

M Tiwari & Associates
Chartered Accountants

KIRTIPUR MUNICIPALITY -1
TYANLA, P.O. Box 12136
KATHMANDU, NEPAL
Tel: 4330886 Mob:9741186117

Independent Auditor's report to the shareholder of Salleri Chialsa Electricity Company Limited

We have audited the accompanying financial statement of **Salleri Chialsa Electricity Company Limited** of Ashadh 31, 2073 (July 15, 2016) comprising of balance sheet, profit and loss account, cash flow statement and related schedule thereto for the period then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards (NAS). These responsibilities includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing or relevant practices. Those Standards or relevant practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements gives a true and fair view of the financial position of Salleri Chialsa Electricity Company Limited, as on 31 Ashad 2073 (corresponding to 15 July 2016) and operational result and cash-flow for the period ended thereof in accordance with Nepal Accounting Standards.



Date: December 12, 2016
Place: Kathmandu, Nepal

M. Dhar Tiwari

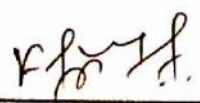
SALLERI CHIALSA ELECTRICITY COMPANY LTD.

BALANCE SHEET

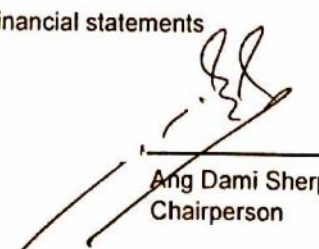
As on 31 Ashad 2073 (15 July 2016)

Particulars	Sch.	This Year Amount (Rs.)	Last Year Amount (Rs.)
Source of Fund			
1 Shareholders' Fund			
- Share Capital	1	61,412,000.00	61,412,000.00
- Reserve and Surplus	2	47,950,970.14	37,762,704.43
- Grant Aid in Reserve		43,464,378.64	45,367,928.07
2. Mid-term & Long term Loan Fund	3	-	-
- Secured		-	-
- Unsecured		-	-
Total		152,827,348.78	144,542,632.50
Application of Fund			
Fixed Assets			
Fixed Assets (Gross Value)	4	172,871,867.86	167,867,236.48
Less : Acc Depreciation		56,552,914.11	50,665,794.12
Net Fixed assets	4	116,318,953.75	117,201,442.37
Capital Work in Progress		-	-
Investment	5	26,853,191.69	25,955,984.17
Current Assets			
Inventory	6	5,338,044.93	4,853,366.01
Trade & Other Receivables	7	4,513,122.93	2,975,469.75
Cash and Other Balance	8	11,301,775.44	6,120,362.57
Prepaid expenses, Advances & Deposits	9	4,101,459.14	3,931,353.30
Total Current Assets		25,254,402.44	17,880,551.63
Less : Current Liabilities	10	1,590,822.26	5,519,417.75
Less : Provision	11	7,690,989.15	6,131,309.04
Less: Deferred Tax Liabilities		6,317,387.69	4,844,618.88
Net Current Assets		9,655,203.34	1,385,205.96
Total		152,827,348.78	144,542,632.50
Significant Accounting Policies & Notes to Accounts	18		

Schedule 1 to 18 form an integral part of this financial statements


Krishna Prasad Nepal
General Manager




Ang Dami Sherpa
Chairperson

As per our report of even date


Murali Dhar Tiwari
M. Tiwari & Associates
Chartered Accountants

Directors

Sher Singh Bhat
Lekha Nath Koirala
Migmar Gyalzen Sherpa

Aman Jonche
Jun Hada
Dorgee Sherpa

SALLERI CHIALSA ELECTRICITY COMPANY LTD.
Profit and Loss Account
For the year ending 31 Ashad 2073 (15 July 2016)

