

INDEPENDENT AUDITOR'S REPORT

The Shareholders,
CARE Ratings Nepal Limited

Opinion

We have audited the financial statements of CARE Ratings Nepal Limited, ("the company") which comprise the Balance Sheet as at 31st March, 2024 and the Statement of Profit or Loss, Cash Flow Statement and Statement of Changes in Equity for the period 1st April 2023 to 31st March, 2024, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at 31st March, 2024 and its financial performance and its cash flows for the 31st March, 2024 then ended in accordance with Nepal Accounting Standards.

Basis of Opinion

We conducted our audit in accordance with Nepal Standard on Auditing (NSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the Institute of Chartered Accountant of Nepal's code of ethics for professional accountants (ICAN Code) together with ethical requirements that are relevant to our audit of financial statements in Nepal, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

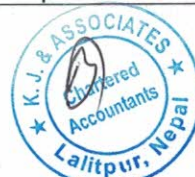
Emphasis of Matter – Restriction on Distribution and Use

The financial statements are prepared to assist the Company in complying with the provisions of parent company. As a result, financial statements may not be suitable for another purpose. Our report is intended solely for the CARE Ratings Nepal Ltd. and its parent company CARE Ratings Limited, India and should not be distributed to or used by parties other than the company and its parent company. 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

| S.N. | Key Audit Matters | Auditor's Response |
|------|---|--|
| 1. | Revenue Recognition Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects the | Our audit approach regarding revenue recognition included: a. Obtained an understanding of the revenue recognition process. |



| | |
|---|---|
| <p>consideration which the Company expects to receive in exchange for those services. Specifically, Rating/grading service 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.</p> <p>The significant portion of revenue include initial rating fee, surveillance fee and enhancement fee and the recognition of revenue can be complex. Given the complexities and subjectivity involved, same has been considered as Key Audit Matter in our audit.</p> | <ul style="list-style-type: none"> b. Evaluation of design, implementation and operating effectiveness of internal controls relating to revenue recognition process. c. Review of policies and procedures and assessment of its appropriateness. d. On selected sample of contracts, tested, our audit procedures included: <ul style="list-style-type: none"> - Reviewing the contracts terms and conditions; - Evaluation of performance obligations; - Assessment of contract modifications, if any; - Evaluation of contract pricing; - Inspection of the date of transfer of control of service and recording of revenue at an appropriate date. e. Evaluated the cut-off revenue recognition transactions on a sample basis to verify whether the customers have received the services and whether the recognition of revenue is consistent with the company's revenue recognition policies and accounting standards. |
|---|---|

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

Management is responsible for the preparation of the financial statements in accordance with Nepal Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

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



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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than those for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's Internal Control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management use of going concern basis of accounting and based on 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 going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit's report to 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 date of our audit's report. However, future events or condition may cause the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of financial statements, including disclosures, and whether the financial statements represent the underlying transactions and event in a manner that achieves fair presentation.

We communicate those charged with governance regarding, among other matters, the planned scope and timing of our audit and significant 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 be reasonably be thought to bear on our independence, and where applicable, related safeguards.

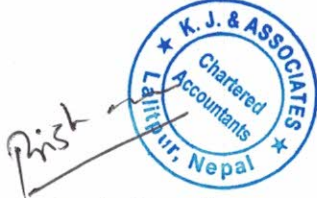
Report on the Requirements of the Companies Act 2063 and other regulatory requirements

Besides the reports mentioned in the above paragraphs, we further report on the following based on our audit, and the information and explanations provided to us.

- i. We have obtained all the information and explanations, which were considered necessary for the purpose of our audit.
- ii. Proper books of accounts and records as required by law have been maintained by the company
- iii. Financial Statements dealt with by this report are in agreement with the books of accounts maintained by Company. Those financial statements have been prepared in compliance with Nepal Accounting Standards.



- iv. In our opinion and to the best our information and according to the explanations given to us and from our examination of the books of the accounts of the Company, we have not come across any cases of accounting frauds and cases where the Board of Directors, the representatives or any employee of the Company has acted contrary to the provisions of law nor misappropriated any property of the Company or caused any loss or damage to the Company.



