

N. Amatya & Co.

Chartered Accountants

**Auditor's Report to the Board of Directors of CARE Ratings Nepal Ltd.
on the Financial Statements of CARE Ratings Nepal Ltd. for the year
Ended on March 31, 2019**

We have examined the attached Balance Sheet of CARE Ratings Nepal. Ltd. as at March 31, 2019 and Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

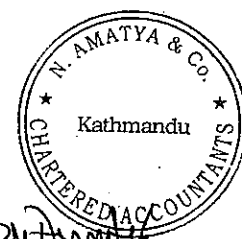
We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also included assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

On the basis of the information and explanation given to us, the enclosed Financial Statements read with the Notes to Account attached thereto give, in our opinion, true and fair view of:

- a) in case of Balance Sheet, the state of affairs of CARE Ratings Nepal Ltd. as at March 31, 2019;
- b) in case of Profit & Loss Account, the profit of CARE Ratings Nepal Ltd. for the year ended on that date and

- c) in case of Cash Flow Statement, the cash flow of CARE Ratings Nepal Ltd. for the year ended on that date.

This report is intended solely for the purpose of consolidation of the account in the consolidated financial statements of CARE Ratings Limited and should not be used for any other purpose.



Manish Amatya
Manish Amatya
Partner

For: N. Amatya & Co.
Chartered Accountants

Date: May 3, 2019

Place: Kathmandu

CARE Ratings Nepal Limited

Balance Sheet

As at March 31, 2019

Particulars	Note	Amount in Nrs.	
		As at March 31, 2019	As at March 31, 2018
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	50,000,000	50,000,000
Reserves and surplus	3	7,916,291	(3,397,231)
Non Current Liabilities			
Deferred Tax Liabilities (Net)		1,346.00	-
Long Term Provisions		-	-
Current Liabilities			
Trade Payables		-	-
Other Current Liabilities	4	29,621,943	4,992,630
Short Term Provisions		-	-
Total		87,539,581	51,595,398
ASSETS			
Non Current Assets			
Fixed Assets	5		
Tangible assets		353,611	316,626
Long Term Loans and Advances		-	-
Other Non Current Assets		-	-
Current assets			
Current Investments		-	-
Trade Receivables		-	-
Cash and Bank Balances	6	84,377,501	49,982,960
Short Term Loans and Advances		-	-
Other Current Assets	7	2,808,469	1,295,812
Total		87,539,581	51,595,398

Significant Accounting Policies

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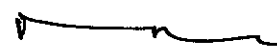
The accompanying notes are an integral part of the financial statements.



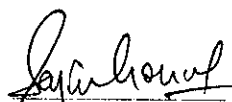
Mr. S.B. Mainak
Chairman



Mr. Mehul Pandya
Director



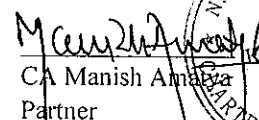
Mr. Rajesh Mokashi
Director



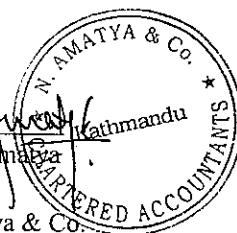
Mr. Sajan Goyal
CEO



Dr. Binod Atreya
Director



CA Manish Amatya
Partner
Fdr: N. Amatya & Co.
Chartered Accountant
Date: 03/05/2019



CARE Ratings Nepal Limited

Statement of Profit and Loss

For the year ended March 31, 2019

Particulars	Note	Amount in Nrs.	
		For the year ended March 31, 2019	For the year ended March 31, 2018
Income			
Revenue from operations	8	24,567,050	1,850,000
Other income	9	6,293,391	2,302,444
Total		30,860,441	4,152,444
Expenses			
Employee Benefits Expenses	10	10,194,461	3,892,398
Depreciation and amortisation	5	87,672	59,140
Other expenses	11	4,932,595	3,598,137
Total		15,214,728	7,549,675
Profit before bonus and tax		15,645,713	(3,397,231)
Provision for Staff Bonus		1,564,571	-
Profit before tax		14,081,142	(3,397,231)
Tax expense:			
Current tax		2,766,273	-
Deferred tax		1,346	-
Total tax expense		2,767,619	-
Profit for the year		11,313,523	(3,397,231)
Earnings per equity share:			
Basic		22.63	(6.79)
Diluted		22.63	(6.79)

