

**Report on Limited Review of Financial Information
To the Board of Directors,
CARE Ratings Nepal Limited**

Introduction


We have reviewed the accompanying Balance Sheet of CARE Ratings Nepal Limited ('the Company) as at March 31, 2018 and the related Statements of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this financial information in accordance with Accounting Standards issued by Institute of Chartered Accountants of India as per Companies (Accounting Standards) Rules, 2014 (as amended). Our responsibility is to express a conclusion on this financial information based on our review.

Scope of Review

We conducted our review in accordance with Nepal Standard on Review Engagements 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with Accounting Standards issued by Institute of chartered Accountants of India as per Companies (Accounting Standards) Rules, 2014 (as amended).


CA Manish Amatya
Partner
For: N. Amatya & Co.
Chartered Accountants



Date: May 07, 2018

CARE Ratings Nepal Limited

Balance Sheet


As at March 31, 2018

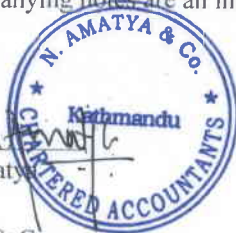
Particulars	Note	Amount in NPR
		As at March 31, 2018
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	2	50,000,000
Reserves and surplus	3	(3,397,232)
Non Current Liabilities		
Deferred Tax Liabilities (Net)		-
Long Term Provisions		-
Current Liabilities		
Trade Payables		-
Other Current Liabilities	4	4,992,631
Short Term Provisions		-
Total		51,595,399
ASSETS		
Non Current Assets		
Fixed Assets	5	
Tangible assets		316,626
Long Term Loans and Advances		-
Other Non Current Assets		-
Current assets		
Current Investments		-
Trade Receivables		-
Cash and Bank Balances	6	49,982,960
Short Term Loans and Advances		-
Other Current Assets	7	1,295,813
Total		51,595,399


Significant Accounting Policies

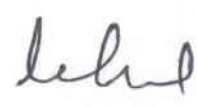
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The accompanying notes are an integral part of the financial statements.



Manish Amatya
Partner
N. Amatya & Co.
Chartered Accountants




S. B. Mainak
Chairman


Mehul Pandya
Director


Rajesh Mokashi
Director


Dr. Binod Atreya
Director

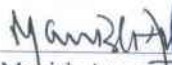


Place: Kathmandu
Date: May 7, 2018


CARE Ratings Nepal Limited
Statement of Profit and Loss
For the year ended March 31, 2018


Particulars	Note	<i>Amount in NPR</i>
		For the year ended March 31, 2018
Income		
Revenue from operations	8	1,850,000
Other income	9	2,302,443
Total		4,152,443
Expenses		
Employee Benefits Expenses	10	3,892,398
Depreciation and amortisation	5	59,140
Other expenses	11	3,598,137
Total		7,549,675
Profit before tax		(3,397,232)
Tax expense:		
Current tax		-
Deferred tax		-
Total tax expense		-
Profit for the year		(3,397,232)
Earnings per equity share:		
Basic		(6.79)
Diluted		(6.79)

Significant Accounting Policies 1
The accompanying notes are an integral part of the financial statements.


Manish Amatya
Partner
N. Amatya & Co.
Chartered Accountants




S. B. Mainak
Chairman


Rajesh Mokashi
Director


Mehul Pandya
Director




Dr. Binod Atreya
Director

Place: Kathmandu
Date: May 7, 2018

CARE Ratings Nepal Limited

Cash Flow Statement

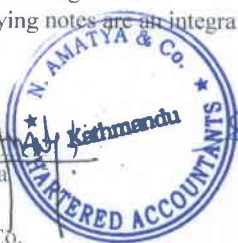
For the year ended March 31, 2018

Particulars	Amount in NPR	
	For the year ended March 31, 2018	
A. Cash flow from Operating Activities		
Profit / (Loss) before tax		(3,397,232)
Adjustments for:		
Depreciation and amortisation		59,140
Interest income on fixed deposits		(2,302,443)
Operating profit before working capital changes		(5,640,535)
Movement in working capital:		
Decrease/ (Increase) in Trade Receivables		-
(Increase) / decrease in Loans and Advances		-
(Increase)/ decrease in Other Current Assets		(2,991)
Increase in Trade Payables		-
Increase in Other Liabilities		4,992,631
Increase in Long Term and Short Term Provisions		-
		(650,895)
Taxes paid		(210,816)
Net Cash from Operating Activities	(A)	(861,711)
B. Cash flow from Investing Activities:		
Purchase of Fixed Assets		(375,766)
Investment in Fixed Deposits		(40,000,000)
Interest Received		1,220,437
Net Cash from Investing Activities	(B)	(39,155,329)
C. Cash Flow from Financing Activities:		
Proceeds from share Capital		50,000,000
Net Cash from Financing Activities	(C)	50,000,000
Net increase / (decrease) in cash and cash equivalent	(A+B+C)	9,982,960
cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year		9,982,960
Cash and cash equivalents comprises of: (Refer Note 6)		
Cash on hand		14,277
Balances with Bank		
Call Account		9,968,683
Total		9,982,960

Significant Accounting Policies

The accompanying notes are an integral part of the financial statements.

