

INDEPENDENT AUDITOR'S REPORT
TO THE GENERAL MEMBERS OF SOWERS ACTION NEPAL

Opinion

We have audited the financial statements of **Sowers Action Nepal**, which comprises of Balance Sheet as at 31st Ashadh, 2081 (15th July, 2024) the Statement of Receipt and Expenditure during the year then ended on that date, Cash Flow Statement and Fund Accountability Statement for the year ended 31st Ashadh, 2081 (15th July, 2024), and a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements present fairly, in all material respects, the financial position of the Organization, as at 31st Ashadh, 2081 (15th July, 2024), and its financial performance, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Accounting Standards and other prevailing laws.

Basis for Opinion

We conducted our audit of the financial statements in accordance with Nepal Standards on Auditing (NSAs). 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 Handbook of The Code of Ethics for Professional Accountants issued by The Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of The Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Responsibility 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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the 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.

The Board of Members are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

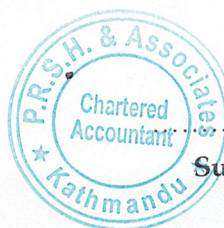
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 controls 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 Organization'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'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 Organization'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 Organization to cease to continue as a going concern.

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.

For P.R.S.H. and Associates
Chartered Accountants

Place: Kathmandu, Nepal
Date: 2081/06/15




Subash Poudel, FCA
(Partner)

UDIN No.: 241001CA00991xbgkY

SOWERS ACTION NEPAL
BOUDHA-06, KATHMANDU

Statement of Financial Position as on Ashadh 31st, 2081
(Corresponding to 15th July, 2024)

Particulars	Notes	(NRs.)	
		2080-81	2079-80
ASSETS			
Non - Current Assets			
Property, Plant and Equipment	4.1	272,530.56	643,476.21
Intangible assets	4.2	-	-
Total Non - Current Assets		272,530.56	643,476.21
Current Assets			
Inventories	4.3	-	-
Accounts receivable	4.4	879,598.04	4,000,000.00
Grant receivable		-	-
Cash and cash equivalents	4.5	2,237,006.41	514,901.34
Total Current Assets		3,116,604.45	4,514,901.34
Total Assets		3,389,135.01	5,158,377.55
LIABILITIES & RESERVES			
Accumulated Reserves			
Unrestricted Funds/accumulated surplus	4.6	2,339,799.22	5,130,449.52
Designated Funds	4.7	190,921.00	-
Restricted Funds		-	-
Endowment Fund	4.8	-	-
Other Capital Reserves	4.9	694,520.00	-
Total Accumulated Reserves		3,225,240.22	5,130,449.52
Non - Current Liabilities			
Loans and borrowings		-	-
Employee benefit liabilities		-	-
Deferred Income		-	-
Other non-current liabilities		-	-
Total Non - Current Liabilities		-	-
Current Liabilities			
Accounts payable	4.10	163,894.79	27,928.03
Loans and borrowings	4.11	-	-
Provisions	4.12	-	-
Total Current Liabilities		163,894.79	27,928.03
Total Liabilities		163,894.79	27,928.03
Total Liabilities and Reserves		3,389,135.01	5,158,377.55

The Notes on accounts form an integral part of the financial statements.

For P.R.S.H Associates
Chartered Accountants

Subash Poudel, FCA
(Partner)



On behalf of members



सोवर एक्सन
SOWERS ACTION
Nepal

Pasang Wandu Sherpa
(Chairman)

Karma Phurba Sherpa
(Treasurer)

Place: Kathmandu, Nepal
Date: 2081/06/14

SOWERS ACTION NEPAL
BOUDHA-06, KATHMANDU

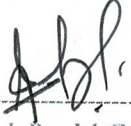
Statement of Income & Expenditures for the year ended on 31st Ashadh, 2081
(Corresponding to 16th July, 2023 to 15th July, 2024)