Significant Accounting Policies

1

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

S. B. Mainak

Mr. S.B Mainak
Chairman

Mehul Pandya

Mr. Mehul Pandya
Director

Rajesh Mokashi

Mr. Rajesh Mokashi
Director

Sajan Goyal

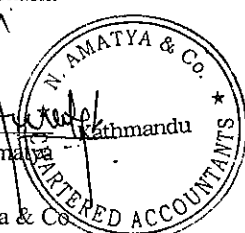
Mr. Sajan Goyal
CEO

Binod Atreya

Dr. Binod Atreya
Director

Manish Amatya

CA Manish Amatya
Partner
For: N. Amatya & Co
Chartered Accountants
Date: 03/05/2019



CARE Ratings Nepal Limited

Cash Flow Statement

For the year ended March 31, 2019

Particulars	Amount in Nrs.	
	For the year ended March 31, 2019	For the year ended March 31, 2018
A. Cash flow from Operating Activities		
Profit / (Loss) before tax	14,081,142	(3,397,231)
Adjustments for:		
Depreciation and amortisation	87,672	59,140
Interest income on fixed deposits	(6,293,391)	(2,302,444)
Operating profit before working capital changes	7,875,423	(5,640,535)
Movement in working capital:		
Decrease/ (Increase) in Trade Receivables	-	-
(Increase) / decrease in Loans and Advances	-	-
(Increase)/ decrease in Other Current Assets	741	(2,991)
Increase in Trade Payables	-	-
Increase in Other Liabilities	22,177,990	4,992,630
Increase in Long Term and Short Term Provisions	-	-
	30,054,154	(650,896)
Taxes paid	(1,809,696)	(210,816)
Net Cash from Operating Activities	(A) 28,244,458	(861,711)
B. Cash flow from Investing Activities:		
Purchase of Fixed Assets	(124,657)	(375,766)
Investment in Fixed Deposits	(40,000,000)	(40,000,000)
Interest Received	6,274,740	1,220,438
Net Cash from Investing Activities	(B) (33,849,915)	(39,155,328)
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 equivalents	(A+B+C) (5,605,458)	9,982,961
Cash and cash equivalents at the beginning of the year	9,982,960	-
Cash and cash equivalents at the end of the year	4,377,501	9,982,960
Cash and cash equivalents comprises of: (Refer Note 6)		
Cash on hand	2,959	14,277
Balances with Bank		
Call Account	4,374,542	9,968,683
Total	4,377,501	9,982,960

Significant Accounting Policies

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

S.B. Mainak

Mr. S.B Mainak
Chairman

Sajan Goyal

Mr. Sajan Goyal
CEO

Mehul Pandya

Mr. Mehul Pandya
Director

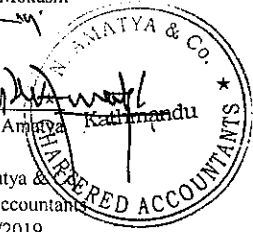
Binod Atreya

Dr. Binod Atreya
Director

Mr. Rajesh Mokashi
Director

Manish Amatya

CA Manish Amatya
Partner
For: N. Amatya &
Chartered Accountants
Date: 03/05/2019



CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2019

Amount in Nrs.

	As at March 31, 2019	As at March 31, 2018
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NOTE 2 - SHARE CAPITAL

Authorised

500,000 nos. of Equity Shares of NRs. 100 each	50,000,000	50,000,000
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Issued, subscribed and fully paid up

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

	50,000,000	50,000,000
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a. Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2019	As at March 31, 2018
At the beginning of the year	500,000	-
Issued during the year	-	500,000
Outstanding at the end of the year	500,000	500,000

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.

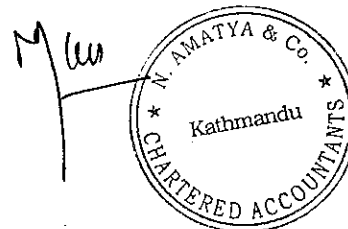
c. Detail of shareholders holding more than 5% shares in the Company

	As at March 31, 2019	
	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, 2019	
	Number	% of total Shares
CARE Ratings Limited, India	255,000	51.00

Signature of Jyoti Bhandari



CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
 For the year ended on March 31, 2019

Amount in Nrs.