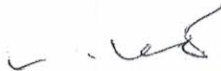
CA. Bishesh Chaudhary,
(Partner)
K.J. & Associates,
Chartered Accountants
COP No. 1012

Place: Lalitpur, Nepal
Date: 2024.04.21
UDIN: 240510CA01442kgKQt

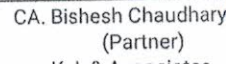
CARE Ratings Nepal Limited
Balance Sheet
As at March 31, 2024

| Particulars | Schedule No. | Amount in NPR | |
|---------------------------------|--------------|----------------------|----------------------|
| | | As at March 31, 2024 | As at March 31, 2023 |
| A EQUITY AND LIABILITIES | | | |
| 1 Shareholders' Funds | | | |
| Share Capital | 1 | 50,000,000 | 50,000,000 |
| Reserve and Surplus | 2 | 107,915,368 | 102,757,873 |
| Deferred Tax Reserve | | 809,437 | 1,076,369 |
| 2 Current Liabilities | | | |
| Advances from Clients | 3 | 16,532,464 | 18,537,412 |
| Withholding Taxes | 4 | 12,000 | 20,816 |
| Other Liabilities & Provisions | 5 | 14,159,449 | 13,797,851 |
| Provision for CSR | 12 | 997,777 | 801,565 |
| Total | | 190,426,496 | 186,991,887 |
| B ASSETS | | | |
| 1 Non - Current Assets | | | |
| Fixed Assets | | | |
| Tangible Assets | 6 | 1,324,206 | 1,294,726 |
| Cost | | 2,857,122 | 2,787,379 |
| Less: Accumulated Depreciation | | 1,532,916 | 1,492,653 |
| Non - Current Deposits | | 420,000 | 420,000 |
| Non - Current Fixed Deposits | 8A | 102,500,000 | 150,000,000 |
| 2 Deferred Tax Assets | | 809,437 | 1,076,369 |
| 3 Current Assets | | | |
| Cash and Cash Equivalents | 7 | 3,172,984 | 7,320,989 |
| Fixed Deposit | 8B | 78,500,000 | 25,000,000 |
| Trade Receivables | 9 | 834,795 | 557,690 |
| Advance Tax | 10 | 921,406 | - |
| Other Current Assets | 11 | 1,943,669 | 1,322,113 |
| Total | | 190,426,496 | 186,991,887 |


Schedules referred to above and Notes to Accounts attached hereto form integral part of this balance sheet.

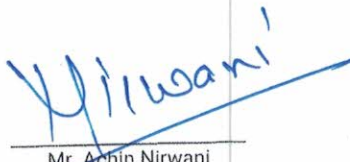

Dr. M Mathisekaran
Chairman

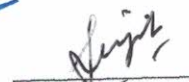

Director


CA. Bishesh Chaudhary
(Partner)
K.J. & Associates
Chartered Accountants




Dr. Binod Atreya
Director


Mr. Achin Nirwani
CEO


Mr. Sujit Shrestha
Account Head

Date: 18 April 2024
Place: Kathmandu, Nepal

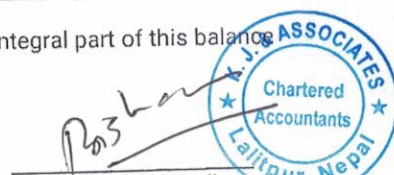
CARE Ratings Nepal Limited
Statement of Profit and Loss
For the period ended March 31, 2024


| Particulars | Schedule No. | Amount in NPR | |
|-----------------------------------|--------------|---------------------------|---------------------------|
| | | Year ended March 31, 2024 | Year ended March 31, 2023 |
| Income | | | |
| Revenue from operations | 13 | 80,062,620 | 77,038,493 |
| Other income | 14 | 19,532,544 | 17,407,412 |
| Total | | 99,595,164 | 94,445,905 |
| Expenses | | | |
| Employee Benefits Expenses | 15 | 26,135,351 | 24,530,759 |
| Depreciation and amortisation | 6 | 333,428 | 317,394 |
| Other expenses | 16 | 12,753,331 | 11,271,054 |
| Total | | 39,222,110 | 36,119,207 |
| Profit before tax | | 60,373,054 | 58,326,698 |
| Tax expense: | | | |
| Current tax | | 15,093,263 | 15,005,383 |
| Deferred tax expense / (income) | | 266,932 | (339,216) |
| Total tax expense | | 15,360,195 | 14,666,167 |
| Profit for the period | | 45,012,858 | 43,660,531 |
| Provision for CSR | | 452,798 | 437,451 |
| Profit for the period | | 44,560,060 | 43,223,080 |
| Earnings per Equity Share: | | | |
| Basic | | 90.03 | 87.32 |
| Diluted | | 90.03 | 87.32 |

Schedules referred to above and Notes to Accounts attached hereto form integral part of this balance sheet.

