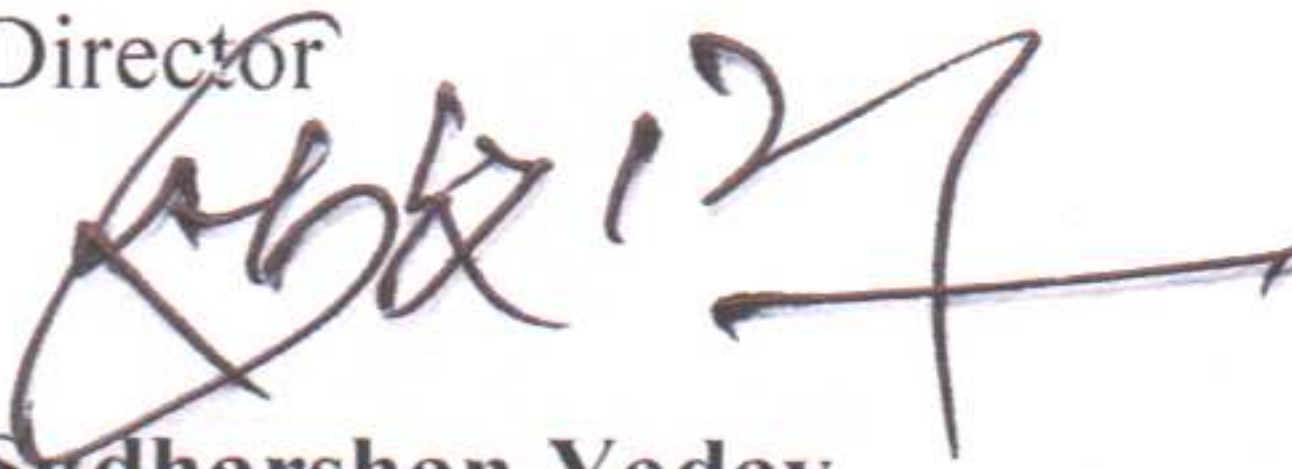

CA. Ankit Aryal
A. Aryal & Associates
Chartered Accountants



30.06.2080


Uddav Raj Neupane
Director


Lila Raj Kafle
Director


Sudharshan Yadav
For Account Section

Butwal Dhago Karkhana Limited
Ramnagar, Butwal-10, Rupandehi

Statement of Profit or Loss
For the year ended 31 Ashad 2080 (16 July 2023)

Particulars	Notes	Current Year	Previous Year
Income:			
Sales	14	-	-
Other income	15	1,499,408	1,079,590
Total Income		1,499,408	1,079,590
Direct Expenses:			
Material Cost	16	-	-
Store, Spares and other Consumption	17	-	-
Direct Wages and other	18	-	-
Total direct Expenses		-	-
Gross Profit		1,499,408	1,079,590
Employees Benefit Expenses	19	1,925,695	1,752,759
Administrative Expenses	20	1,353,039	1,386,305
Operating Profit/ (Loss)		(1,779,326)	(2,059,474)
Depreciation	5	2,445,380	2,455,237
Operating Profit/ (Loss) Before Interest		(4,224,706)	(4,514,711)
Interest Expenses	21	30,165,279	30,165,279
Profit/(Loss) Before Tax		(34,389,985)	(34,679,990)
Provision for Taxation		-	-
Profit/(Loss) After Tax		(34,389,985)	(34,679,990)

Significant Accounting Policies & Notes to Accounts


1 to 4


Notes 1 to 21 form integral part of Financial Statements.

For and on behalf of Board

As per our Report of Even Date


Baburam Gautam
Chairman



CA. Ankit Aryal
A. Aryal & Associates
Chartered Accountants

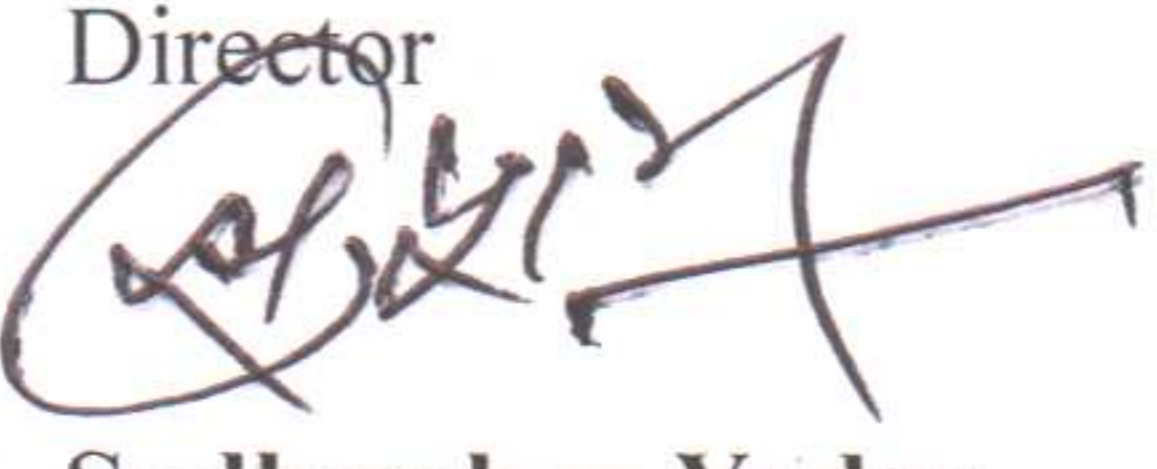

Dhruva Prasad Rijal
Director


Uddav Raj Neupane
Director

Sabal Rijal
Director


Lila Raj Kafle
Director


Dolraj Sharma
For General Manager


Sudharshan Yadav
For Account Section



30.06.2080

Butwal Dhago Karkhana Limited
Ramnagar, Butwal-10, Rupandehi

Cash Flow Statement
For the year ended 31 Ashad 2080 (16 July 2023)

Particulars	Current Year	Previous Year
Profit/(Loss) before interest and tax	(34,389,985)	(34,679,990)
Adjustments:		
Depreciation	2,445,380	2,455,237
Interest Expenses	30,165,279	30,165,279
Interest Income	(1,499,408)	(1,079,590)
Cash from operating activities before change in working capital	(3,278,734)	(3,139,064)
(Increase)/Decrease in Current Assets	(196,403)	(134,093)
Increase/(Decrease) in Current Liabilities	69,119,236	68,140,602
Cash from Operating Activities (A)	65,644,099	64,867,444
Cash from Investing Activities:		
Dividend Received	-	-
Sale/(Purchase) of Fixed Assets	-	-
(Purchase)/Sale of Securities	-	-
Interest income	1,499,408	1,079,590
Cash from Investing Activities (B)	1,499,408	1,079,590
Cash from Financing Activities:		
Issue of share capital	-	-
Dividend Paid	-	-
Interest Expenses During the year	(30,165,279)	(30,165,279)
Increase/(Decrease) in Secured and Unsecured Loan	(37,126,590)	(36,726,581)
Cash from Financing Activities (C)	(67,291,868)	(66,891,860)
Net Cash and Cash Equivalent during the Year (A+B+C)	(148,361)	(944,825)
Opening cash and Bank Balance	5,160,494	6,105,320
Closing Cash and Cash Equivalent	5,012,133	5,160,494

Significant Accounting Policies & Notes to Accounts

1 to 4


Notes 1 to 21 form integral part of Financial Statements.