Mamkhya
Mahish Amatya
Partner
N. Amatya & Co.
Chartered Accountants



S. B. Mainak
Chairman

Mehul Pandya



Rajesh Mokashi
Director

Dr. Binod Atreya

Place: Kathmandu

Date: May 7, 2018

CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2018

Amount in NPR

As at
March 31, 2018

NOTE 2 - SHARE CAPITAL

Authorised

500,000 nos. of Equity Shares of NRs. 100 each 50,000,000

Issued, subscribed and fully paid up

500,000 nos. of Equity Shares of NRs. 100 each 50,000,000

Total

50,000,000

a. Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2018
At the beginning of the year	-
Issued during the year	500,000
Outstanding at the end of the year	<u>500,000</u>

b. Terms / rights attached to equity shares

The company has only one class of equity shares having a par value of NRs. 100/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Nepalese Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders at the ensuing Annual General Meeting.

c. Detail of shareholders holding more than 5% shares in the Company

	As at March 31, 2018	
	Number	% of total Shares
CARE Ratings Limited, India	255,000	51.00
Bishal Group Limited	50,000	10.00
Emerging Nepal Limited	50,000	10.00
Shree Arpit Agrawal	45,000	9.00

d. Shares held by Holding Company

	As at March 31, 2018	
	Number	% of total Shares
CARE Ratings Limited, India	255,000	51.00

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S. D. Maini



CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2018

Amount in NPR

As at
March 31, 2018

NOTE 3 - RESERVE AND SURPLUS
Surplus in Statement of Profit and Loss

Opening Balance

Profit / (Loss) for the year

(3,397,232)

Total

(3,397,232)



S. B. Maini




CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2018

Amount in NPR

As at
March 31, 2018

NOTE 4 - OTHER CURRENT LIABILITIES

Advance received from customers	2,642,550
Due to related parties	1,694,380
Sundry Creditors for Expenses	91,113
Meeting Fee Payable	158,950
Payable to SEBON	55,500
Withholding Tax Payable	92,120
Other liabilities	258,018

Total

4,992,631



S. B. Mainali



ARE Ratings Nepal Limited
FINANCIAL STATEMENTS
 For the year ended on March 31, 2018

NOTE 5 - FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET CARRYING VALUE	
	As at April 1, 2017	Additions	Disposals/ Adjustments	As at March 31, 2018	For the year	Disposals/ Adjustments	As at March 31, 2018	As at March 31, 2017
Intangible Assets	-	-	-	-	-	-	-	-
Computers	-	289,660	-	289,660	42,995	-	246,665	-
Furniture and Fixtures	-	86,106	-	86,106	16,145	-	69,961	-
Total	-	375,766	-	375,766	59,140	-	316,626	-



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 B. Maina



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CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2018

Amount in NPR

As at
March 31, 2018

NOTE 6 - CASH AND BANK BALANCES

Cash on hand	14,277
Balances with Bank	
Call Account	9,968,683
Fixed Deposit (maturing within 12 months)	40,000,000
Total	49,982,960

NOTE 7 - OTHER CURRENT ASSETS

Interest accrued but not due on fixed deposits	1,082,006
Deposits	2,250
Prepaid Expenses	558
Advance Income Tax	210,816
Other Receivables	183
Total	1,295,813



S. B. Maini



CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2018

Amount in NPR
For the year ended
March 31, 2018

NOTE 8 - REVENUE FROM OPERATIONS

Sale of Services	
Rating Income	1,850,000
Total	<u>1,850,000</u>

NOTE 9 - OTHER INCOME

Interest income on Call Deposits	1,042,854
Interest income on Fixed Deposits	1,259,589
Total	<u>2,302,443</u>

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L. B. Maina



CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2018

Amount in NPR
For the year ended
March 31, 2018

NOTE 10 - EMPLOYEE BENEFIT EXPENSES

Salaries and Other Allowances	3,783,036
Contribution to Provident fund	109,362
Total	3,892,398