		(NRs.)	
Particulars	Notes	2080-81	2079-80
<u>INCOME</u>			
Incoming Resources	4.13	68,579,336.44	8,713,479.50
Financial Income		-	83,550.47
Other Income		-	-
Less: Transfer to Capital Reserves		-	(4,393,796.37)
Less: Transfer to Designated Reserve		(190,921.00)	-
Total Income		68,388,415.44	4,403,233.60
<u>EXPENDITURE</u>			
Program Expenses	4.14	67,609,840.33	3,950,774.73
General Administrative Expenditure	4.15	3,198,279.76	243,522.36
Depreciation & Amortization	4.1	370,945.65	208,936.51
Total Expenditure		71,179,065.74	4,403,233.60
Foreign exchange gain/ (loss)		-	-
Net surplus/(deficit) before Taxation		(2,790,650.30)	-
Income Tax Expenses		-	-
<u>SURPLUS/(DEFICIT) FOR THE YEAR</u>		<u>(2,790,650.30)</u>	<u>-</u>
<u>APPROPRIATION OF SURPLUS FOR THE YEAR</u>			
Allocation to Unrestricted Reserves		(2,790,650.30)	-
Allocation to Restricted Fund		-	-

The Notes on accounts form an integral part of the financial statements.

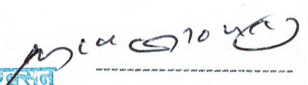
For P.R.S.H Associates
Chartered Accountants

On behalf of Member


Subash Poudel, FCA
(Partner)



सोदरस एक्सन
SOWERS ACTION
Nepal


Pasang Wandu Sherpa
(Chairman)

Place: Kathmandu, Nepal
Date: 2081/06/14


Karma Phurba Sherpa
(Treasurer)

SOWERS ACTION NEPAL
BOUDHA-06, KATHMANDU

Statement of Cash Flow for the year ended 31st Ashadh 2081 (15th July 2024)

Particulars	(NRs.)	
	2080-81	2079-80
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/ (deficit) for the year (Before Tax)	(2,790,650.30)	-
<u>Adjustments to reconcile surplus/(deficit) to net cash flows:</u>		
<u>Non-cash items:</u>		
Depreciation and impairment of property, plant and equipment	370,945.65	208,936.51
Amortization and impairment of intangible assets	-	-
<u>Working capital adjustments:</u>		
Accounts receivable	3,120,401.96	(4,000,000.00)
Accounts payable	135,966.76	16,628.02
Net cash from/(used in) operating activities	836,664.07	(3,774,435.47)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property Plant and Equipment	-	(620,199.97)
Purchase of intangible assets	-	-
Proceeds from sale of equipment	-	-
Purchase of securities	-	-
Interest received	-	-
Income from securities, net	-	-
Net cash from/(used in) investing activities	-	(620,199.97)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing of government loans	-	-
Repayments of government loans	-	-
Transfer to Designated	190,921.00	-
Transfer to Capital Reserve	694,520.00	4,393,796.37
Loans and Borrowings	-	-
Net cash from/(used in) financing activities	885,441.00	4,393,796.37
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,722,105.07	(839.07)
CASH AND CASH EQUIVALENTS AT 01 Shrawan 2080	514,901.34	515,740.41
CASH AND CASH EQUIVALENTS AT 31 Ashadh 2081	2,237,006.41	514,901.34

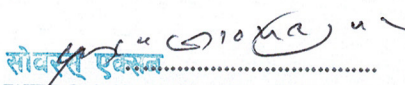
The Notes to accounts form an integral part of the financial statements.