For and on behalf of Board


Baburam Gautam
Chairman


Dhruba Prasad Rijal
Director

Sabal Rijal
Director


Dolraj Sharma
For General Manager



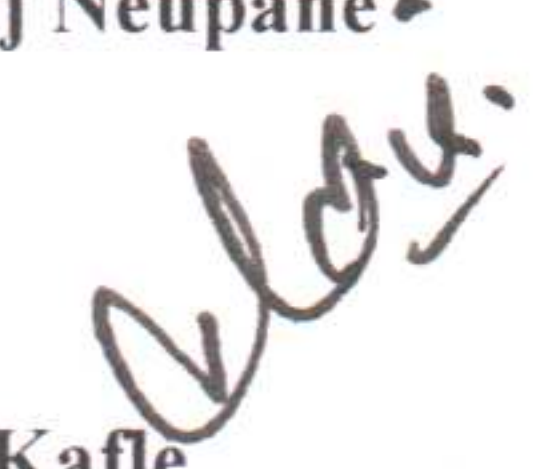
As per our Report of Even Date


CA. Ankit Aryal
A. Aryal & Associates
Chartered Accountants



30.06.2080


Uddav Raj Neupane
Director


Lila Raj Kafle
Director


Sudharshan Yadav
For Account Section

Butwal Dhago Karkhana Limited
Ramnagar, Butwal-10, Rupandehi

Statement of Changes in Equity

Particulars	Share Capital	Share Premium	Revaluation Reserve	Translation Reserve	Accumulated Profit / (Loss)	Total
Balance at 31, Ashadh 2079	373,119,700	-	-	(174,066,374)	(1,789,361,074)	(1,590,307,748)
Changes in Accounting Policy	-	-	-	-	-	-
Balance at 01, Shrawan 2079	373,119,700	-	-	(174,066,374)	(1,789,361,074)	(1,590,307,748)
Prior Period Adjustment					-	-
Currency Translation Reserve				(3,439,675)	-	(3,439,675)
Net Profit (Loss) for the period					(34,389,985)	(34,389,985)
Balance as at 32, Ashadh 2080	373,119,700	-	-	(177,506,049)	(1,823,751,060)	(1,628,137,409)

Notes 1 to 21 form integral part of Financial Statements.

For and on behalf of Board


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Director



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For General Manager


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For Account Section

As per our Report of Even Date


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A. Aryal & Associates
Chartered Accountants



30.06.2080



Butwal Dhago Karkhana Limited
Ramnagar, Butwal-10, Rupandehi

Note 5

Property, Plant & Equipments

Particulars	Rate	Gross Block			Depreciation Block			Net Block		Amount in NRs.
		Opening	Addition/Disposal During the Year	Closing as at 31 Ashad 2080	Opening	Addition During the Year	Closing as at 31 Ashad 2080	As at 31 Ashad 2080	Previous year	
		Factory Building	1.65	130,717,625	-	130,717,625	66,851,377	2,156,841	69,008,218	
Godown & Boundary Wall	1.65	14,476,638	-	14,476,638	7,398,193	238,865	7,637,057	6,839,581	7,078,445	
Road & Culvert	1.65	2,990,681	-	2,990,681	1,529,733	49,346	1,579,079	1,411,601	1,460,948	
Plant & Machinery	5.30	306,686,255	-	306,686,255	306,686,255	-	306,686,255	-	-	
Other Equipment's	5.30	419,997	-	419,997	419,997	-	419,997	-	-	
Electrical Equipment's	5.30	39,361,314	-	39,361,314	39,361,314	-	39,361,314	-	-	
Computer & Accessories	5.30	674,436	-	674,436	674,436	-	674,436	-	-	
Computer & Scanner	5.30	6,195	-	6,195	1,642	328	1,970	4,225	4,553	
Office Equipment's	5.30	1,716,323	-	1,716,323	1,716,323	-	1,716,323	-	-	
Vehicles	5.30	4,153,431	-	4,153,431	4,153,431	-	4,153,431	-	-	
Furniture & Fixture	3.40	1,678,862	-	1,678,862	1,678,862	-	1,678,862	-	-	
Total		502,881,757	-	502,881,757	430,471,563	2,445,380	432,916,943	69,964,815	72,410,194	

For and on behalf of Board

Baburam Gautam
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As per our Report of Even Date

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30.06.2080

Butwal Dhago Karkhana Limited
Ramnagar, Butwal-10, Rupandehi

Schedules as at July 16, 2023 (Ashad 31, 2080)

Inventories:	Note-6	
Particulars	Current Year	Previous Year
Raw Materials	-	-
Finished Goods	-	-
Semi Finished Goods	-	-
Store and Spares	5,448,044	5,448,044
Total	5,448,044	5,448,044

(Please Refer Point 4.1 of Statement of Accounting Policies and Notes to Financial Statements)

Cash and Cash Equivalents:	Note-7	
Particulars	Current Year	Previous Year
Butwal Branch:		
Everest Bank Ltd. C/A. 6850 C	380,852	375,612
Rastriya Banijya Bank	-	-
Nabil Bank Ltd, Butwal	-	-
NMB Bank Butwal -331F	1,619,637	447,673
Himalayan Bank-17 Butwal	713,981	4,039,548
Himalayan Bank-17 Butwal Fixed Deposit	2,000,000	-
Sub-total-A	4,714,471	4,862,833
Kathmandu Branch:		
Rastriya Banijya Bank , Kathmandu	297,662	297,662
Sub-total-B	297,662	297,662
Grand-Total (A+B)	5,012,133	5,160,495

(Please Refer Point 4.2 of Statement of Accounting Policies and Notes to Financial Statements)

Debtors, Advance and Deposits:	Note-8	
Particulars	Current Year	Previous Year
Sundry Debtors	5,996,268	5,996,268
Less: Provision for Doubtful Debt	4,483,822	4,483,822
Sub Total (A)	1,512,446	1,512,446
Advance to Suppliers (Dr. Balance of Creditors)	2,541,341	2,541,341
Less: Provision for Doubtful amount	2,375,706	2,375,706
Sub Total (B)	165,635	165,635
Accumulated Advance	4,737	4,737
Advance to Employees	227,977	217,465
Less: Provision for Doubtful amount	118,685	118,685
Sub Total (C)	114,029	103,517
Deposits	1,282,818	1,287,242
Sales Tax/ VAT deposit	983,810	978,483
TDS	1,219,897	1,060,959
Prepaid Insurance	578,105	578,105
Claim Receivable (Yarn sales)	242,866	242,866
Deposit against Bank Guarantee	385,000	385,000
Accured Interest Receivables	26,050	-
Sub Total (D)	4,718,546	4,532,655
Total (A+B+C+D)	6,510,655	6,314,252