NOTE 11 - OTHER EXPENSES

Postage, Printing and Telephone Charges	63,208
Office Expenses	57,005
Rent	270,000
Travelling and Conveyance Expenses	31,594
Directors' Sitting Fees	292,000
Legal and Professional Fees	158,328
Business Development Expenses	620,519
Rates and Taxes	206,950
Advertisement	26,303
Security, Housekeeping and Office Supplies	22,895
Audit Fees (including Limited Review Fees)	92,500
Technical Assistance Fees	1,600,000
Royalty Expenses	92,500
Services Charges to SEBON	55,500
Miscellaneous Expenses	8,835
Total	3,598,137

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CARE RATINGS NEPAL LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended on March 31, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

1. Background

CARE Ratings Nepal Limited (the Company) is a subsidiary of CARE Ratings Limited, India (Formerly known as Credit Analysis and Research Limited). The Company was incorporated on under Companies Act, 2063. The registered office of the company is located at Kathmandu - 1, Seto Durbar Jamal. Its primary objective is to carry out credit rating and related services within the territory of Nepal under license from Securities Board of Nepal (SEBON).

The Company is supported by CARE Ratings Limited, India through a technical assistance agreement.

2. Significant Accounting Policies:

a. Basis of preparation and presentation of financial statements

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standard notified under section 133 of the Companies Act, 2013 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs to the extent applicable. The accounting policies have been consistently followed by the Company.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle, and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as up to twelve months for the purpose of current/non-current classification of assets and liabilities.

b. Use of estimates:

The financial statements are prepared in accordance with Indian GAAP in India which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period. Management believes that the estimates made in the preparation of the financial statements are prudent and reasonable. Actual results may differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c. Revenue Recognition:

Rating/grading services fees and surveillance fees are recognized at the time of issuing Tax Invoice after assigning the rating/grading by the Rating/ Grading Committee of the Company.

Dividends on investments are recognized as income as and when the right to receive the same is established. Interest earnings on fixed deposits and call deposits are recognized on accrual basis.

Fixed assets and depreciation

Tangible fixed assets



Fixed assets are stated at cost of acquisition less accumulated depreciation and impairments if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Depreciation on fixed assets is provided diminishing balance method estimated useful lives of the assets as follows:

Assets Category	Depreciation Rate
Computers	25%
Furnitures & Fixtures	25%

d. Leases

Lease rentals under an operating lease, are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term.

e. Foreign Currency Transactions:

Foreign currency transactions are recorded, on initial recognition in the reporting currency, at the prevailing rates as at the date of such transactions.

Foreign currency monetary items are reported using the closing rates. Non-monetary items which are carried in terms of historical costs denominated in a foreign currency are reported using the exchange rate at the date of transaction.

Exchange differences, arising on settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.

f. Employee benefits

Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, allowances etc. are recognised in the Statement of Profit and Loss in the period in which the employee renders the related service and measured accordingly.

Contribution to the Provident Fund is made at the prescribed rates to the Provident Fund. Contribution to Provident Fund is charged to Statement of Profit and Loss.

g. Income Tax

Provision for current tax is provided in accordance with the provisions of the Income Tax Act, 2002 of Nepal.

The Deferred tax is accounted in accordance with the Accounting Standard issued by The Institute of Chartered Accountants of India. The Deferred tax for the year on timing differences are accounted at tax rates that have been enacted by the Balance Sheet date.

Deferred tax assets arising from the timing difference are recognized to the extent that there is reasonable certainty that sufficient future taxable income will be available.



In case of unabsorbed losses and unabsorbed depreciation, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profit. At each balance sheet date, the Company re-assesses unrecognized deferred tax assets.

h. Earnings per share

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting year.

Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average of equity and dilutive equity equivalent shares outstanding during the reporting year.

i. Provisions and contingent liabilities

The Company creates a provision where there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

j. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash on hand and fixed deposits at bank with an original maturity of three months or less.

k. Related Party Disclosures

Nature of relationship and name of the related parties:

a. Holding Company

CARE Ratings Ltd.
(Formerly known as Credit Analysis and Research Ltd.)

b. Key Management Personnel

Mr. S.B. Mainak	Chairman
Mr. Rajesh Mokashi	Director
Mr. Mehul Pandya	Director
Dr. Binod Atreya	Director

Disclosure of transactions between the Company and related parties and the status of outstanding balances as on March 31, 2018

Particulars	Holding Company	Key Management Personnel
Payment to Key Management Personnel	-	2,92,000
Technical Assistance Fees Payable	16,00,000	-
Royalty Payable	92,500	-