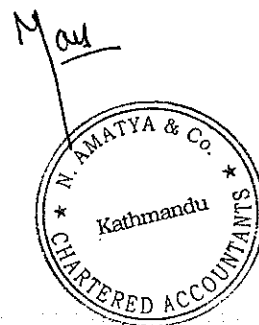
	As at March 31, 2019	As at March 31, 2018
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NOTE 3 - RESERVE AND SURPLUS

Surplus in Statement of Profit and Loss

Opening Balance	(3,397,231)	-
Profit / (Loss) for the year	11,313,523	(3,397,231)
Total	7,916,291	(3,397,231)





CARE Ratings Nepal Limited

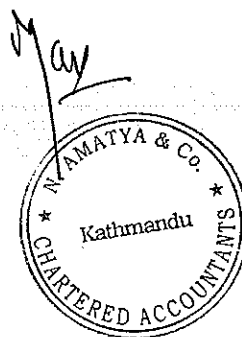
NOTES TO FINANCIAL STATEMENTS

For the year ended on March 31, 2019

Amount in Nrs.

	As at March 31, 2019	As at March 31, 2018
NOTE 4 - OTHER CURRENT LIABILITIES		
Advance received from customers	20,802,480.00	2,642,550
Due to related parties	2,853,922.00	1,694,380
Sundry Creditors for Expenses	79,856.00	91,113
Meeting Fee Payable	258,400.00	158,950
Payable to SEBON	517,268.00	55,500
VAT Payable	263,096.00	-
Withholding Tax Payable	117,537.00	92,120
Other liabilities	317,788.00	258,018
Income Tax Provision	2,451,323.00	-
Provision for Employee Benefits	1,960,273.00	-
Total	29,621,943.00	4,992,630

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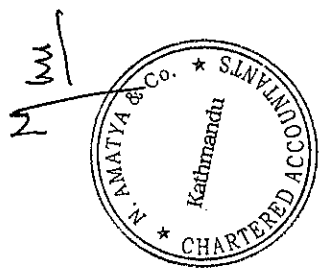


CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
 For the year ended on March 31, 2019

NOTE 5 - FIXED ASSETS

Particulars	GROSS BLOCK						DEPRECIATION			NET CARRYING VALUE	
	As at April 1, 2018	Additions	Disposals/ Adjustments	As at March 31, 2019	As at April 1, 2018	For the year	Disposals/ Adjustments	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018	
Tangible Assets											
Computers	289,660	113,257	-	402,917	42,995	69,525	-	112,520	290,397	246,665	
Furniture, Fixtures and Office Equipments	86,106	11,400	-	97,506	16,145	18,147	-	34,292	63,214	69,961	
Total	375,766	124,657	-	500,423	59,140	87,672	-	146,812	353,611	316,626	

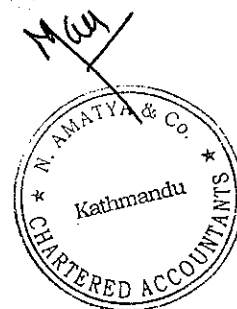
Sajjan
Chakraborty



CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2019

	Amount in Nrs.	
	As at March 31, 2019	As at March 31, 2018
NOTE 6 - CASH AND BANK BALANCES		
Cash on hand	2,959	14,277
Balances with Bank		
Call Account	4,374,542	9,968,683
Fixed Deposit (maturing within 12 months)	80,000,000	40,000,000
Total	84,377,501	49,982,960
NOTE 7 - OTHER CURRENT ASSETS		
Interest accrued but not due on fixed deposits	1,100,657	1,082,006
Deposits	2,250	2,250
Prepaid Expenses	-	558
Advance Income Tax	1,705,562	210,816
Other Receivables	-	183
Total	2,808,469	1,295,812



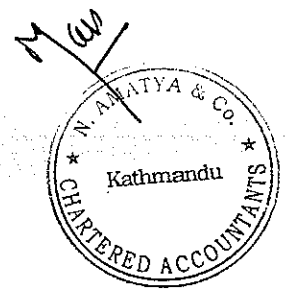


CARE Ratings Nepal Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2019

	Amount in Nrs.	
	For the year ended March 31, 2019	For the year ended March 31, 2018
NOTE 8 - REVENUE FROM OPERATIONS		
Sale of Services		
Rating Income	24,567,050	1,850,000
Total	24,567,050	1,850,000
NOTE 9 - OTHER INCOME		
Interest income on Call Deposits	488,885	1,042,854
Interest income on Fixed Deposits	5,804,506	1,259,589
Total	6,293,391	2,302,444





CARE Ratings Nepal Limited

NOTES TO FINANCIAL STATEMENTS

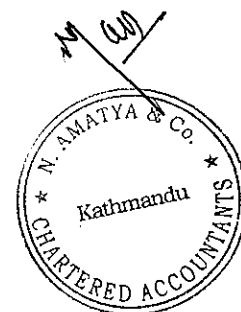
For the year ended on March 31, 2019

	Amount in Nrs.	
	For the year ended March 31, 2019	For the year ended March 31, 2018
NOTE 10 - EMPLOYEE BENEFIT EXPENSES		
Salaries and Other Allowances	9,747,073.00	3,783,035.90
Contribution to Provident fund	447,388.00	109,362.00
Total	10,194,461.00	3,892,397.90