Particulars	Sch.	This Year Amount (Rs.)	Last Year Amount (Rs.)
Operating Income			
Sales of Electricity	12	18,350,035.00	15,825,990.00
Miscellaneous Surcharges/Income	13	7,568,818.19	5,248,161.94
Total Operating Income		25,918,853.19	21,074,151.94
Operating Expenses			
Personnel Cost	14	6,168,514.85	5,959,315.07
Power House Expense		-	-
Repair and Maintenance	15	2,141,114.22	1,421,109.59
Total Operating Expense		8,309,629.07	7,380,424.66
Operating Profit		17,609,224.12	13,693,727.28
Other Income			
Income from Investment/Interest		1,787,047.32	1,574,872.88
Depreciation Being revenue Portion of Grant Aid		1,903,549.43	1,903,549.43
		3,690,596.75	3,478,422.31
Other Expenses			
Depreciation	4	5,887,120.00	5,632,488.14
Administrative Expenses	16	1,244,827.16	1,453,396.15
Management Expenses	17	501,643.29	739,751.00
Provision for Employees' Bonus		677,833.60	478,541.20
		8,311,424.05	8,304,176.49
Profit before Tax		12,988,396.82	8,867,973.10
Provision for Taxation		1,327,362.30	219,822.24
Deferred Tax Expenses/(Income)		1,472,768.81	1,725,988.74
Net Profit		10,188,265.71	6,922,162.12
Profit & Loss Appropriation			
Last year balance		32,691,780.80	25,769,618.67
Profit for this fiscal year		10,188,265.71	6,922,162.13
Total		42,880,046.51	32,691,780.80
Less: Interim Dividend		-	-
Less: Proposed Dividend		-	-
Balance transferred to Balance Sheet		42,880,046.51	32,691,780.80

Schedule 1 to 18 form an integral part of this financial statements

As per our report of even date

Krishna Prasad Nepal
General Manager

Directors

Sher Singh Bhat

Lekha Nath Koirala

Migmar Gyalzen Sherpa

Ang Dami Sherpa
Chairperson

Aman Jonche

Jun Hada

Dorgee Sherpa

Murali Dhar Tiwari
M. Tiwari & Associates
Chartered Accountants

SALLERI CHIALSA ELECTRICITY COMPANY LTD.

Cash Flow Statement

For the year ending 31 Ashad 2073 (15 July 2016)

S. N.	Particulars	This Year Amount (Rs.)	Last Year Amount (Rs.)
A.	Cash flow from operating Activities		
	1. Net Profit/ Loss before tax and extraordinary items	12,988,396.82	8,867,973.10
	Adjustment		
	Add:		
	1. Depreciation	5,887,119.99	5,632,488.14
	2. Expenses written off	-	-
	3. Investment Income	(1,787,047.32)	(1,574,872.88)
	4. Provisions for Bonus	677,833.60	478,541.20
	5. Profit on sale of Immovable assets	-	-
	6. Other-non cash expenses (Provision for Gratuity/Leave)	252,847.65	(344,550.71)
	7. Excess of Acc Gratuity/Leave payment over provision	-	-
		18,019,150.75	13,059,578.85
	1. Decrease(Increase) in Current assets	(2,192,437.94)	(1,049,895.44)
	2. Increase (Decrease) in Current liabilities	(3,928,595.49)	1,609,345.37
	3. Cash flow from Operation	11,898,117.32	13,619,028.78
	4. Interest paid	-	-
	5. Tax paid/refund	(219,822.24)	(821,096.01)
	Net Cash flow from Operating Activities	11,678,295.08	12,797,932.78
B.	Cash flow from Investing Activities		
	1. Interest /Dividend received/investment income	1,787,047.32	1,574,872.88
	2. Sale (Purchase) of Fixed assets	(6,908,180.81)	(20,669,502.51)
	2. Sale (Purchase) of Investment	(897,207.52)	3,711,577.49
	4. Decrease (Increase) in Capital work in progress	-	-
	Net cash flow from Investing Activities	(6,018,341.01)	(15,383,052.14)
C.	Cash flow from Financing Activities		
	1. Issue of shares (except bonus shares)	-	2,153,250.00
	2. Repayment of Long term borrowing	-	-
	3. Dividends paid	-	-
	4. Bonus Paid	(478,541.20)	(327,205.18)
	5. Others (Decease in Back stopping Material)	-	-
	Net cash flow from Financing Activities	(478,541.20)	1,826,044.81
	Net Increase(Decrease) in Cash = A+B+C	5,181,412.87	(759,074.55)
	Cash and bank balance at beginning of the year	6,120,362.57	6,879,437.12
	Cash and bank balance at end of the year	11,301,775.44	6,120,362.57