(Please Refer Points 4.3 to 4.6 of Statement of Accounting Policies and Notes to Financial Statements)

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Share Capital:

Note-9

Particulars	Current Year	Previous Year
Authorized Capital (6,000,000 Ordinary Shares of Rs 100 each)	600,000,000	600,000,000
Issued Capital (4,500,000 Ordinary Shares of Rs 100 each)	450,000,000	450,000,000
Paid up Capital (3,730,390 Ordinary Shares of Rs 100 each) Less: Calls in arrears 13,300 Ordinary Share of Rs 100 each in arrear	373,039,000 (1,330,000)	373,039,000 (1,330,000)
	371,709,000	371,709,000
Advance against Share Capital (Pending Adjustment) Government of Nepal Other Shareholders Forfeited Shares (3610 Shares)	1,410,700 (9,500) 1,339,500 80,700	1,410,700 (9,500) 1,339,500 80,700
Total	373,119,700	373,119,700

(Please Refer Point 4.7 of Statement of Accounting Policies and Notes to Financial Statements)

Reserve and Surplus:

Note-10

Particulars	Current Year	Previous Year
Accumulated Profit/(Loss)	(1,789,361,074)	(1,754,681,084)
Prior period adjustment	-	-
Foreign Exchange Gain/(Loss)	(177,506,049)	(174,066,374)
Profit/(Loss) during the Year	(34,389,985)	(34,679,990)
Total	(2,001,257,109)	(1,963,427,448)

(Please Refer Point 4.8 of Statement of Accounting Policies and Notes to Financial Statements)

Secured Loan:

Note-11

Particulars	Current Year	Previous Year
Secured Loan:		
Govt. Loan:		
HMG LOAN 1st	-	-
HMG LOAN 2nd	-	-
HMG Loan 3rd	-	-
HMG Loan 4th	-	-
HMG Loan 5th	-	800,019
HMG Loan 6th	54,489,857	90,816,429
Loan against L.C.		
Bank Overdraft (Short term loan)	-	-
Total	54,489,857	91,616,447

(Please Refer Point 4.9 of Statement of Accounting Policies and Notes to Financial Statements)

Unsecured Loan:

Note-12

Particulars	Current Year	Previous Year
Chine Machinery Corporation (CMC)	62,595,362	60,856,734
China National Machinery Import and Export Corporation (CMEC)	61,242,348	59,541,300
Total	123,837,710	120,398,034

(Please Refer Point 4.10 of Statement of Accounting Policies and Notes to Financial Statements)




Current Liabilities & Provision

Note-13

Particulars	Current Year	Previous Year
Sundry Creditors	60,990,858	59,901,560
Credit balances in debtors A/C	213,055	213,055
Deposits	1,367,990	1,367,990
Employees' Provident Fund	243,781	243,781
Accumulated S&W Payable	82,510	82,510
Salary Payable	111,966	111,966
Salary Payable 2079-80	247,182	-
Unpaid Salaries and Wages	60,361	60,361
Tax Deducted at Source	1,279,563	1,155,173
Commitment Charges	371,965	371,965
Other Payable	1,542,016	1,566,383
Salary advance Employee & Worker	395,152	17,289
Provision for Audit Expenses	74,074	61,074
I.V. Travells Pvt. Ltd.	7,998,000	7,998,000
Sub-Total (A)	74,978,474	73,151,107
Provision for Life Insurance	200,000	200,000
Govt Principal Loan amount Due	951,019,454	913,892,864
Interest accrued & Due of Government Loan	506,910,399	476,745,120
Interest accrued & Due of CMEC & CMC.	3,637,163	3,637,163
Sub-Total (B)	1,461,767,015	1,394,475,146
Grand-Total (A+B)	1,536,745,489	1,467,626,253

(Please Refer Point 4.11 to 4.13 of Statement of Accounting Policies and Notes to Financial Statements)

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Butwal Dhago Karkhana Limited
Ramnagar, Butwal-10, Rupandehi

Schedules For the year ended 31 Ashad 2080 (16 July 2023)

Sales: Note-14

Particulars	Current Year	Previous Year
Domestic Sales	-	-
Export Sales	-	-
Less: Sales Returns	-	-
Total	-	-

Other Income: Note- 15

Particulars	Current Year	Previous Year
Sale of Scrap and Wastage	-	-
Bank Interest	204,906	
Rental Income	1,294,502	
Other Income (Bank Interest & Rent income)	-	1,079,590
Profit on sale of yarn	-	-
Total	1,499,408	1,079,590

(Please Refer Point 4.6 of Statement of Accounting Policies and Notes to Financial Statements)

Material Cost: Note-16

Particulars	Current Year	Previous Year
A. Raw Material		
Opening Balance	-	-
Add: Purchase during the Year	-	-
Less: Closing Stock	-	-
Material Consumed	-	-
B. Stock adjustment		
Opening Stock of Finished and WIP		
Less: Closing Stock Of Finished & WIP		-
Change in Value of WIP & Finished goods	-	-
Material Cost	-	-

Store, Spare consumption and other consumptions. Note-17

Particulars	Current Year	Previous Year
Opening Stock		
Packing Materials	544,641	544,641
Chemical Stock	34,949	34,949
Mechanical Stock	3,783,101	3,783,101
Electrical Stock	460,381	460,381
Fuel and Lubricants	60,983	60,983
General Store Stock	563,989	563,989
Add:Purchase	-	-
Less: Closing Stock		
Packing Materials	544,641	544,641
Chemical Stock	34,949	34,949
Mechanical Stock	3,783,101	3,783,101
Electrical Stock	460,381	460,381
Fuel and Lubricants	60,983	60,983
General Store Stock	563,989	563,989
Total	-	-

(Please Refer Point 4.1 of Statement of Accounting Policies and Notes to Financial Statements)

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Direct wages and Other:

Note-18

Particulars	Current Year	Previous Year
Wages Expenses	-	-
Total	-	-

Employee Benefit Expenses:

Note-19

Particulars	Current Year	Previous Year
Salary Expenses	1,740,957	1,591,464
Over Time	33,126	28,673
Dashain Allowance	151,612	132,622
Total	1,925,695	1,752,759

(Please Refer Point 4.14 of Statement of Accounting Policies and Notes to Financial Statements)

Administrative Expenses:

Note-20

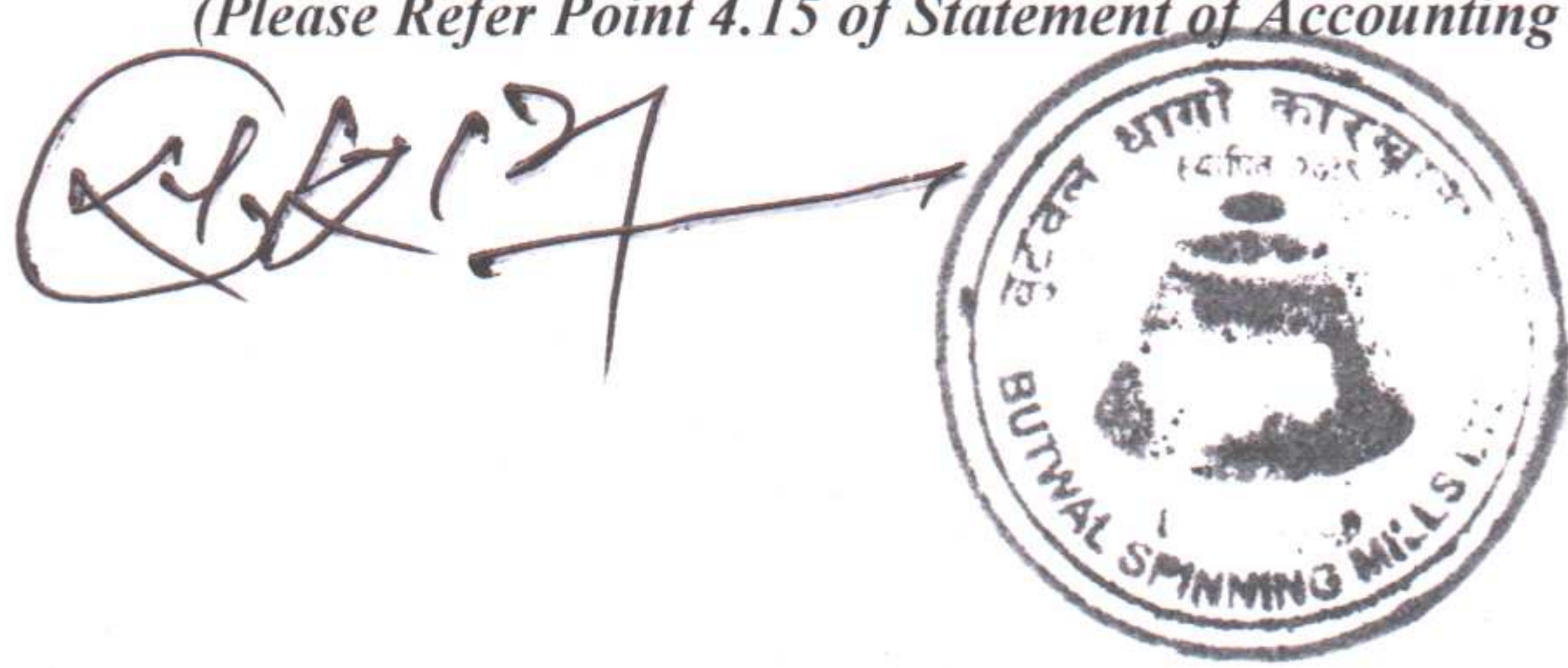
Particulars	Current Year	Previous Year
House Rent	12,474	12,474
Audit Expenses	20,000	20,000
Audit Fee	40,000	40,000
Meeting expenses	12,000	21,000
Entertainment & Public Relation	7,230	12,650
Land Rent	1,197,856	1,197,856
Local Conveyance	1,975	3,725
Meeting Exps mgmt.	16,500	39,000
Misc. Expenses	555	430
Postage and Couriers	1,075	1,125
Printing and Stationery	3,640	9,625
Travelling Expenses	37,720	26,870
Repair and Maintenance Other	1,514	1,551
Legal Expense	500	-
Total	1,353,039	1,386,305

Interest Expenses

Note-21

Particulars	Current Year	Previous Year
Interest on Government of Nepal Loan	30,165,279	30,165,279
Total	30,165,279	30,165,279

(Please Refer Point 4.15 of Statement of Accounting Policies and Notes to Financial Statements)



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Statement of Accounting Policies and Notes to Financial Statement for the Year Ended 31st Ashadh 2080 (16 July 2023)

1. General Information

Butwal Dhago Karkhana was established under a public-private partnership model. The factory had investments from the Government of Nepal and other entities and the public. At the time of establishment, the factory had an authorized capital of Rs 600 million, issued capital of Rs 400 million. It was promoted by Government of Nepal and Government Owned Corporations and some individuals with main objective to produce cotton and polyester yarn and for meeting the needs of domestic market, substitute import of yarn and help increase employment opportunities in the country. The company was incorporated in March 1983 under company act 2021 B.S. The Registered Office address of the company is Ramnagar, Butwal-10, Rupandehi. The company has been registered with Inland Revenue Department with PAN No 300028131.

2. Basis of Preparation of Financial Statements

2.1 Statement of Compliance

The Statement of Financial Position, Statement of Profit and Loss Accounts, Statement of Changes in Equity, Statement of Cash Flows together with the Accounting Policies and Notes to the financial statements as at 31st Ashadh 2080 (16 July 2023) and for the year then ended comply with the Generally Accepted Accounting Principles including applicable accounting standards in Nepal issued by Nepal Accounting Standard Board. The financial statements have been prepared in accordance with the relevant presentational requirement of Companies Act, 2063 B.S.