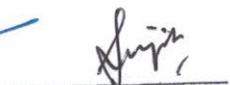

Dr. M Mathisekaran
Chairman


Mr. Mehul Pandya
Director


CA. Bishesh Chaudhary
(Partner)
K.J. & Associates
Chartered Accountants


Dr. Binod Atreya
Director


Mr. Achin Nirwani
CEO



Mr. Sujit Shrestha
Account Head

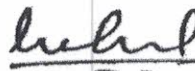
Date: 18 April 2024
Place: Kathmandu, Nepal


CARE Ratings Nepal Limited
Cash Flow Statement
For the period ended March 31, 2024


| Particulars | Amount in NPR | |
|---|-------------------------|-------------------------|
| | As at March 31, 2024 | As at March 31, 2023 |
| A. Cash flow from Operating Activities | | |
| Profit / (Loss) before tax | 60,373,054 | 58,326,698 |
| Adjustments for: | | |
| Depreciation and amortisation | 333,428 | 317,394 |
| Provision for CSR | (73,917) | 73,917 |
| Write-off of Fixed Assets | 87,092 | 10,061 |
| Interest income on fixed deposits | (19,532,544) | (17,273,872) |
| Operating profit before working capital changes | 41,334,947 | 41,306,364 |
| Movement in working capital: | | |
| (Addition)/Decrease in Non Current Deposit | - | - |
| Increase/(Decrease) in Current Liabilities & Provisions | (1,652,165) | (5,752,904) |
| (Increase)/Decrease in Other Current Assets & Receivables | (1,820,067) | 1,617,662 |
| | 37,862,715 | 37,171,122 |
| Taxes paid | (15,093,264) | (15,005,383) |
| Net Cash from Operating Activities (A) | 22,769,451 | 22,165,739 |
| B. Cash flow from Investing Activities: | | |
| Sale/Purchase of Fixed Assets | (450,000) | (664,575) |
| Investment in Fixed Deposits | (6,000,000) | (28,000,000) |
| Interest Received | 19,532,544 | 17,273,873 |
| Net Cash from Investing Activities (B) | 13,082,544 | (11,390,702) |
| C. Cash Flow from Financing Activities: | | |
| Dividend Paid | (40,000,000) | (10,526,317) |
| Net Cash from Financing Activities (C) | (40,000,000) | (10,526,317) |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | (4,148,005) | 248,721 |
| Cash and cash equivalents at the beginning of the period | 7,320,989 | 7,072,268 |
| Cash and cash equivalents at the end of the period | 3,172,984 | 7,320,989 |

Note: Figures have been re-grouped wherever necessary.



Dr. M Mathisekaran
Chairman

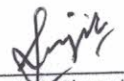

Mr. Mehul Pandya
Director


CA. Bishesh Chaudhary
(Partner)
K.J. & Associates
Chartered Accountants




Dr. Binod Atreya
Director

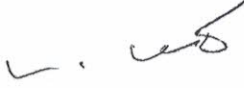

Mr. Achin Nirwani
CEO



Mr. Sujit Shrestha
Account Head


Date: 18 April 2024
Place: Kathmandu, Nepal



CARE Ratings Nepal Ltd.
Statement of Changes in Equity
 For the period ended March 31, 2024

| Particulars | Share Capital | Retained Earnings | Deferred Tax Reserve | Total |
|--------------------------------|---------------|-------------------|----------------------|--------------|
| Balance as at 1st April, 2022 | 50,000,000 | 70,400,327 | 737,153 | 121,137,480 |
| Adjustment for the period | | | | |
| Net Profit for the period | | 43,660,531 | | 43,660,531 |
| Dividend | | (10,526,317) | | (10,526,317) |
| Transferred to CSR Reserve | | (437,451) | | (437,451) |
| Deferred Tax Reserve | | (339,216) | 339,216 | - |
| Balance as at 31st March, 2023 | 50,000,000 | 102,757,874 | 1,076,369 | 153,834,243 |
| Adjustment for the period | | | | |
| Net Profit for the period | | 45,012,858 | | 45,012,858 |
| Dividend | | (40,000,000) | | (40,000,000) |
| Transferred to CSR Reserve | | (452,798) | | (452,798) |
| Transferred from CSR Reserve | | 330,503 | | 330,503 |
| Deferred Tax Reserve | | 266,932 | (266,932) | - |
| Balance as at 31st March, 2024 | 50,000,000 | 107,915,369 | 809,437 | 158,724,806 |