Krishna Prasad Nepal
General Manager

Directors

Sher Singh Bhat

Lekha Nath Koirala

Migmar Gyalzen Sherpa

Ang Dami Sherpa
Chairperson

Aman Jonche

Jun Hada

Dorgee Sherpa

Murali Dhar Tiwari
M. Tiwari & Associates
Chartered Accountants

Schedule - 1

Share Capital		This Year Amount NRs.	Last Year Amount NRs.
A. Authorized			
800000 Share @ 100 Per Share		80,000,000.00	80,000,000.00
B. Issued			
51412 Preference Shares @ 1000 Per Share		51,412,000.00	51,412,000.00
1000000 Ordinary Shares @ 10 per Share		10,000,000.00	10,000,000.00
		61,412,000.00	61,412,000.00
D. Paid Up			
51412 Preference Shares @ 1000 Per Share		51,412,000.00	51,412,000.00
1000000 Ordinary Shares @ 10 per Share		10,000,000.00	10,000,000.00
Less: Calls in arrears		-	-
Total		61,412,000.00	61,412,000.00

Schedule - 2

Reserve & Accumulated Profit		This Year Amount NRs.	Last Year Amount NRs.
A. Capital Reserve		1,404,451.43	1,404,451.43
Emergency Fund		1,463,103.50	1,463,103.50
Renewal Fund		1,463,103.50	1,463,103.50
Back Stopping Materials		740,265.20	740,265.20
B. Accumulated Profit		42,880,046.51	32,691,780.80
Profit/ Loss of Profit & Loss A/C		-	-
Prior Period Adjustment		-	-
Total		47,950,970.14	37,762,704.43



Schedule - 3

	Medium & Long Term Loan		This Year Amount NRs.	Current Year Amount NRs.
A. Secured Loan				
1 Long Term Loan			-	-
From Bank			-	-
From Finance Company			-	-
From Subsidiary Co., controlled firms & similar			-	-
From Director/Managing Director or Manager			-	-
Others			-	-
2 Debenture			-	-
From Bank			-	-
From Finance Company			-	-
From Subsidiary Co., controlled firms & similar			-	-
From Director/Managing Director or Manager			-	-
Others			-	-
3 Other Secured Loan			-	-
B. Unsecured Loan			-	-
1 Long Term Loan			-	-
From Bank			-	-
From Finance Company			-	-
From Subsidiary Co., controlled firms & similar			-	-
From Director/Managing Director or Manager			-	-
Others			-	-
2 Debenture			-	-
From Bank			-	-
From Finance Company			-	-
From Subsidiary Co., controlled firms & similar			-	-
From Director/Managing Director or Manager			-	-
Others			-	-
3 Other Unsecured Loan			-	-
Total			-	-










Schedule - 5

Investment	This Year Amount NRs.	Last Year Amount NRs.
Fixed Deposit at Rastriya Baniya Bank, Salleri	-	-
Call Account Nepal Investment Bank	12,561,787.15	11,300,000.00
Fixed Deposit at Universal Finance Co.	-	-
Investment in Shares of Public Listed Company	1,116,127.60	826,527.60
Investment in Units of Citizen Investment Trust	10,504,000.00	10,504,000.00
Citizen Investment Trust (Retirement Benefit Fund)	2,671,276.94	3,325,456.57
Total	26,853,191.69	25,955,984.17

Schedule - 6

Inventories	This Year Amount NRs.	Last Year Amount NRs.
HT Materials	422,141.03	393,175.60
LT Materials	2,128,787.81	1,839,471.81
Electrical Materials	312,167.18	312,167.18
Fixing materials	38,512.50	36,912.50
Machines/mechanical spare parts	178,214.35	178,214.35
Power house materials	791,691.40	683,545.15
Construction materials	33,250.76	21,432.35
Painting equipment materials	189,340.19	189,340.19
Miscellaneous materials	39,193.00	36,693.00
Guest house materials	192,144.50	168,911.19
Workshop materials	252,838.21	244,977.69
Stationeries	23,660.00	19,921.00
Backstopping spare parts	702,474.00	702,474.00
Camping/kitchen materials	33,630.00	26,130.00
Total	5,338,044.93	4,853,366.01

Schedule - 7

Trade & Other Receivables	This Year Amount NRs.	Last Year Amount NRs.
Electricity bills receivable	2,078,733.00	2,125,749.00
Interest Receivable	856,277.17	714,272.00
Reconnection Charges Receivable	-	380.00
Telephone Deposit	9,000.00	9,000.00
Miscellaneous	1,569,112.76	126,068.75
Total	4,513,122.93	2,975,469.75