2.2 Basis of Preparation and Measurement

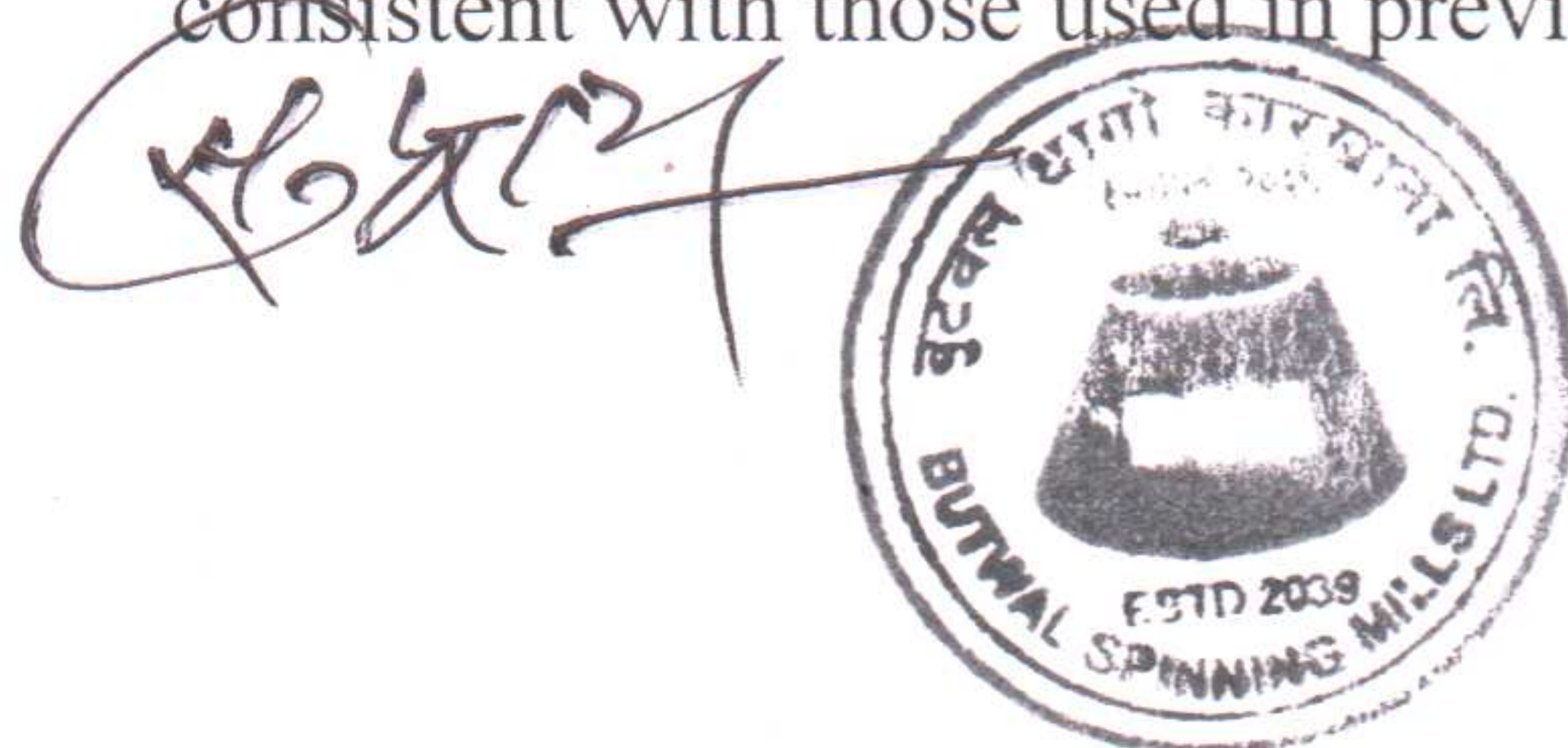
The financial statements have been prepared using the historical cost convention and accrual method of accounting except otherwise specifically disclosed.

2.3 Functional and Presentation Currency

The financial statements are presented in Nepali Rupees (NPR) which is the organization's functional and presentation currency as the company operates within the jurisdiction of Nepal.

2.4 Changes in Accounting Policies and Disclosures

The Accounting policies have been consistently applied, unless otherwise stated, and are consistent with those used in previous years.



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2.5 Material Uncertainty related to Going Concern

The company has been suffering losses for last many years due to which the company has negative net worth amounting to Rs. 1,963,427,448 for fiscal year 2078-79 and Rs. 2,001,257,109 for fiscal year 2079-80. Furthermore, due to various reasons the company has not been in operation since March 2008 A.D. Therefore, there is material uncertainty that company will continue as a going concern.

2.6 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the accounting policies. The management 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.

2.7 Financial Period

Company prepares financial statements in accordance with Nepalese Income Year using Nepalese Calendar. The corresponding dates for Gregorian Calendar are as follows:

Particulars	Nepalese Calendar Period	Gregorian Calendar Period
Previous Year	01 Shrawan 2078 to 32 nd Ashad 2079	16 th July 2021 to 16 th July 2022
Current Year	01 Shrawan 2079 to 31 st Ashad 2080	17 th July 2022 to 16 th July 2023

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3. Summary of significant accounting policies and Notes to Accounts

3.1 Property Plant and Equipment

Property Plant and Equipment has been shown in accordance with historical cost convention. The company capitalizes cost relating to acquisition and installation of Fixed assets. Depreciation has been charged on Straight Line method based on depreciation rate adopted by Company policy.

Name of Assets	Depreciation Rate
Factory Building	1.65
Godown & Boundary Wall	1.65
Road & Culvert	1.65
Plant & Machinery	5.3
Other Equipment's	5.3
Electrical Equipment's	5.3
Computer & Accessories	5.3
Computer & Scanner	5.3
Office Equipment's	5.3
Vehicles	5.3
Furniture & Fixture	3.4

3.2 Inventories

Inventories are measured at lower of cost and net realizable value. Due to inability of bifurcation inventory items into usable and obsolete ones, provisions for loss of stock to the company has not been quantified and recognized.