For P.R.S.H Associates
Chartered Accountants

On behalf of Member


Subash Poudel, FCA
(Partner)




SOWERS ACTION
Nepal
Pasang Wandu Sherpa
(Chairman)


Karma phurba Sherpa
(Treasurer)

Place: Kathmandu, Nepal
Date: 2081/06/14

SOWERS ACTION NEPAL

Statement of Change in Reserves

For the Year Ended on 31 Ashadh 2081 (15 July 2024)

Description	Restricted Fund	Designated Fund	Unrestricted Reserves	Endowment Funds	Capital Reserves	Result for the Year	Total
Balance as at 31 Ashadh 2079	-	-	736,653.16	-	-	-	736,653.16
Result for the Year	-	-	-	-	-	-	-
Grant received for Fund	-	-	4,393,796.36	-	-	-	4,393,796.36
Amount Spent out of the fund	-	-	-	-	-	-	-
Allocation of results to Unrestricted Fund	-	-	-	-	-	-	-
Allocation of results to Endowment Fund	-	-	-	-	-	-	-
Allocation of results to Capital Fund	-	-	-	-	-	-	-
Balance as at 01 Shrawan 2080	-	-	5,130,449.52	-	-	-	5,130,449.52
Result for the Year	-	-	-	-	-	(2,790,650.30)	(2,790,650.30)
Grant received for Fund	-	190,921.00	-	-	-	-	190,921.00
Amount Spent out of the fund	-	-	-	-	-	-	-
Allocation of results to Unrestricted Fund	-	-	(2,790,650.30)	-	-	2,790,650.30	-
Allocation of results to Endowment Fund	-	-	-	-	-	-	-
Allocation of results to Capital Fund	-	-	-	-	694,520.00	-	694,520.00
Balance as at 31 Ashadh 2081	-	190,921.00	2,339,799.22	-	694,520.00	-	3,225,240.22

The Notes on accounts form an integral part of the financial statements.

For P.R.S.H. Associates
Chartered Accountants



Place: Kathmandu, Nepal
Date: 2081/06/14

On behalf of member



Pasang Wandi Sherpa
(Chairman)

Karna Phurba Sherpa
(Treasurer)

4. Notes to Financial Statement

4.1 Property Plant and Equipment

Item	Opening balance	Additions during the year	Disposals during the year	Balance at 31.03.2081
Land	-	-	-	-
Buildings	-	-	-	-
Vehicles	-	-	-	-
Computer equipment	-	-	-	-
Office Equipment	240,734.69	-	-	240,734.69
Furniture and Fittings	402,741.52	-	-	402,741.52
Plant and Machinery	-	-	-	-
Capital work in progress	-	-	-	-
Total	643,476.21	-	-	643,476.21

Accumulated Depreciation

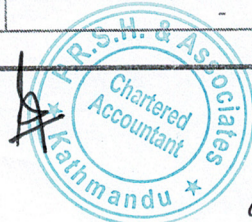
Item	Balance as at 01.04.2080	Charge for the year	Disposals during the year	Balance at 31.03.2081
Land	-	-	-	-
Buildings	-	-	-	-
Motor Vehicles	-	-	-	-
Computer Equipment	-	-	-	-
Office Equipment	134,247.17	60,183.67	-	194,430.84
Furniture and Fittings	74,689.34	101,825.47	-	176,514.81
Plant and Machinery	-	-	-	-
	208,936.51	162,009.14	-	370,945.65
Capital work in progress	-	-	-	-
Total	208,936.51	162,009.14	-	370,945.65

4.2 Intangible Assets

Item	Balance as at	Additions during	Disposals during	Balance at
Software	-	-	-	-
Emblem	-	-	-	-
Other Intangible Assets	-	-	-	-
Total	-	-	-	-

Amortization

Item	Balance as at 01.04.2080	Charge for the year	Balance at 31.03.2081
Software	-	-	-
Emblem	-	-	-
Other Intangible Assets	-	-	-
Total	-	-	-



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4.3 Inventories

Particulars	2080-81	2079-80
Raw Materials and Consumables	-	
Finished Goods and Goods for Sale/use	-	
Work In progress	-	
Project materials		
General inventory	-	
Total	-	

4.4 Accounts Recievable

Particulars	2080-81	2079-80
Advance for Building		4,000,000.00
Withholding taxes		
Advance to Prayatna Travels and tours Pvt. Ltd	8,615.04	
Other accounts receivable	870,983.00	
Ashraya Samuha	870,983.00	-
Total	879,598.04	4,000,000.00