Schedule - 8

Cash & Other Balance	This Year Amount NRs.	Last Year Amount NRs.
A. Petty Cash	24.58	10,000.00
B. Rastriya Baniya Bank, Salleri A/C No 2573	8,734,606.87	3,308,496.73
C. Business Universal Development Bank	2,311,256.93	2,220,869.12
D. NABU Bank A/C No 663, Kathmandu	255,887.06	255,887.06
E. Nepal Investment Bank Limited	-	325,109.66
Total	11,301,775.44	6,120,362.57



K. Singh

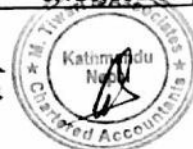
P. K. Singh

Post.

[Signature]

[Signature]

[Signature]



Schedule - 9

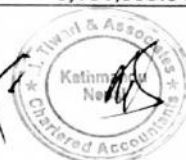
Prepaid expenses, advances, loans and deposits		This Year Amount NRs.	Last Year Amount NRs.
A. <u>Loans & Advances</u>			
- Subsidiaries Companies		-	-
- Controlled Firms		-	-
- Other Concerned Organization		-	-
- Staff (Sub-Schedule- 1)		1,698,863.09	1,514,681.63
- Director / Managing Director		-	-
- Officers		-	-
- Other		-	-
B. <u>Secured Trade Deposits</u>			
- Legal Authorities		-	-
- Other		-	-
C. Prepaid insurance		21,562.98	12,051.76
D. L/C and Guarantee		-	-
E. Deposits With Suppliers		-	-
F. Advance to Contractor		-	-
G. Advance Tax		2,381,033.07	2,404,619.91
H. Refundable Advance		-	-
I. Account Receivables		-	-
J. Insurance & Other Claims		-	-
K. Others		-	-
L. Less: Doubtful		-	-
Total		4,101,459.14	3,931,353.30

Schedule - 10

Current Liabilities		This Year Amount NRs.	Last Year Amount NRs.
Excess payment connection fee		2,900.00	18,650.00
Advance Electricity bill received		842,564.99	566,921.99
Staff Medical		159,542.24	140,042.24
Others Payable		72,991.45	381,139.36
Prepaid Cost Participation		179,000.00	2,822,439.42
Advance additional share money		326,500.00	190,000.00
Reconnection charges payable		1,585.00	-
Retention Money		-	1,400,224.74
Welfare Fund		5,738.58	-
Total		1,590,822.26	5,519,417.75

Schedule - 11

Provisions		This Year Amount NRs.	Last Year Amount NRs.
Provision for Income Tax		1,327,362.30	219,822.24
Provision for Gratuity		4,670,190.99	4,434,747.36
Provision for Leave Compensation		1,015,602.26	998,197.91
Provision for Bonus		677,833.60	478,541.53
Total		7,690,989.15	6,131,309.04






Schedule - 12


Sales of Electricity	This Year Amount NRs.	Last Year Amount NRs.
Revenue from Level 1	421,200.00	440,570.00
Revenue from Level 2	1,865,970.00	1,737,600.00
Revenue from Level 3	2,461,289.00	2,450,703.00
Revenue from Level 4	10,796,806.00	9,620,136.00
Revenue from Level 5	965,598.00	1,121,678.00
Electricity bill from other connection	31,573.00	56,578.00
Electricity bill from Beni Hydro Power	277,378.00	347,349.00
Electricity bill from Upper Solu	781,645.00	40,760.00
Electricity bill from Upper Solu (HQ)	748,576.00	10,616.00
Total	18,350,035.00	15,825,990.00

Schedule - 13

Miscellaneous Surcharges/Income	This Year Amount NRs.	Last Year Amount NRs.
Application Fee	6,510.00	4,390.00
Late Payment Fee	251,885.00	228,465.00
Temporary Level Upgrading	37,005.00	17,968.00
Disconnection Fee	18,150.00	17,200.00
Reconnection Fee	18,510.00	18,745.00
Sale of service drop cable	222,865.00	281,491.60
Meter & Meter Box damaged charges	8,500.00	600.00
SDB & Loss Damage Charge	1,500.00	-
Rent and sales of technical services	93,095.00	55,770.00
Miscellaneous Income	4,479,026.24	325,531.69
Discount Income	40,147.90	-
Rent of other materials	8,800.00	3,850.00
New Connection charges	1,813,354.05	3,845,870.90
Connection fee (NDHH)	7,250.00	17,750.00
Earthling	562,220.00	430,529.75
Total	7,568,818.19	5,248,161.94