 Dr. M Mathisekaran
 Chairman

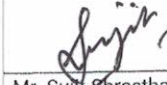

 Mr. Irena Randya
 Director


 CA. Bishesh Chaudhary
 (Partner)
 K.J. & Associates
 Chartered Accountants




 Dr. Binod Atreya
 Director


 Mr. Achin Nirwani
 CEO


 Mr. Sujit Shrestha
 Account Head

Date: 18 April 2024
 Place: Kathmandu, Nepal

CARE Ratings Nepal Limited
SCHEDULES TO FINANCIAL STATEMENTS
For the period ended March 31, 2024

| Particulars | Amount in NPR | |
|--|-------------------------|-------------------------|
| | As at March 31, 2024 | As at March 31, 2023 |
| SCHEDULE 1 - SHARE CAPITAL | | |
| Authorised | | |
| 500,000 nos. of Equity Shares of NRs. 100 each | 50,000,000 | 50,000,000 |
| Issued, subscribed and fully paid up | | |
| 500,000 nos. of Equity Shares of NRs. 100 each | 50,000,000 | 50,000,000 |
| Total | 50,000,000 | 50,000,000 |
| a. Reconciliation of the shares outstanding at the beginning and at the end of the year | | |
| Particulars | As at March 31, 2024 | As at March 31, 2023 |
| At the beginning of the year | 500,000 | 500,000 |
| Issued during the year | - | - |
| Outstanding at the end of the year | 500,000 | 500,000 |
| b. Detail of Shareholders holding more than 5% shares in the Company | | |
| Particulars | As at March 31, 2024 | |
| | Number | % of Total Shares |
| Care Ratings Ltd., India - Holding Company | 255,000 | 51% |
| Vishal Group Ltd. | 50,000 | 10% |
| Emerging Nepal Ltd. | 50,000 | 10% |
| Arpit Agrawal | 45,000 | 9% |
| SCHEDULE 2- RESERVE AND SURPLUS | | |
| Surplus in Statement of Profit and Loss | | |
| Opening Balance | 102,757,873 | 70,400,327 |
| Profit / (Loss) for the period | 45,012,858 | 43,660,531 |
| Less: Adjustment for dividend | (40,000,000) | (10,526,317) |
| Add: Transferred from Deferred Tax Reserve | 266,932 | (339,216) |
| Less: Provision for CSR for the year | (452,798) | (437,451) |
| Add: Transferred from CSR | 330,503 | - |
| Total | 107,915,368 | 102,757,873 |
| SCHEDULE 3 -ADVANCE RECEIVED FROM CLIENTS | | |
| Advance received from clients | 16,532,464 | 18,537,412 |
| Total | 16,532,464 | 18,537,412 |
| SCHEDULE 4 - WITHHOLDING TAXES | | |
| Withholding Taxes | 12,000 | 20,816 |
| Total | 12,000 | 20,816 |
| SCHEDULE 5 - OTHER LIABILITIES AND PROVISION | | |
| CARE Ratings Limited, India - Other | 617,735 | - |
| CARE Ratings Limited, India - Royalty | 2,399,066 | 2,295,054 |
| Dividend Payable | - | 982,341 |
| Income Tax Provision (Net of Advance Tax) | 219,300 | 185,300 |
| Meeting Fee Payable | 814,936 | 932,926 |
| Other liabilities | 1,439,440 | 1,377,032 |
| Payable to SEBON | 232,950 | 21,555 |
| Provision for Expenses Payable | 131,616 | 161,944 |
| Provision for Festival Allowance | 874,639 | 695,202 |
| Provision for Gratuity | 892,823 | 1,329,761 |
| Provision for Leave Encashment | 30,250 | - |
| Provision for Long Term Incentives | 3,947,260 | 3,980,188 |
| Provision for Staff Bonus | 1,458,395 | 1,374,304 |
| Provision for Variable Pay | - | - |
| Sundry Creditors for Expenses | 1,101,039 | 462,244 |
| VAT Payable | 14,159,448 | 13,797,851 |
| Total | 14,159,448 | 13,797,851 |

Note: Figures have been re-grouped wherever necessary.