4.5 Cash and cash equivalents

Particulars	2080-81	2079-80
Cash in hand	16,637.00	2,475.37
Cash at bank	2,220,369.41	512,425.97
NIMB-30	1,283,758.41	-
NIMB-40	936,611.00	-
Short-term deposits		
Total	2,237,006.41	514,901.34

4.6 Unrestricted Funds

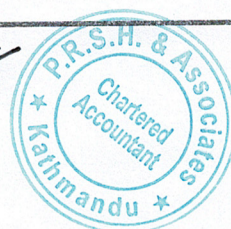
Particulars	2080-81	2079-80
Balance at beginning of the year	5,130,449.52	736,653.16
Unrestricted surplus/deficit in operating activities	(2,790,650.30)	4,393,796.36
Additional Grant Received	-	
Balance at end of the year	2,339,799.22	5,130,449.52

4.7 Designated Funds

Particulars	2080-81	2079-80
Balance as at beginning of year	-	
Additional Funds received during the year	190,921.00	
Balance as at year end	190,921.00	

Restricted Funds

Particulars	2080-81	2079-80
Balance as at beginning of year		
Additional Funds received during the year	-	
Transfer to Unrestricted Funds		
Balance as at year end	-	



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4.8 Endowment Funds

Particulars	2080-81	2079-80
Balance at beginning of the year	-	-
Surplus/deficit for the year	-	-
Balance at end of the year	-	-

4.9 Other Capital Reserves

Particulars	2080-81	2079-80
Balance at beginning of the year	-	-
Received for Capital Reserve	694,520.00	-
Balance at end of the year	694,520.00	-

4.10 Accounts Payable

Particulars	2080-81	2079-80
Refundable to donors	-	-
Prepayment received	-	-
Wages Payable	-	1,928.00
Accrued Expenses	-	-
Other Payables	163,894.79	26,000.02
SST Payable on Salary	15,658.00	14,700.02
Audit Fee Payable	55,750.00	11,150.00
TDS on wages	1,475.35	
TDS on Service Charges	81,196.40	
TDS on Audit Fee	1,200.00	150.00
TDS on Transportation	8,615.04	
Total	163,894.79	27,928.02



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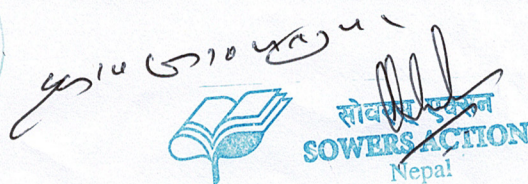
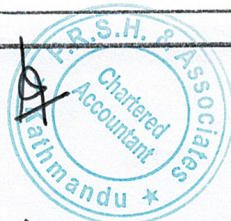
 **SOWERS ACTION**
Nepal

4.13 Incoming Resources

Particulars	2080-81	2079-80
Grants - Restricted Funding	11,461,500.00	-
Local Donation	915,068.00	-
Grants - Unrestricted Funding	-	8,713,479.50
Grants - Designated Funding	51,069,693.70	-
Donation in kind	5,133,074.74	-
Total	68,579,336.44	8,713,479.50