Schedule - 14

Personnel Cost		This Year Amount NRs.	Last Year Amount NRs.
		2,139,812.77	2,067,156.50
Salaries		2,360,318.00	2,275,031.00
Difficult Area Allowance		57,600.00	73,600.00
Children Allowance		169,588.50	181,257.00
PF Contribution		164,200.00	213,299.00
Dashain Bonus, PH & Hq Allowance		-	10,000.00
Miscellaneous (Reward)		943,119.63	804,640.00
Staff Gratuity		154,926.79	155,479.53
Provision for Leave Payment		6,816.87	-
Training & Upgrading		42,218.00	51,428.00
Electricity Rebate		70,414.29	55,424.04
Overtime		-	-
Temporary Staff Salary		-	-
Company Bonus		59,500.00	72,000.00
Staff Medical Scheme		-	-
Total		6,168,514.85	5,959,315.07

Schedule - 15

Repair and Maintenance		This Year Amount NRs.	Last Year Amount NRs.
		62,510.00	33,623.85
Civil Structure (PH)		11,942.50	93,565.20
Building		24,552.00	53,210.80
E/M Equipment		260,788.88	111,457.06
HT Transmission Line		645,393.86	641,104.65
LT Transmission Line		68,626.36	46,200.07
Tools, Machinery and Equipment		1,552.00	21,300.00
Furniture & Fixture		-	1,350.00
Office Machine		90,015.00	49,970.00
Compound Maintenance Work		975,733.62	369,327.96
Annual Maintenance costs		-	-
Vehicle repair cost		-	-
Total		2,141,114.22	1,421,109.59



Schedule - 16

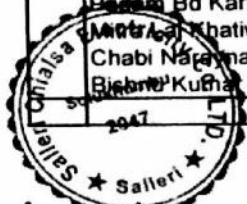
Administrative Cost		This Year Amount NRs.	Last Year Amount NRs.
		58,005.00	66,533.50
Office Materials/Stationery		-	7,780.00
Electricity expenses (destroy)		48,511.00	43,632.75
Printing, Copies & Bindings		105,686.29	88,285.82
Communication		31,200.00	30,940.00
Outside Services & study tour		190,183.67	259,074.00
Staff Travel/Perdiems		-	-
Seminar Workshops		90,215.00	131,095.00
Audit Fee & expenses		2,069.00	4,974.00
Bank Charges		75,242.05	118,190.70
Refreshment Expense		19,100.00	7,365.00
Cleaning Material		11,866.69	9,989.98
Stock Material Out of use		22,010.00	29,416.00
Internal Electricity Consumption		64,823.53	34,250.00
Consultancy Services		50,756.00	100,238.00
Subscription/Signboard/Advertisement		900.00	900.00
Registration & Land Revenue		135,900.00	171,600.00
Per Diem		18,660.66	37,581.00
Transportation & Documentation		53,655.00	64,410.00
Miscellaneous Expense		5,420.00	5,820.00
Library		260,623.27	241,320.40
Insurance Expenses		-	-
Social Activities		-	-
Total		1,244,827.16	1,453,396.15

Schedule - 17

Management Expense		This Year Amount NRs.	Last Year Amount NRs.
		12,000.00	10,500.00
Directors Meeting Fees		340,163.73	222,132.00
Directors Lodging/Fooding		33,400.00	21,535.00
AGM other expenses		116,079.56	61,771.00
AGM Preparation Cost		-	423,813.00
Inauguration Expenses		501,643.29	739,751.00
Total		501,643.29	739,751.00

Sub-Schedule - 1

Staff Loan and Advances		This Year Amount NRs.	Last Year Amount NRs.
		531,230.23	456,285.45
Krishna Pd Nepal		336,291.14	287,063.51
Rameshor Maskey		414,289.83	354,504.22
Mem Kumari Maskey		-	139,222.02
Kul Narayan Shrestha		193,175.89	166,097.39
Dorjee Jangbu Sherpa		198,197.35	111,509.04
Badrin Bd Karki		-	-
Badrin Bd Khatiwada		-	-
Chabi Narayana Rajbhandari		25,678.65	-
Bishnu Kumar Rai		-	-
Total		1,698,863.09	1,514,681.63



Signature

Signature



Signature

Signature



SALLERI CHIALSA ELECTRICITY COMPANY LTD.