[Signature]

[Signature]

[Signature]



CARE Ratings Nepal Ltd.

Schedule forming part of the Balance Sheet

For the period ended 31 March, 2024

(All amounts in NPR, unless otherwise stated)



SCHEDULE 6 : FIXED ASSETS

| PARTICULARS | COST | | | DEPRECIATION | | Amount in NPR Net Carrying Value As at Mar 31, 2024 | | |
|------------------------|----------------------|----------------|------------------------|-----------------------|----------------------|--|-----------------------|------------------|
| | As at Apr 1, 2023 | Addition | Disposal/ Write Off | As at Mar 31, 2024 | As at Apr 1, 2023 | | Disposal/Write off | |
| Tangible Assets | | | | | | | | |
| Furniture and Fixture | 366,141 | - | - | 366,140.73 | 182,905 | - | 227,762 | 138,379 |
| Computer & Accessories | 1,417,944 | 450,000 | 366,757 | 1,501,187 | 567,248 | 291,552 | 209,289 | 1,016,202 |
| PABX System | 23,014 | - | - | 23,014 | 10,896 | - | 3,031 | 9,087 |
| Vehicles | 13,500 | - | 13,500 | - | 829 | 1,613 | 784 | - |
| Office Equipment | 45,985 | - | - | 45,985 | 16,695 | - | 7,205 | 22,085 |
| Total | 1,866,583 | 450,000 | 380,257 | 1,936,326 | 778,573 | 293,165 | 265,166 | 1,185,752 |
| Leasehold Improvements | 920,795 | - | - | 920,795 | 714,080 | - | 68,262 | 138,453 |
| Total | 920,795 | - | - | 920,795 | 714,080 | - | 68,262 | 138,453 |
| Grand Total | 2,787,379 | 450,000 | 380,257 | 2,857,122 | 1,492,653 | 293,165 | 333,428 | 1,324,206 |

Chandra Prasad Shrestha

Pravin



CARE Ratings Nepal Limited
SCHEDULES TO FINANCIAL STATEMENTS
For the period ended March 31, 2024

| Particulars | Amount in NPR | |
|---|-------------------------|-------------------------|
| | As at March 31, 2024 | As at March 31, 2023 |
| SCHEDULE 7 - CASH AND BANK BALANCES | | |
| Cash on hand | 3,811 | 427 |
| Balances with Bank | 3,169,173 | 7,320,562 |
| Total | <u>3,172,984</u> | <u>7,320,989</u> |
| SCHEDULE 8 (A) - FIXED DEPOSIT | | |
| Original period is more than 12 months and currently, remaining is 12 months. | 102,500,000 | 150,000,000 |
| Total | <u>102,500,000</u> | <u>150,000,000</u> |
| SCHEDULE 8 (B) - FIXED DEPOSIT (Current) | | |
| Original period is between 3 to 12 months. | 8,500,000 | 20,000,000 |
| Original is more than 12 months, remaining is less than 12 months. | 70,000,000 | 5,000,000 |
| Total | <u>78,500,000</u> | <u>25,000,000</u> |
| SCHEDULE 9 - TRADE RECEIVABLES | | |
| Receivable from Clients | 834,795 | 557,690 |
| Total | <u>834,795</u> | <u>557,690</u> |
| SCHEDULE 10 - ADVANCE INCOME TAX | | |
| Advance Income Tax (Net of Income Tax Provision) | 921,406 | - |
| Total | <u>921,406</u> | <u>-</u> |
| SCHEDULE 11 - OTHER CURRENT ASSETS | | |
| Interest Income Receivable | 1,941,419 | 1,311,763 |
| Prepaid Expenses | - | 8,100 |
| Telephone Deposit | 2,250 | 2,250 |
| Total | <u>1,943,669</u> | <u>1,322,113</u> |
| SCHEDULE 12 - Corporate Social Responsibility | | |
| Opening Balance | 801,565 | 438,031 |
| Provision to be made for the year | 452,798 | 437,451 |
| Expenses made for CSR during the period | (256,586) | (73,917) |
| Total | <u>997,777</u> | <u>801,565</u> |

Note: Figures have been re-grouped wherever necessary.