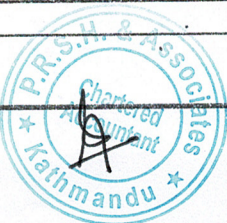
4.14 Program Expenses

Particulars	2080-81	2079-80
<u>Sowers Action Nepal 2023</u>		
Property	41,987,166.00	
100's Group	1,843,836.00	579,157.71
Cafe	924,378.78	-
CWARDS	1,660,068.00	-
Tax Expenses	10.00	
Jhirpu School	906,000.00	1,132,500.00
Library	2,533,783.81	-
SAN 2023 SWC Fee	270,000.00	-
Sanitary Pads	423,741.00	-
Vocational Training	171,867.00	-
Total of Sowers Action Nepal 2023	50,720,850.59	1,711,657.71
<u>Language Class Project</u>		
Salary	832,800.00	1,470,002.02
Class Rent		600,000.00
Class Rent Tax	55,309.00	
Tax Expenses	20.00	
Field Expenses	28,240.00	-
Teaching Materials	113,656.00	169,115.00
Total of Language Class Project	1,030,025.00	2,239,117.02
<u>Jajarkot Earthquake Relief 2024</u>		
Tarpaulin	3,790,500.00	-
Blanket	2,869,200.00	-
Bucket	377,250.00	-
Jug	142,920.00	-
Sanitary Pad	114,800.00	-
Towel	2,147,500.00	-
Cloth Washing Soap	95,400.00	-
Bathing Soap	105,020.00	-
Tooth Brush	190,900.00	-
Tooth Paste	133,400.00	-
Transportation Expenses	649,000.00	-
SWC Fee	110,000.00	-
	10,725,890.00	-
Clothes Distribution	5,133,074.74	-
Total	67,609,840.33	3,950,774.73



4.15 General Administrative Expenditure

Particulars	2080-81	2079-80
<u>Sowers Action Nepal 2023</u>		
Maintenance Cost	268,479.50	-
Salary Expenses	733,000.00	-
Tax Expenses	51,587.10	-
Utilities	50,872.36	-
Miscellaneous		
Refreshment Expenses	108,659.05	-
Office Utilities	582,453.32	-
Office Expenses	213,541.79	-
Meeting Expenses	35,558.74	-
Audit fee	56,500.00	-
Other Expense	22,935.00	-
<u>Total of Sowers Action Nepal 2023</u>	2,123,586.86	-
<u>Language Class Project</u>		
Electricity	20,994.10	10,305.00
Furnishing	88,891.49	-
Garbage	5,000.00	17,644.00
IT	132,399.00	-
Tax Expenses	21,697.15	-
Medical	27,560.00	-
Network	28,016.00	-
Office Supplies/Stationary	35,462.00	90,911.01
Organizational Renewal	80,778.00	45,232.66
Refreshment Expenses	-	31,178.00
Phone	34,809.00	27,199.00
Transportation	82,892.60	-
Water	17,550.31	-
Repair and Maintenance	-	9,752.69
Bank Charge	4,654.25	-
Audit Fee	-	11,300.00
<u>Total of Language Class Project</u>	580,703.90	243,522.36
<u>Jajarkot Earthquake Relief 2024</u>		
Project Visibility Banner	41,000.00	-
Insurance Expenses	29,960.00	-
Donation to Volunteers Corps Nepal For Hr	210,000.00	-
Travelling Expenses	177,800.00	-
Project Audit Fee	33,900.00	-
Bank Charge	1,329.00	-
<u>Total of Jajarkot Earthquake Relief 2024 Project</u>	493,989.00	-
Total	3,198,279.76	243,522.36



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4.16 Income Tax Expense

As per the Nepalese Income Tax Act Mahamaya Foundation, NPO Nepal is liable to be taxed a for any surplus during the accounting period where it fails to receive income tax exemption status. Or alternatively

The Organization has got tax exempted status and accordingly no provision for tax has been made. However, income tax deducted at sources of income has been charged to such revenue and reflected net of such withholding tax. Total of such withholding tax amounts to.

4.17 Capital Commitments

The Organization has no any Capital Commitments.

4.18 Contingent Liabilities

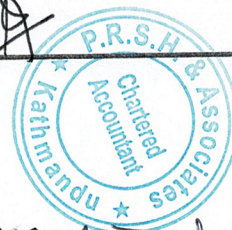
The Organization has no Contigent liabilities.

4.19 Related Party Transactions

The Organization has no related party Transaction



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SOWERS ACTION
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SOWERS ACTION NEPAL

Bouddha-06, Kathmandu

For the Year Ended on 31st Ashadh 2081 (15 July 2024)

7. STATEMENT OF ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

1. General Information

The Organization is a non-profit organization established under Social Welfare Act. It is established and is affiliated with Income Tax Act. Its registered office is at Boudhha-06, Nepal as principle place of activities.