FIXED ASSETS

Schedule - 4

As on 31 Ashad 2073 (15 July 2016)

Particulars	Life In Year	Dep Rate(%)	Gross Block		Total As at 31/03/2073	As at 1/4/2072	Depreciation		Net Block	
			As at 1/4/2072	addition During Year			for the year	Total as at 31/03/2073	WDV As at 31/03/2073	WDV As at 31/03/2072
Land	0.0	0.0	41,300.41	-	41,300.41	-	-	-	41,300.41	41,300.41
Civil Structures Including Building	40.0	2.50	23,475,962.33	-	23,475,962.33	12,298,438.49	586,924.06	12,885,362.55	10,591,599.78	11,178,523.84
Electro Mechanical Equipment's	25.0	4.00	14,117,270.46	-	14,117,270.46	12,331,599.56	564,650.82	12,896,250.38	1,220,980.08	1,785,670.90
Electro Mechanical Equipment's New	25.0	4.00	1,544,153.00	-	1,544,153.00	72,060.47	61,766.12	133,826.59	1,410,326.41	1,472,092.53
High-tension Transmission	35.1	2.85	12,261,412.90	-	12,261,412.90	7,505,362.49	349,450.27	7,854,812.76	4,406,600.14	4,756,050.41
High-tension Transmission New	35.1	2.85	6,250,888.91	1,308,870.20	7,559,759.11	180,902.65	215,453.13	396,355.78	7,163,403.33	6,069,986.26
Low-tension Distribution	25.0	4.00	24,105,850.55	3,253,908.65	27,359,759.20	12,208,001.62	1,094,350.37	13,302,351.99	14,057,367.21	11,897,848.93
Tools Machinery and Equipment	10.0	10.00	288,857.00	-	288,857.00	288,856.00	-	288,856.00	1.00	1.00
Tools Machinery and Equipment New	10.0	10.00	139,127.00	-	139,127.00	107,101.10	13,912.70	121,013.80	18,113.20	32,025.90
Tools Machinery and Equipment New	10.0	10.00	59,724.33	11,978.00	71,702.33	6,594.94	7,170.23	13,765.17	57,937.16	53,129.39
Furniture & Fixtures	10.0	10.00	182,585.00	-	182,585.00	182,584.00	-	182,584.00	1.00	1.00
Furniture & Fixtures	10.0	10.00	62,149.50	-	62,149.50	52,422.75	6,214.55	58,637.70	3,511.80	9,726.75
Office Machines	5.0	20.00	1,813,376.00	-	1,813,376.00	1,813,375.00	-	1,813,375.00	1.00	1.00
Office Machines	5.0	20.00	407,594.00	331,225.53	738,819.53	254,360.20	147,763.91	402,124.11	336,695.42	153,233.80
Office Vehicles	6.7	15.00	14,055.00	-	14,055.00	14,054.00	-	14,054.00	1.00	1.00
Office Vehicles	6.7	15.00	160,700.00	-	160,700.00	120,525.00	24,105.00	144,630.00	16,070.00	40,175.00
E/M Equipment's Grant aid	25.0	4.00	47,588,735.74	-	47,588,735.74	2,220,807.67	1,903,549.43	4,124,357.10	43,464,378.64	45,367,928.07
Office Software	5.0	20.00	45,782.00	98,640.00	145,431.00	18,712.80	29,086.20	47,799.00	97,632.00	28,069.20
Civil Structures Including New	40.0	2.50	35,305,712.35	-	35,305,712.35	990,035.38	882,642.81	1,872,678.19	33,433,034.16	34,315,676.97
This Year's Balance			187,867,236.48	5,004,631.38	172,871,867.86	60,685,794.12	6,887,119.39	66,552,914.11	116,318,953.76	117,201,442.38
Last Year's Balance			149,101,283.40	18,785,953.08	167,887,236.48	45,033,305.98	5,632,488.14	50,665,794.12	117,201,442.38	104,067,877.42



[Handwritten signatures and initials]



SALLERI CHIALSA ELECTRICITY COMPANY LTD.