3.3 Cash and Cash Equivalentents



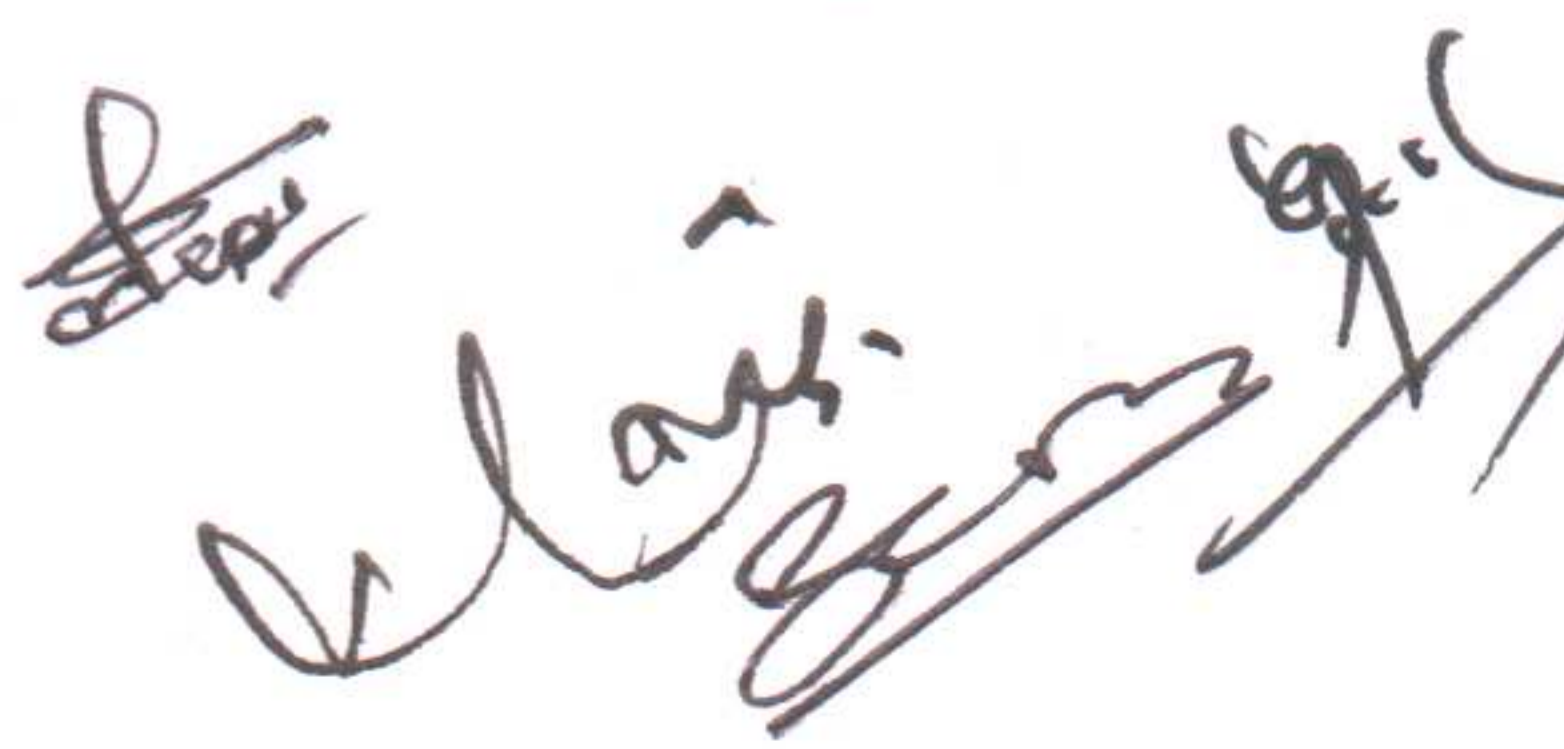
Company considers and classifies cash in hand, amounts due from banks and short-term deposits with an original maturity of six months or less under the category of "Cash and Cash Equivalentents". Thus, even the fixed deposit of Himalayan Bank is treated as Cash and Cash Equivalentents.

3.4 Debtors, Advance and Deposits

Balances in Debtors, advance and deposits are subject to confirmation from respective parties.

3.5 Unsecured Loans

The amount of **USD 475,035** and **USD 464,767** was obtained from China Machinery Corporation (CMC) and China Machinery Import and Export Corporation (CMEC) respectively in the deferred credit term against the purchase of plant and machinery. Interest amount relating to those payments has not been provisioned since Fiscal Year 2051-52 due to dispute in payment. **The court case of the said dispute is pending at Kathmandu District Court.**

3.6 Foreign Exchange Translation Loss/Gain

The company has recognized loss amounting to **NPR 177,506,049 (Previous Year accumulated Loss of NPR 174,066,373.69)** in the foreign exchange translation relating to deferred credit of China Machinery Corporation (CMC) and China National Machinery Import and Export Corporation (CMEC).

3.7 Secured Loan

Government of Nepal has provided soft loan to the company. The detail of Loan provided to the company till date are:

Particulars	Date	Principal Amt.
1st trench	2060.03.30	330,084,000
2nd trench	2060.05.22	163,800,000
3rd trench	2061.07.19	8,100,000
4th trench	2062.03.02	20,879,640
5th trench	2065.06.19	10,400,242
6th trench	2066.09.27	472,245,429
Total		1,005,509,311

Amount payable to Government of Nepal against Loan which includes matured principal and interest amount has been grouped under Current Liabilities. Similarly Principal amount of Government of Nepal Loan which is not yet due as per the terms of soft loan amounting to NPR 54,489,857.19 has grouped under Secured Loans.

3.8 Current Liabilities & Provision

Balances in sundry creditors and other payables are subject to confirmation from respective parties. Interest due and principal repayment due of Government loan from 1st Trench to 6th Trench has been classified as current liabilities. Interest due on CMC and CMEC has also been classified as current liabilities by the company.

3.9 Revenue Recognition

Revenue has been recognized as accrual basis.

3.10 Provision for Taxation

Provision for current tax is recognized as per applicable provisions of Income Tax Act, 2058 & Rules, 2059 along with amendments that are applicable in particular income year. Since the company has loss during the reporting period no provision for Income tax has been made.

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3.11 Rearrangement and Reclassification

The figures for previous year are rearranged, reclassified and restated wherever necessary for facilitating comparison.

3.12 Rounding Off

Figures stated in Financial Statements have been rounded off to a nearest rupee.

4. Other Explanatory Notes

4.1 Due to inability of bifurcation inventory items into usable and obsolete ones, provisions for loss of stock to the company has not been quantified and recognized.