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CARE Ratings Nepal Limited
SCHEDULES TO FINANCIAL STATEMENTS
For the period ended March 31, 2024

| Particulars | Amount in NPR | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2024 | Year ended March 31, 2023 |
| SCHEDULE 13 - REVENUE FROM OPERATIONS | | |
| Sale of Services | | |
| Rating Income | 80,062,620 | 77,038,493 |
| Total | 80,062,620 | 77,038,493 |
| SCHEDULE 14 - OTHER INCOME | | |
| Interest income on Call Deposits | 128,361 | 140,402 |
| Interest income on Fixed Deposits | 19,404,183 | 17,133,471 |
| Miscellaneous Income | - | 133,540 |
| Total | 19,532,544 | 17,407,412 |
| SCHEDULE 15 - EMPLOYEE BENEFIT EXPENSES | | |
| Contribution to Retirement fund | 1,480,199 | 1,423,539 |
| Salaries and Other Allowances | 18,106,908 | 17,357,268 |
| Staff Bonus | 6,548,244 | 5,749,952 |
| Total | 26,135,351 | 24,530,759 |
| SCHEDULE 16 - OTHER EXPENSES | | |
| Audit Fees (including Limited Review Fees) | 160,000 | 149,516 |
| Conference, Advertisement and Training Expenses | 541,171 | 257,690 |
| Directors' Sitting Fees | 250,000 | 210,000 |
| Office Expenses | 1,106,430 | 954,363 |
| Office Rent | 1,744,834 | 1,728,618 |
| Postage, Printing and Telephone Charges | 215,945 | 205,030 |
| Technical, Professional & Legal Charges | 687,735 | 203,350 |
| Rates, Charges and Taxes | 182,544 | 147,772 |
| Repair and Maintenance | 44,139 | 38,088 |
| Royalty Expenses | 4,003,131 | 3,851,924 |
| Services Charges to SEBON | 2,401,879 | 2,311,154 |
| Staff Welfare Expenses | 170,360 | 123,447 |
| Travelling and Conveyance Expenses | 342,192 | 307,321 |
| Vehicle Hire Charges | 815,880 | 772,720 |
| Write Off Expenses | 87,092 | 10,061 |
| Total | 12,753,331 | 11,271,054 |

Note: Figures have been re-grouped wherever necessary.



CARE RATINGS NEPAL LIMITED
NOTES TO FINANCIAL STATEMENTS
For the year ended on 31st March, 2024



NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Company Overview and Significant Accounting Policies

1.1 Company Overview:

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 Putalisadak, Kathmandu. 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). The Company provides various credit ratings that helps corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations.

Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Nepal Accounting Standards (NAS).

The financial statements were approved for issue by the Board of Directors on **April 18, 2024**. There are no subsequent events that impacts the financial statement.

The financial statements have been prepared on a historical cost basis.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

2.2 Summary of significant accounting policies

a. Use of estimates

The preparation of the financial statements in conformity with NAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results may differ from these estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have





the most significant effect on the amounts recognized in the financial statements are included in the following notes:

Useful Lives of Property, Plant & Equipment:

The Company uses its technical expertise along with historical and industry trends for determining the economic life of an asset/component of an asset. The useful lives are reviewed by management periodically and revised, if appropriate. In case of a revision, the unamortized depreciable amount is charged over the remaining useful life of the assets.

Revenue

The Company provides rating and grading services to its customers and recognizes the revenue measured at the fair value of consideration received or receivable. As a matter of prudent policy and on the basis of past experience of recoverability of income, fees are recognized when there is reasonable certainty of ultimate collection and the efforts required for completion of various activities in the rating process are completed.

b. Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

c. Foreign currencies

The Company's financial statements are presented in NPR, which is also the functional currency and the currency of the primary economic environment in which the Company operates.





Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in statement of profit or loss.

d. Revenue recognition

i. Revenue from contract with customer

The company earns revenue primarily from rendering rating and other related services.

Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those services.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers. The terms of payment typically for such arrangements are generally payable in advance or within 30 days of presentation of invoice.

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

For each performance obligation identified, the Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Company does not satisfy a performance obligation over time (similar to percentage completion method), the performance obligation is considered to be satisfied at a point in time (similar to completed contract method).

Recognizing revenue at a point in time:

Revenue is recognized on satisfaction of the respective performance obligation. Factors which are considered in determining whether the performance obligation is satisfied completely include applicable contractual terms, milestones indicative of satisfactory completion of performance obligation, history of client acceptance for similar products etc.

ii. Other income

Interest income





Interest income is recognized using the effective interest rate method on the time proportionate basis.

e. Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date where the Company operates and generates taxable income.