Change in Equity

As on 31 Ashad 2073 (15 July 2016)

Particulars	Preference Share	Equity Share	Retained earning	Capital Reserve	Emergency Fund	Renewal Fund	Back Stopping Material	Total
Opening Balance	51,412,000	7,846,750	32,691,780.80	1,404,451.43	1,463,103.50	1,463,103.50	740,265.20	97,021,454.43
Adjustment			-					
Share capital issued during the year			-	-	-	-	-	-
Retained earning this year			10,188,265.71	-	-	-	-	10,188,265.71
General reserve			-	-	-	-	-	-
Proposed dividend this year			-	-	-	-	-	-
Closing Balance	51,412,000	10,000,000	42,880,046.51	1,404,451.43	1,463,103.50	1,463,103.50	740,265.20	109,362,970.14



[Handwritten signatures and initials]



Significant Accounting Policies and Notes to the Accounts

ANEXURE – 18

a. Background

The Company is incorporated as a public company under the Company Act, 2063. The objective of the Company is to own, possess and operate efficiently and manage appropriately Salleri Chialsa Small Hydro Plant in Solukhumbu District in the Eastern Development Region of Nepal. SCECO distributes electricity of nominal 220/380 (+/-10%) and frequency of 50 Hertz (cycle per second).

The financial statements apply to the financial year ended 31st Ashad 2073 (15th July 2016).

b. Accounting Convention

Financial statements are prepared in accordance with Nepal Accounting Standard and the prevailing Company Act 2063 (2006). Except where otherwise stated, they are based on accrual and historical cost convention basis. These policies have been consistently applied to all the years presented unless stated otherwise.

c. Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

d. Fixed Assets

Fixed assets are recorded at the cost of acquisition including incidental costs related to acquisition and installation.

e. Depreciation

Depreciation on fixed assets is provided on the Straight Line Method as per the method used by Company

f. Grant Aid in Reserve

Grant received related to assets is shown at fair value as "grant aid in reserve" to the extent of asset creation they contribute. Grant aid in reserve is reduced by the depreciation of such assets and same amount is realized as income to balance the expense of depreciation expense in the profit and loss account.

g. Retirement benefits

Retirement benefits for employees include the provident fund gratuity and leave benefit schemes. Periodic contributions made to the provident fund are charged to revenue on accrual basis. Provision for gratuity is made in accordance with NAS 14 (IAS 19) 'Employees benefits' employing actuarial assumption. While, provision for leave has been made on the basis of actual liability calculated in accordance with SCECO service rule.

The gratuity and leave benefit are computed based on the current drawn salary at the end of the fiscal year and an incremental gratuity and leave benefit for the year are provided as revenue expenses. Permanent employees are eligible for the gratuity scheme after the completion of five years of service. The gratuity amount is paid to the employees on superannuation or separation.

h. Provision for staff bonus

Provision for staff bonus has been calculation as per the internal policy of the Company.



[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

- i. **Taxation**
Provision for Income Tax has been provided as per Income Tax Act, 2058.
- j. **Inventories**
Closing stock of inventory is valued at First in First Out Method (FIFO).
- k. **Deferred Tax**
Deferred tax has been computed as follows:

Particulars	Financial base	Tax base	Temporary Difference	Differed Tax
Fixed Assets	116,318,953.75	83,633,968.88	(32,684,984.87)	(6,536,996.97)
Gratuity	943,119.63	0	943,119.63	188,623.93
Leave Provision	154,926.79	0	154,926.79	30,985.36
Total deferred tax provision for 2072-73				(6,317,387.69)
Provision up to last year				4,844,618.88
Deferred tax expenses				1,472,768.81

- l. **Regrouping of figures**
The figures of the previous year have been regrouped / rearranged wherever necessary.

Handwritten signatures and stamps:

Top left: *Signature*

Top center: *Signature*

Top right: *Signature*

Bottom left: *Signature*

Bottom left stamp: Salleri Chals & Electricity Co. Ltd. Solukhumbu 2047 Salleri

Bottom right stamp: M. Tiwari & Associates Kathmandu Nepal Chartered Accountants