2. Basis of Preparation

2.1 Statement of Compliance

The Statement of Financial Position, Statement of Income & Expenditure, Statement of Changes in Reserves, Statement of Cash Flows together with the Accounting Policies and Notes to the financial statements as at 31st Ashadh 2081 and for the year then ended comply with the Generally Accepted Accounting Principles to the extent applicable and the Nepal Accounting Standards for NPOs (NAS for NPOs) issued by Accounting Standard Board of Nepal.

2.2 Basis of measurement

The financial statements have been prepared using the historical cost convention or at fair value wherever specifically disclosed.

2.3 Functional and presentation currency

The financial statements are presented in Nepali Rupees (NRs.), which is the organization's functional and presentation currency. All financial information presented in Rupees has been rounded to the nearest rupees/thousands/million, except when otherwise indicated.

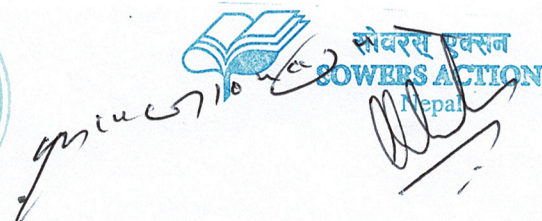
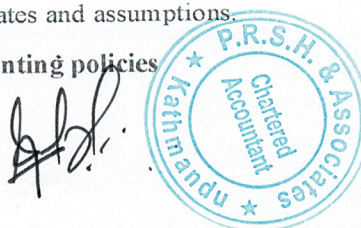
2.4 Changes in Accounting Policies and Disclosures

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

2.5 Significant Accounting Judgments, 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.

3. Summary of significant accounting policies



3.1 Property Plant and Equipment

a. Cost and Valuation

All items of property, plant and equipment are initially recorded at cost. Subsequent to the initial recognition of an asset, property plant and equipment are carried at cost less any subsequent depreciation. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the Statement of Income & Expenditure as an expense as incurred.

Buildings owned are used for purposes of the organization and not for income generating purpose and therefore do not fall under the definition of Investment Property.

b. Depreciation

Depreciation is provided for on all Property Plant and Equipment on the straight-line basis and is calculated on the cost of all property, plant and equipment other than land, in order to write off such amounts less any terminal value over the estimated useful lives of such assets.

The annual rates of depreciation currently being used by the organization based on useful life less residual/terminal value are:

Assets	Rate
Building	5%
Computer/ Printer	25%
Office Equipment	25%
Plant and Machinery	15%
Vehicles	25%

Donated Assets

Where property plant and equipment is purchased as a part of a project through restricted funds which initially written off as project cost with corresponding income, if on conclusion of the project, the asset is not handed over to the beneficiary or returned to the original donor, the asset is valued on the conclusion of the project with the approval from funding agencies and brought into the financial statements under property plant and equipment with corresponding credit to a Capital Reserve. Depreciation provided on such assets will be charged against such capital Reserve. For purpose of depreciation the date of valuation for inclusion in the financial statements is considered the date of purchase.

3.2 Intangible Assets



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Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost minus any accumulated amortization, except for assets with indefinite useful lives. Internally generated intangible assets are not capitalized; expenditure is therefore reflected in the Statement of Income & Expenditure in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortized over their useful economic life. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Accordingly, straight line amortization over the useful life is carried out.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

3.3 Foreign-currency transactions

Transactions in currencies other than Nepal Rupees are converted into Nepal Rupees at rates which approximate the actual rates at the transaction date. At the reporting date, monetary assets (including securities) and liabilities denominated in foreign currency are converted into Nepal Rupees at the rate of exchange at that date. Realized and unrealized exchange differences are reported in the Statement of Income & Expenditure.

3.4 Cash and cash equivalents

The Organization considers and classifies cash in hand, amounts due from banks and short-term deposits with an original maturity of three months or less under the category of "Cash and cash equivalents". Bank borrowings that are repayable on demand and form an integral part of the the organization's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash flows.