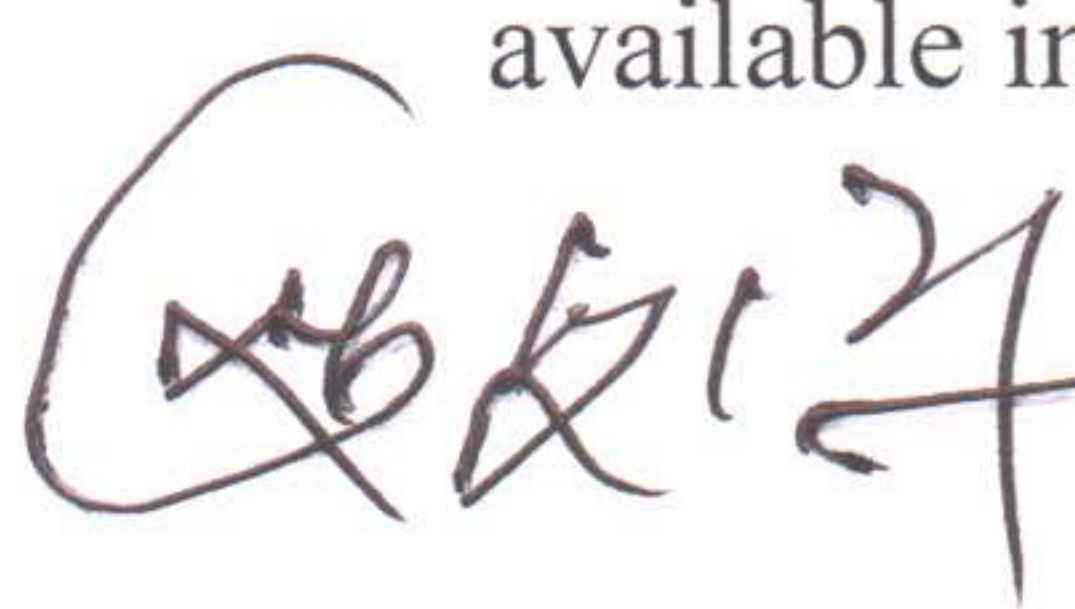

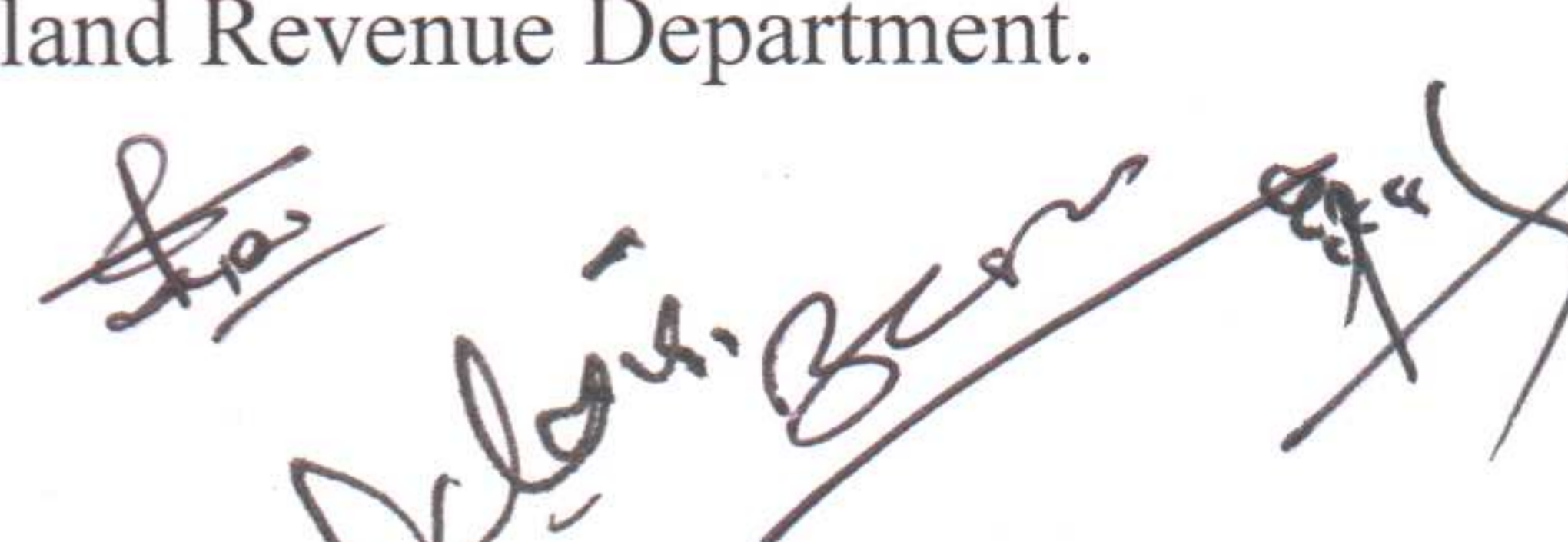

4.2 Cash and Cash Equivalent includes Fixed Deposit amounting to Rs.2000,000 done at Himalayan Bank Ltd via FD number MM2312801989 whose maturity period is 8th November 2023 which is more than 3 months from the close of Fiscal year but company has decided to show it as Cash and Cash Equivalent.

Similarly, Balance Confirmation from Rastriya Banijya Bank, Kathmandu is not available with the management and thus the balance has been taken as same of previous year as the account is inoperative as per management. The available balance certificate is dated 17th Poush 2077 which states the available balance at NPR 297,661.93 and also states that last transaction date of the said account is 30th June 2005 A.D

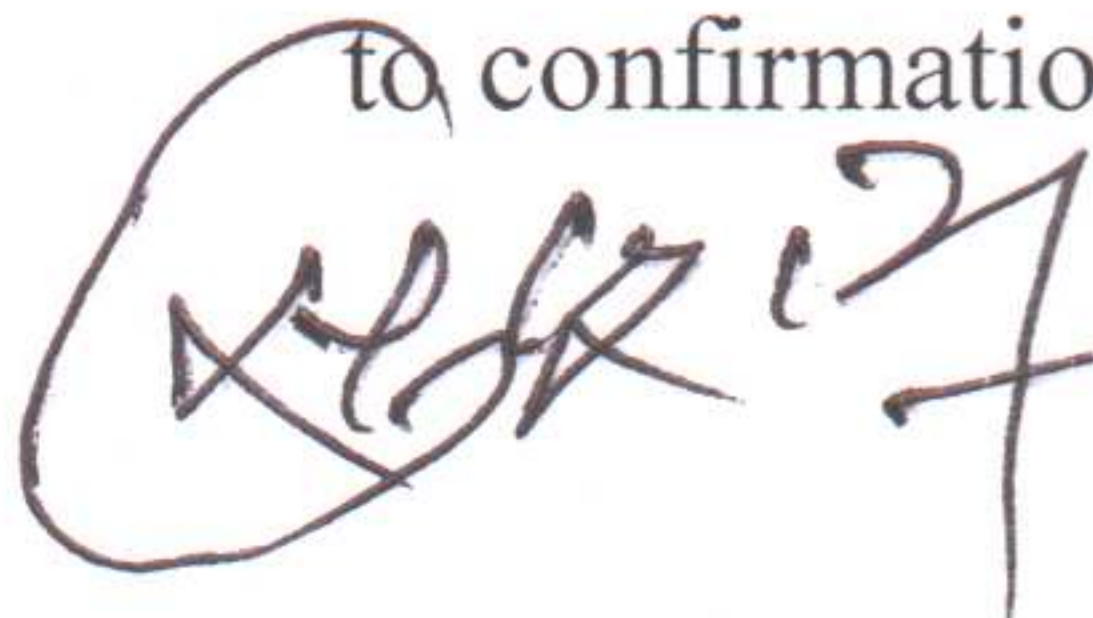
Similarly, the balance certificate issued by Everest Bank Ltd Butwal branch for Fiscal Year includes Call account, current account and Saving Account and Total Balance is shown as 389,533.52 but as per management the saving account number 00400401002806 is not operated by the company but rather by staff union and thus the balance of that saving account is not considered in our financials.

4.3 The balance of Sundry Debtors is subject to confirmation from the respective parties. Similarly, the basis for provision for Doubtful debt is also not available with the management. Management has decided to shown debit balance of creditors as advance to suppliers. Similarly management does not have basis for calculation of provision for doubtful amount for accumulated advance and advance to employees.

4.4 Deposits as shown in note 8 of Financial Statements are subject to confirmation from respective parties. The figure of Sales Tax/ VAT deposit of Rs. 978,483.49 does not reconciles with VAT return nor with credit available in site as shown by Inland Revenue Department.