Current Income Tax comprises of the expected tax payable and receivable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous year. Current Tax assets and Current tax liabilities are offset only if there is legally enforceable right to be set off the recognized amounts and it is intention to realise the asset and settle the liability on net basis or simultaneously.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts for financial reporting purposes and the corresponding amounts used for taxation purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

f. Property, plant and equipment

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost



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for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Advances paid towards acquisition of PPE outstanding at each Balance Sheet date is classified as capital advances under other non-current assets. Capital work in progress is stated at cost, net of accumulated impairment loss, if any.

Depreciation on PPE is the systematic allocation of the depreciable amount over its useful life and is provided on a Written down basis.

The Company has established following depreciation rate based on the estimated range of useful lives for different categories of PPE as follows:

| Category of assets | Rate of Depreciation |
|------------------------|----------------------|
| Furniture and Fixtures | 25% |
| Office Equipment | 25% |
| Computers | 25% |
| Vehicles | 20% |
| Leasehold Assets. | Over the Lease terms |

Depreciation on additions is being provided on a pro rata basis from the date of such additions. Depreciation on sale or disposal is provided on a pro rata basis till the date of such sale or disposal.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

g. Provisions, contingent liabilities and contingent assets

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

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.



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Contingent liabilities are also disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Claims against the Company where the possibility of any outflow of resources in settlement is remote, are not disclosed as contingent liabilities.

Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and is recognized.

h. Employee Benefits

Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans (Social security fund, provident fund etc.)

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Provident Fund and Social Security Fund are defined contribution plans. The company makes specified monthly contributions towards, these funds. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans (gratuity)

The Company's net obligation in respect of defined benefit plans is calculated as required by labor law which is 8.33% of the basic salary at the time of accrual. The company recognizes such liability through statement of profit and loss account at each accounting period and carried over at cost. Such obligations are not remeasured annually.

Other long-term employee benefits (leave encashment)

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The company recognizes such liability on the basis of pay of the then reporting period. Such benefit is not discounted to determine its present value. The company also does not remeasure such obligations annually.

i. Earnings per share

The basic Earnings per equity share ("EPS*") is computed by dividing the net profit / (loss) after tax for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.





For the purpose of calculating diluted Earnings per equity share, net profit/(loss) after tax for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

j. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

k. Related party disclosures

Nature of relationship and name of the related parties:

a. Holding Company

CARE Ratings Ltd.

b. Key Management Personnel

Dr. M. Mathisekaran (w.e.f. January 08, 2024)
Mr. Sobhag Mal Jain (w.e.f. January 08, 2024)
Mr. Mehul Pandya
Dr. Binod Atreya
Ms. Nehal Shah (upto January 08, 2024)
Mr. Bharat Pd. Poudyal
Mr. Achin Nirwani

Chairman
Director
Director
Director
Director
Independent Director
Chief Executive Officer

Disclosure of transactions between the Company and related parties and the status of outstanding balances as on March 31, 2024:

| Particulars | Holding Company | Key Management Personnel |
|---|-----------------|--------------------------|
| During the period: | | |
| Royalty Expense | 40,03,131 | |
| Salary & Other Benefits excluding Statutory Bonus | - | 1,14,21,004 |
| Meeting fees and Allowance | - | 2,50,000 |
| Balance as on Ashad 31, 2080 | | |
| Meeting Fees and Allowance | | 2,19,300 |
| Salary & Other benefits payable | | 4,60,427 |
| Royalty Payable | 23,99,066 | - |
| Other Payable | 6,17,735 | |

i. Previous Year Figure and Rounding Off

Previous year figures are regrouped and rearranged wherever necessary. Figures in the financial statements are presented in Nepalese Rupees and are rounded to nearest rupee.





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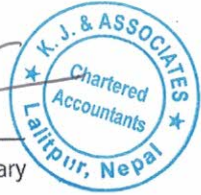
Dr. M Mathisekaran
(Chairman)

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Mr. Mehul Pandya
(Director)

[Handwritten signature]

CA. Bishesh Chaudhary
(Partner)
K.J. & Associates
Chartered Accountants



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Dr. Binod Atreya
(Director)

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Mr. Achin Nirwani
(CEO)

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Mr. Sujit Shrestha
(Accounts Head)

Date: 18 April 2024
Place: Kathmandu, Nepal