3.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the price at which inventories can be reasonably expected to be sold in the market place, less any estimated cost necessary to make the sale.

The cost is determined on first-in first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

Items donated for distribution or resale are not included in the financial statements until such time they are distributed or resold.

3.6 Provisions



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A provision is recognized in the statement of financial position the organization when has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation, and the obligation can be measured reliably.

3.7 Employee Benefits Liabilities

The organization's obligation in respect of the defined future benefit plans is calculated separately for each benefit plans by estimating the amount of future benefit that employees have earned in the current and prior periods. The calculation of the defined benefit obligations is performed annually.

3.8 Loans and Borrowings and Account Payables

Loans and Borrowings and Accounts payables are stated at their cost.

3.9 Accounting for the receipt and utilization of Funds/Reserves

Reserves

Reserves are classified as either restricted or unrestricted reserves.

a. Unrestricted Reserves/Funds/accumulated surplus

Unrestricted funds are those that are available for use by the organization at the discretion of the Board, in furtherance of the general objectives of the organization and which are not designated for any specific purpose.

Surplus funds are transferred from restricted funds to unrestricted funds in terms of the relevant Donor Agreements or with the prior approval of the Donor.

Contributions received from the general public are recognized in the Statement of Income and Expenditure on a cash basis

b. Designated Reserves/Funds

Unrestricted funds designated by the Board to a specific purpose are identified as designated funds. The activities for which these funds may be used are identified in the financial statements.

Where grants are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the Statement of Income & Expenditure to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective Fund accounts and included under accumulated fund in the Statement of Financial Position until such time as they are required.

Funds collected through a fund raising activity for any specific or defined purpose are also included under this category.

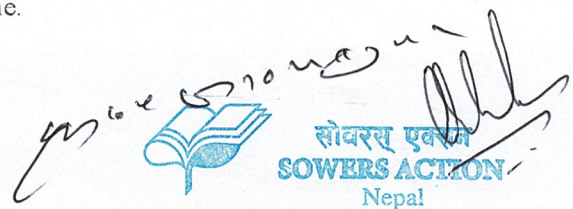
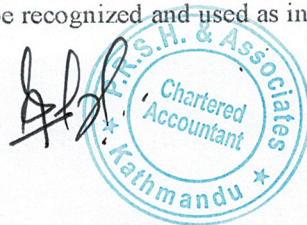
Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received such amount is recognized through Debtors in the Statement of Financial Position.

c. Restricted Fund

The activities for which these restricted funds may and are being used are identified in the notes to the financial statements Restricted Reserves/Funds. Such restricted fund may include conditions for refund should there be balance of fund at the end of the project.

d. Endowment Reserves/Funds

Where assets are received as an endowment, which are not exhausted, only the income earned from such assets may be recognized and used as income.



- e. Investment Income and other gains realized from funds available under each of the above categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise. Where such income can be used for general purpose, same shall be treated as income in the Statement of Income & expenditure.

3.10 Grants and Subsidies

Grants and subsidies are recognized in the financial statements at their fair value. When the grant or subsidy relates to an expense it is recognized as deferred income necessary to match it with the costs over the accounting years, which is intended to compensate for on a systematic basis.

Grants and subsidies in the form of PPE (Fixed assets) are generally shown as deferred income in the Statement of Financial Position and credited to the Statement of Income & Expenditure over the useful life of the asset by the amount of depreciation with corresponding debit to deferred income over more than one accounting period.

In the case of grants received to fund an entire project or activity, which includes the purchase of an asset, and the cost of such asset is charged with the project costs to the Statement of Financial Performance, the grant value is recognized as income in the same period as the cost of the asset is charged to the Statement of Income & Expenditure.

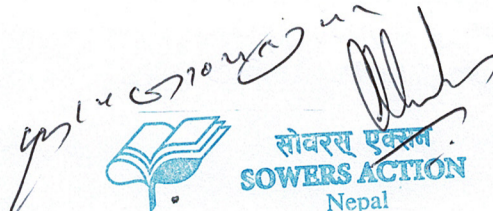
At the end of the project, when there is certain fair value remains of such assets charged to Statement of Income & Expenditure, same will be recognized as capital reserve at fair value with corresponding value of PPE. Each year and over its useful life, the depreciation will be charged to capital reserve with corresponding credit to related PPE.