NOTE 11 - OTHER EXPENSES

Postage, Printing and Telephone Charges	215,997	63,208
Office Expenses	238,702	57,005
Rent	360,000	270,000
Travelling and Conveyance Expenses	166,472	31,594
Directors' Sitting Fees	147,000	292,000
Legal and Professional Fees	45,199	158,328
Business Development Expenses	10,856	620,519
Rates and Taxes	196,950	206,950
Advertisement	74,767	26,303
Security, Housekeeping and Office Supplies	29,723	22,895
Audit Fees (including Limited Review Fees)	132,500	92,500
Technical Assistance Fees	-	1,600,000
Royalty Expenses	1,228,353	92,500
Services Charges to SEBON	737,012	55,500
Miscellaneous Expenses	7,010	8,835
AGM Expenses	582,953	-
Repair and Maintenance-Laptop	3,350	-
Vehicle Hire Charges	714,783	-
Training Fee	40,969	-
Total	4,932,595	3,598,137

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CARE RATINGS NEPAL LIMITED
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

1. Background

CARE Ratings Nepal Limited is a public company incorporated under Companies Act 2063 dated 20th Baisakh 2074 B.S. (3rd May 2017) vide registration no. 167891/73/074. The registered office of the company is located at Kathmandu-1, Seto Durbar Jamal. Its main objective is to carry out credit rating and related services within the territory of Nepal. It has obtained license from Securities Board of Nepal (SEBON) on 30th Kartik 2074 B.S. (16th November 2017) under Securities Act, 2063 and Credit Ratings Regulation, 2068; and obtained certificate of commencement of business from Office of Company Registrar on 12th Mangsir 2074 (28th November 2017). It has been registered in Inland Revenue Department (IRD) on 1st Jestha 2074 (5th May 2017) and VAT registered on 3rd Mangsir 2074 B.S. (19th November 2017) under Value Added Tax Act, 2052.

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.

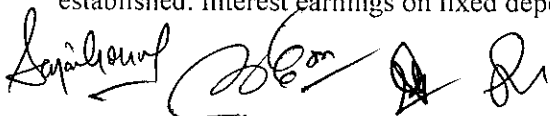
b. Use of estimates:

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%
Furniture & 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 recognized as income or as expense in the year in which they arise.

f. Employee benefits

Short term employee benefits

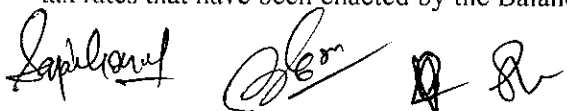
All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, allowances etc. are recognized in the Statement of Profit and Loss in the period in which the employee renders the related service and measured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

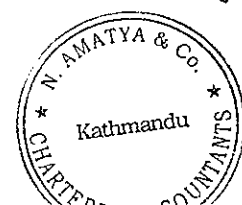
CARE Ratings Ltd.
(Formerly known as Credit Analysis and Research Ltd.)

b. Key Management Personnel

Mr. S.B. Mainak	Chairman
Mr. Rajesh Mokashi	Director
Mr. Mehul Pandya	Director
Dr. Binod Atreya	Director
Mr. Sajjan Goyal	Chief Executive Officer

Disclosure of transactions between the Company and related parties and the status of outstanding balances as on March 31, 2019

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Particulars	Holding Company	Key Management Personnel
During the period:		
Royalty Expense	12,28,353	
Salary & Other Benefits	-	65,73,612
Meeting fees and Allowance	-	1,47,000
Balance as on 31st March 2019		
Meeting Fees and Allowance		2,58,400
Salary & Other benefits payable		2,55,732
Technical Assistance Fees Payable	16,00,000	-
Royalty Payable	12,52,042	

S. B. Mainak

Mr. S.B. Mainak
Chairman

Sajan Goyal

Mr. Sajan Goyal
CEO

Mehul Pandya

Mr. Mehul Pandya
Director

Binod Atreya

Dr. Binod Atreya
Director

Rajesh Mokashi

Mr. Rajesh Mokashi
Director

Manish Amatya
CA Manish Amatya
Partner
For: N. Amatya & Co.
Chartered Accountants
Date: 03/05/2019