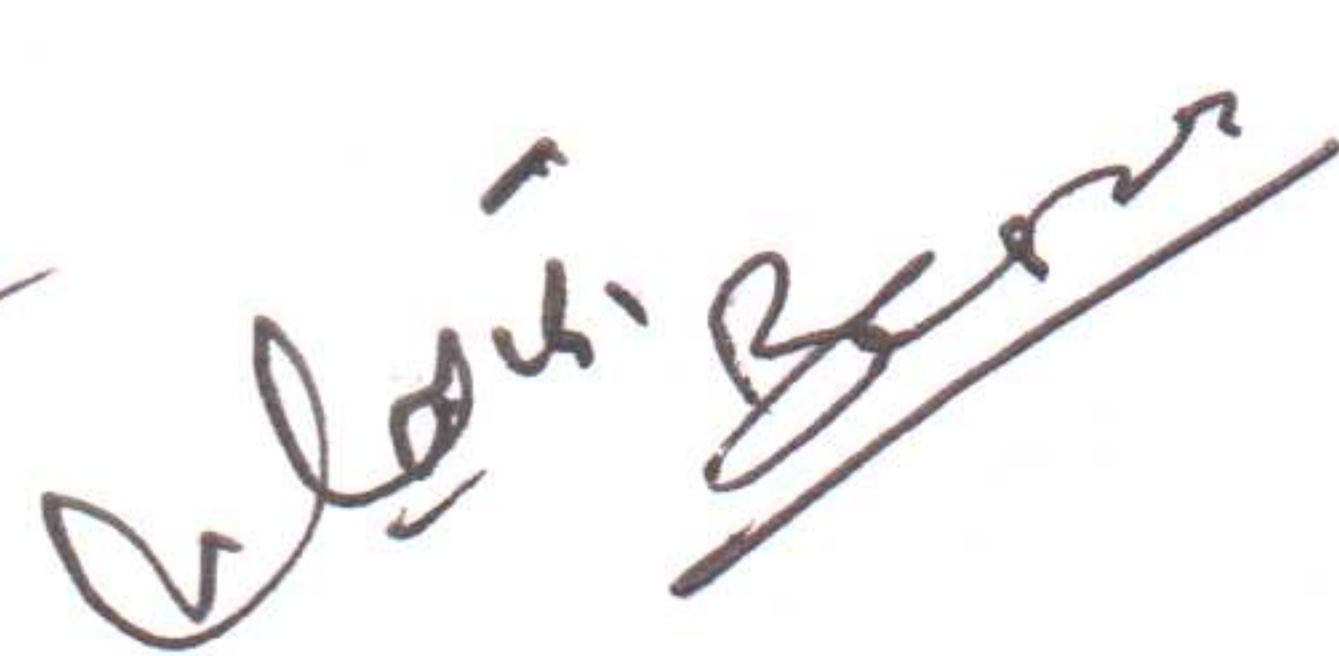
   

- 4.5 The management does not have details about Prepaid Insurance amounting to Rs. 578,105, Claim Receivable (Yarn sales) amounting to Rs. 242,865.79.
- 4.6 Accrued Interest Receivables amounting to Rs. 26,050 is the amount of Interest receivables from Himalayan Bank on the Fixed Deposit made there. Bank has deducted withholding taxes and done E-TDS of same for Fiscal year 2079-80 but the interest for the same has been credited to respective account only on 17th July 2023 and thus management has decided to record the accrued interest in the Fiscal Year 2079-80 following accrual system of accounting.
- 4.7 The management of the company does not have details of Paid-up Capital and Advance against Share Capital pending Adjustments and thus the same has been carried forward from the previous year as it is.
- 4.8 The company has recognized loss amounting to **NPR 177,506,049 (Previous Year accumulated Loss of NPR 174,066,373.69)** in the foreign exchange translation relating to deferred credit of China Machinery Corporation (CMC) and China National Machinery Import and Export Corporation (CMEC) directly in Foreign Exchange Gain/(Loss) of the reserve and surplus.
- 4.9 Government of Nepal has provided soft loan to the company. Amount payable to Government of Nepal against Loan which includes matured principal and interest amount has been grouped under Current Liabilities. Similarly Principal amount of Government of Nepal Loan which is not yet due as per the terms of soft loan amounting to NPR 54,489,857.19 has grouped under Secured Loans.
- 4.10 The amount of **USD 475,035** and **USD 464,767** was obtained from China Machinery Corporation (CMC) and China Machinery Import and Export Corporation (CMEC) respectively in the deferred credit term against the purchase of plant and machinery. Interest amount relating to those payments has not been provisioned since Fiscal Year 2051-52 due to dispute in payment. The court case of the said dispute is pending at Kathmandu District Court. In case of court decision being against the company, the company may have to pay the interest along with fines and penalties but the provision for the same has not been made by the company.
- 4.11 The balance of Sundry Creditors is subject to confirmation from the respective parties. Similarly, the management has decided to shown parties with credit balance under debtors account as sundry creditors. Management of the company has details of deposits as shown in note 13 of Current Liabilities & Provision amounting to Rs. 1,367,990.04 but the confirmation from the respective parties is not available.
- 4.12 Management does not have details of Commitment Charges amounting to Rs. 371,965, Other Payable amounting to Rs. 1,566,382.55. Similarly amount shown payable to I.V. Travells Pvt. Ltd amounting to Rs. 7,998,000 is subject to confirmation from the respective party.











- 4.13 Management does not have details of Provision for Life Insurance amounting to Rs. 200,000.
- 4.14 Salary of the employee working in the company has been increased due to the decision of the government of Nepal and thus employee benefit expenses include Rs.251,186 which has not been paid in the year 2079-80 but the provision for the same has been made and salary payable has been booked for the same. The decision of Ministry of Finance regarding this has been received by the company on 2080/05/24 and thus same has been adjusted in the employee benefits expenses of the fiscal year 2079-80.
- 4.15 Interest on Government of Nepal Loan amounting to Rs. 30,165,279.33 has been calculated by the management from the date the loan has been provided on the rate of interest as mentioned in loan deed and the details of the same is as under:

S.N.	Particulars	Date	Principal Amt.	Interest Rate %	Interest(Rs.)
1	1st trench	2060.03.30	330,084,000.00	3	9,902,520.00
2	2nd trench	2060.05.22	163,800,000.00	3	4,914,000.00
3	3rd trench	2061.07.19	8,100,000.00	3	243,000.00
4	4th trench	2062.03.02	20,879,640.00	3	626,389.20
5	5th trench	2065.06.19	10,400,242.00	3	312,007.26
6	6th trench	2066.09.27	472,245,429.00	3	14,167,362.87
	Total		1,005,509,311.00		30,165,279.33

- 4.16 Agreement with Salt Trading Corporation Limited (STCL): Account settlement/reconciliation has not been done with Salt Trading Corporation Limited (STCL), according to the contractual agreement between Butwal Dhago Karkhana Limited and Salt Trading Corporation Limited for the period when the Management of the Company had been taken over by Salt Trading Corporation Limited (STCL).