3.11 Income recognition

a. Contributions/Incoming Sources

Income realized from restricted funds is recognized in the Statement of Income & Expenditure only when there is certainty that all of the conditions for receipt of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the Statement of Income & Expenditure. Unutilized funds are carried forward as such in the Statement of Financial Position.

Gifts and donations received in kind are recognized at fair value at the time that they are distributed to beneficiaries, or if received for resale with proceeds being used for the purpose of the organization at the point of such sale. Items not sold or distributed are inventoried but not recognized in the financial statements.



All other income is recognized when the organization is legally entitled to the use of such funds and the amount can be quantified. This would include income receivable through fund raising activities and donations.

b. Financial Income

Interest earned is recognized on an accrual basis when there is certainty of receipt. Dividend received is recognized when the right to receive dividend is established.

Revenues earned on services rendered are recognized in the accounting period in which the services were rendered and accepted by the clients.

Net gains and losses on the disposal of property, plant and equipment and other non-current assets, including investments, are recognized in the Statement of Income & Expenditure after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses.

- c. Other income is recognized on an accrual basis except otherwise categorically explained to be on cash basis.

3.12 Expenditure recognition

Expenses in carrying out the projects and other activities of the organization are recognized in the Statement of Income & Expenditure during the period in which they are incurred. Other expenses incurred in administering and running the organization and in restoring and maintaining the property plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the Statement of Income & Expenditure.

3.13 Taxation

a. Current Taxes

Income tax is provided in accordance with the provisions of the Income Tax Act on the profits earned by the organization subject to exemptions referred to in Note to the financial statements.

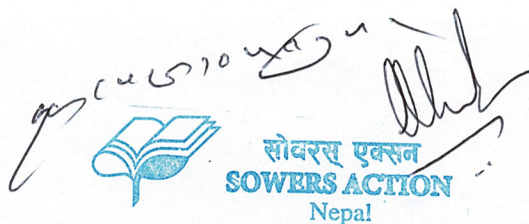
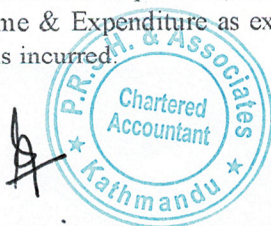
b. Value added taxes

Value added taxes (VAT) that are payable on services and goods purchased are normally included in the cost of such item. An exception would be where the organization is exempted and entitled to refund, in such case, same would be reflected as receivable in the Statement of Financial Position.

3.14 Borrowing costs

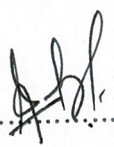
Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset, are charged off to Statement of Income & Expenditure as expense. Other borrowing costs are treated as an expense in the period in which it is incurred.

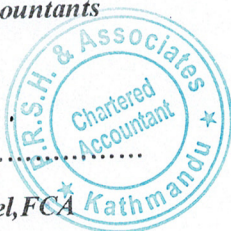
3.15 Contingent liabilities



Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the organization. It may also be a present obligation that arises from past events but in respect of which an outflow of economic benefit is not probable or which cannot be measured with sufficient reliability. Such contingent liabilities are recorded. For certain operational claims reported as contingent liabilities, it is not practical to disclose detailed information on their corresponding nature and uncertainties.

*For P.R.S.H Associates
Chartered Accountants*


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Subash Poudel, FCA
(Partner)

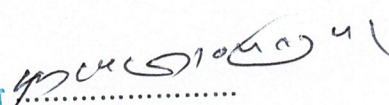


Place: Kathmandu, Nepal
Date: 2081/06/14

On Behalf Of



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Nepal


.....
Pasang Wandu Sherpa
(Chairman)


.....
Karma Phurbu Sherpa
(Treasurer)